Research Article

Micro-Credential Course of Audit Expectation Gap: Blaming Game, Fix the Audit Misconception V2

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Abstract: *The role of the auditor in fostering trust and integrity of audited financial statements is vital for the financial ecosystem. The main task of an auditor on financial statement audit is described in auditing standards in every jurisdiction, for example, in the International Standard of Auditing (ISA) and Malaysian Companies Act 2016 (CA 2016). Yet, people have consistently had the wrong idea about auditor roles and responsibilities. Users hold auditors accountable for business failure and financial scandals because they assume the auditor is responsible to detect fraud during the auditing process. This misunderstanding ultimately led to auditors being called before the court, like in the recent case of Serba Dinamik and 1Malaysian Development Berhad (1MDB). The Public comprehension of auditors' roles must be clarified to reduce this expectation gap and remove the misunderstanding. The best way to do this is perhaps through education. However, educating individuals about standards is never easy. Therefore, utilising the most recent development in teaching and learning, a Micro-Credential online course has been developed to allow greater information and knowledge sharing on the blaming game between the auditor and client's management to fix the audit misconception. The objective is to clear up the misconception among public, the management of audit clients, accounting professionals and most importantly, the accounting students, who will be joining the financial market soon and be the player in the financial ecosystem. This project also promotes Sustainable Development Goal (SDG) 4: Quality Education to ensure inclusive and equitable quality education and promote lifelong learning opportunities for all since it is free of charge. Hopefully, this social innovation will help to foster a harmonise and sound financial system by addressing the misconception through education.*

Keywords: Audit Misconception; Auditor role; Course; Micro-Credential; SDG4

1. INTRODUCTION

The Collapse of giant corporation caused by high-profile financial scandals in recent years have eroded public trust on the Malaysian financial ecosystem. This is worrying as it may contribute to the loss of investor trust and harm Malaysian economic growth (Vighneswaran, 2015) because an investor may see Malaysia as a less attractive destination for foreign direct investment. What had happened to 1 Malaysian Development Berhad (1MDB) and Serba Dinamik had caused reputational damages to Malaysian governance and auditors are held accountable for their failure to detect such scandal during the auditing process. This portrays how confused the public is about the role of the auditor to detect fraud within a limited time by testing the selected sampling significant to their audit. Users of Financial Statement (FS) perceived the audited FS to be free from errors, fraud, and illegal activities. This is totally a wrong understanding implying a gap exists between auditor statutory roles in auditing FS and user expectation about the auditor's duty (Deepal & Jayamaha, 2022).

The auditor can never be perfect as they are providing reasonable assurance that the FS of a company is free from material misstatement [ISA 200, ISA 240 and CA2016 Sec.266(1)-(3)], not an absolute one (Quick, 2020). This is making sense as the audit work done are based on sampling instead of the total population of all companies' transaction for a particular year. The element of inherent risks arises from the companies' nature of business and specific circumstances will increase the possibility of undetected misstatement in the FS by the auditor. The real role to prevent and identify fraud in the FS lies under management responsibility (ISA 240,4). However, users seem have no idea about this.

The public's lack of trust in auditors' credibility and competency, fuelled by misconceptions and unreasonable expectations about their roles has resulted in widespread criticism and litigation claims against auditors, including in Malaysia. Recent disputes in the 1MDB Corporation Berhad case and Serba Dinamik (SD) have further damaged the auditors' reputation. Everything began when KPMG, SD's former auditor, identified RM 4.54 billion in questionable customer transactions and requested an impartial examination before signing the audited report for the year-end of 2020 (Barrock, 2021). In response, SD filed a lawsuit against its auditor for making the situation public by filing a report with the security commission, which later led to a sharp decline in the price of SD's stock. SD also inquired about KPMG's auditing procedures, which they stated were subpar for one of the Big Four firms and did not justify the high audit fees charged (NST Business, 2021).

2. BACKGROUND OF THE PROJECT

The above issue creates motivation for this project to highlight and clarify the statutory roles and responsibilities of auditor and companies' management in FS reporting to reduce the expectation gap and clear up the misunderstanding by developing the project named ***"Micro-Credential Course of Audit Expectation Gap: Blaming Game, Fix the Audit Misconception V2"***. Perhaps education is the best strategy for achieving this (Fulop, Tiron-Tudor, & Cordos, 2019; Quick, 2020) and reaching all financial market players including the public as potential investors, the management of audit clients, accounting professionals and most importantly the accounting students, the use of Micro-Credential (MC) online course as an educational tool will provide a convenience and an equitable way of learning (Brown, Mhichíl, Beirne, & Mac Lochlainn, 2021) which support the effort towards achieving SDG4: Quality Education.

3. DEVELOPMENT OF MICRO-CREDENTIAL COURSE

This MC online course is developed using an online platform, *UFuture* managed by Universiti Teknologi MARA (UiTM). Content expert all around Malaysia has been gathered to utilise this space to select a specialised area to promote lifelong learning as urged by SDG 4 based on the current issue that will benefit society at large and at the same time, benefit students around the world. MC provides a predetermined learning route enabling students to learn at their preferred pace. It provides a flexible and comfortable learning style accessible by everyone just in time students need it. MC also proves to encourage the development of human skills as an alternative learning method which helps to develop a wider range of competencies within a qualification (Coyne, Hollas, Lane, & Ellis, 2019; Msweli, Twinomurinzi, & Ismail, 2022). Figures 1 and 2 demonstrate the interface for the first time searching and display of the MC course before joining the course after the user log in to the platform respectively.

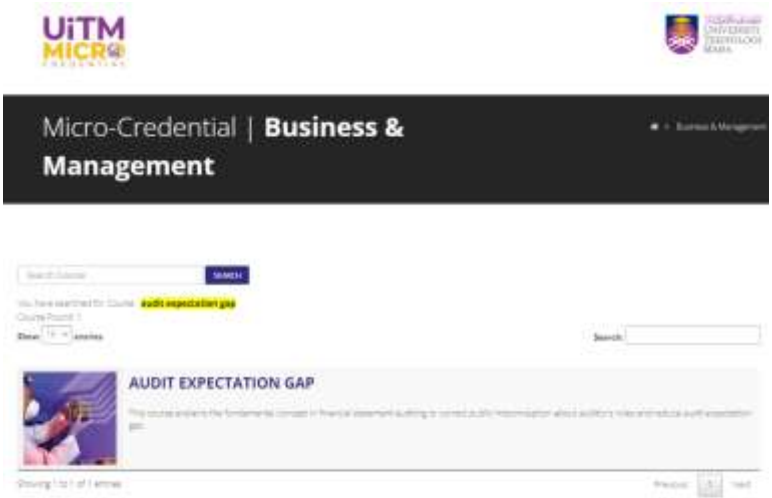

Figure 1. The first time searching for the MC course
Assessable at https://ufuture.uitm.edu.my/micro-credential/bm.php

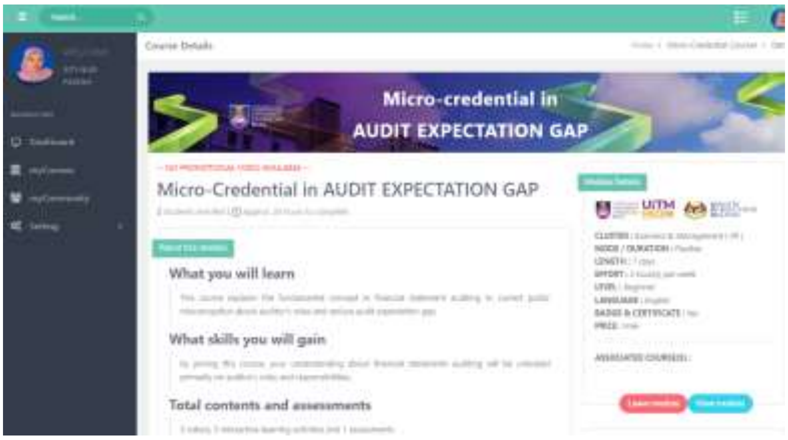

Figure 2. The display of MC course before joining the course after the user log in

4. CONTENT OF THE COURSE

The content of this MC consists of five (5) module arranges in a systematic way to facilitate student understanding of the audit expectation gap.

4.1 The Organisation of the Course Content

The organisation can be seen in Figure 3. Starting with an introduction followed by a few value-added current dispute cases between the auditor and client management will provide a better picture about the concept discussed. This will help to engage students during their independent learning since they would be able to rationalise the impact of the existing audit expectation gap to all key players in the financial market ecosystem, including auditor, management of client, shareholders, and regulator.

Next, the statutory roles and responsibilities of both parties in the disagreement (auditor and management) were presented with a clear explanation of the jargon used in auditing work, for instance 'reasonable vs absolute assurance' to ensure better comprehension of the issues (module 3 and 4). Finally, the steps to reduce the gap were provided attractively by using the diagram of photos, colours, and simplified terms in module 5 to give a clearer idea to students.

Figure 3. The organisation of the course content

4.2 Material Provided for the Course

All learning activities were come together with complete materials and references including slides, teaching videos and activities to test student understanding on the discussion. Refer to Figure 4 for the example of an activity conducted for module 1. At the end of the lesson before the digital certificate was granted, a final assessment, as in Figure 4 needs to be completed as a check and balance tool to test students' overall understanding of the course to ensure a high-quality independent learning was provided. This way of learning offers time, financial and space flexibility to shape student's competency to be a self-directed and independent learner and at the same time get them to prepare for the working field as they need to be a researcher once they enrolled in the course (Coyne et al., 2019; Msweli et al., 2022).

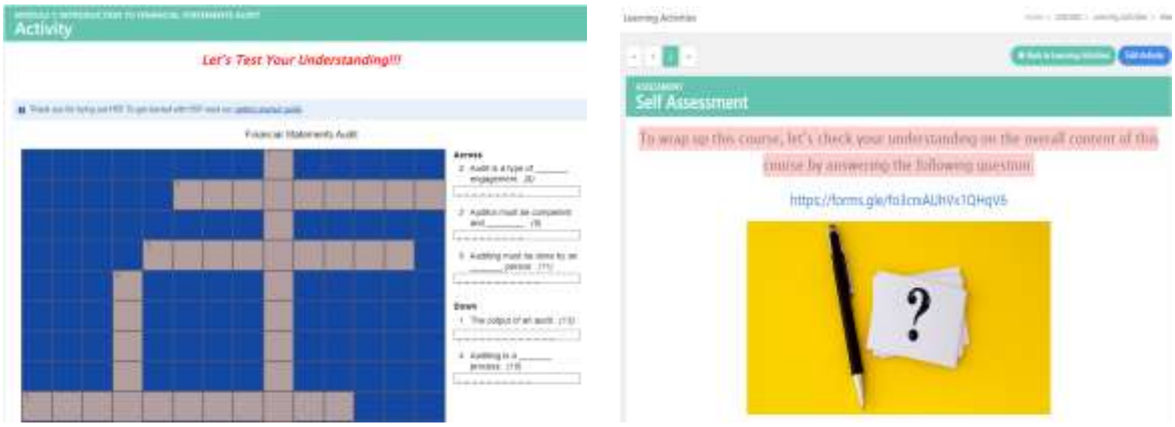

Figure 4. The example of an activity for Module 1 and final assessment

5. COMMERCIALISATION POTENTIAL

5.1 Innovation Development

This project is the second version of educational tools to disseminate knowledge and information about the audit expectation gap in reducing the misconception about auditor roles and responsibilities. The first version was developed last year using 2 pages of concept maps. Page 1 constructs the misconception in auditing on absolute vs reasonable assurance as described by ISA 200 and page 2 points out the statutory roles of auditor and client management quoted from relevant ISA and CA2016. Intellectual Property Recognition (IPR) has been applied and successfully granted this year as proof of the novelty and originality of this project.

This version 2 is the consequence of the earlier version in which more value-added content can be included through the online platform to educate the public about audit expectation gap. For instance, the real case dispute scenarios were included to give students an idea about the real financial market phenomena. Having proper coordination of the course in a more attractive manner available at their fingertips with a lot of flexibility provided by online learning, hopefully, students will be more motivated to explore the knowledge by being self-directed and independent learner.

5.2 Commercialisation Potential

Utilising the technology through an online platform to allow greater information and knowledge sharing, this project will never fail to exist on the net. Thus, it provides a sustainable learning tool to the public at large but specifically targeted tertiary education for auditing classes. With the systematic and attractive presentation of learning material, students' clear understanding of fundamental auditing concepts can be a great help for a more advanced and complex auditing level and even after a student has entered into a real business relationship with clients, potential disputes or disagreements that may arise in the corporate sector can be addressed and avoided. Students are also expected to be work-ready by the skilled pick up through MC course learning.

This project also promotes Sustainable Development Goal (SDG) 4: Quality Education to ensure inclusive and equitable quality education and promote lifelong learning opportunities for all since the developed course is free for all who are interested to join. Hopefully, this social innovation will help to foster a harmonise and sound financial system by addressing the misconception through education.

6. CONCLUSION

The aim of conducting a statutory audit is to enhance the credibility of the audited FS and to instil confidence in the financial system. Users heavily rely on independent audit opinions expressed in the audit report as a starting point for their decision-making purpose (PWC, 2013). This highlights the crucial roles played by auditors in the financial market ecosystem. Nevertheless, the misconception regarding the roles of auditors makes it challenging for them to manage unrealistic expectations in the event of corporate failure. Therefore, this MC course can help to prevent the blaming game between the auditor and the client's management. This, in turn, can rebuild public confidence in the auditor's trustworthiness. Accounting students can benefit from this project as it helps them to better prepare for entering the real workplace, not only by learning from past mistakes and clear idea about key audit players but also by developing essential competency-based and job-embedded learning processes through the MC course.

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