

Why are auditors over-blamed in accounting frauds?

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Abstract: When an accounting fraud is publicly unveiled, public usually blames the auditor. The usual explanation relies on an a-priori unfavorable attitude towards the auditor, conceptualized by the notion of expectation gap. In this study, we present a new perspective focusing on the trust dimension through lens of psychological contracting. A psychological contract refers to an individual's mental beliefs about his or her mutual obligations in a contractual relationship. In a laboratory experiment setting, 92 MBA students acting as shareholders (plus 32 audit students acting as auditors for benchmark purposes) have to assess the auditor's or auditee's responsibility in a case of accounting fraud. We manipulate the internal attribution factors of the auditor and the auditee. Our results show that the observed systematic over-attribution is not related to internal attribution manipulation or to the deep pocket usual explanation. Only the a priori trust towards the auditor is a strong determinant of the over-attribution. These results stress out the psychological dimension of the auditor over-blaming, beyond the usual explanation given by the notion of expectation gap.

Key words: Audit – psychological contract - attribution theory – expectation gap - laboratory experiment

Introduction

“As long as investors suffer losses from a sudden and drastic drop in earnings or the bankruptcy of a corporation which was widely regarded as a good investment, our profession is going to be criticized in the news media” as says the vice-president of the AICPA (Olson 1993). Even if both audits standards and academic research agree to say that audit quality is a joint function of auditor and auditee (Simunic 1980; Antle and Nalebuff 1991), auditors always seem to be over-blamed when an accounting fraud is publicly unveiled. One of the main reasons to explain this phenomenon refers to the so-called expectation gap, which we broadly define as the difference between the public’s expectations and the assurance given by the auditor during the audit process (Monroe and Woodliff 1993). However, according to (Arrington et al. 1985), the problem of differences between “what the public expects and what auditors can and should reasonably expect to accomplish” in their audits (Commission on Auditors' Responsibilities [1977, p. xi]) may be influenced both by the obvious motivational issues and the less obvious cognitive differences.” Unfortunately, the “less obvious cognitive differences” have only been studied by a very few papers, all of them based on attribution theory (Arrington et al. 1985; Anderson et al. 1998; Dezoort et al. 2001).

The purpose of the current study is to present a new perspective on the expectation gap by focusing on the trust dimension through lens of psychological contracting. A psychological contract refers to an individual’s mental beliefs about his or her mutual obligations in a contractual relationship (Rousseau 1995). Psychological contract theory offers a highly relevant and sound theoretical lens for studying the auditor-shareholder relationship because of its three distinctive principles: (1) its focus on mutual (rather than one-sided) obligations between contractual parties, (2) its emphasis on psychological (as distinct from legal) obligations, and (3) its emphasis on an individual (rather than inter-organizational) level of analysis. A key component of a psychological contract is trust, which we define here as one’s reliance upon someone else with whom one is engaged to voluntarily recognize and protect his/hers rights and interests (Hosmer 1995). Therefore, when a violation of the psychological contract is perceived, due either to subtle or blatant unethical acts that fail to protect the rights and interests of others (Hill et al. 2009), then dispute and disagreement between parties occur, generating resentment and frustration (Rousseau and McLean Parks 1993).

Our research investigates this phenomenon and seeks to determine the role of psychological contract violation within the ethics–trust relationship between the auditor and the shareholder.

In a 2x2 between subjects lab experiment, we ask 92 MBA students acting as shareholders and 32 audit students acting as auditors (for benchmark purposes) to attribute auditor's and/or auditee's fraud responsibility in published fraudulent financial statements (adapted from a real case). We manipulate internal attribution dimensions for auditor and auditee according to two levels (weak / high) between the subjects.

We first measured the subjects' a-priori attitude towards the auditors in the shareholders and auditors population. Results disclose a neutral attitude of the shareholders, together with an expectation gap with the auditors. Then, when the shareholders are exposed to a loss of their investment following the revelation of an accounting error, we observe a systematic over-attribution towards the auditor, even in the experimental conditions involving a high auditee's responsibility. Our results show that this systematic over-attribution cannot be explained by the usual deep pocket explanation. However, when trust-related components of the a priori attitude are taken into account, then we observe a strong association with the over-attribution. We interpret this result as a typical behavior of someone who perceives a break of his/her psychological contract.

These results contribute to improve our knowledge about expectation gap phenomenon. Unlike the hypothesis generally admitted by literature and defended by practitioners (Arthur Andersen et al. 1992), our results suggest that over-attribution is not only related to a poor knowledge of auditor's tasks, but relies more deeply in the trust that shareholders have in their auditors. An audit failure is therefore interpreted by the shareholders as a violation of the psychological contract. Consequently, our results stress out the psychological dimension of the expectation gap and strongly suggest that, despite the importance of the legal contract and obligations, trust must also be placed in unwritten promises and obligations between the parties.

A first section presents the psychological contract theory and its application to audit (section 1). Section 2 develops hypotheses which are tested within a lab experiment framework detailed in section 3. Finally, results are presented in section 4 and discussed in section 5.

1. A psychological contract perspective of the auditor-shareholder contract

Psychological contracts have attracted much research interest in management science since the 1990s, following Rousseau's (1989) seminal work. Although the psychological contract was originally defined by Argyris (1960) and Levinson (1962) to characterize the subjective

nature of employment relationships, there exists today a growing trend to extend the conceptualization on individuals' beliefs in and interpretation of any promissory contract.

1.1 Definition

Rousseau and Tijoriwala (1998, p. 679) define the psychological contract as “an individual’s belief in mutual obligations between that person and another party”. The belief in these mutual obligations is predicated on the perception that a promise has been made (Rousseau and McLean Parks 1993). This definition leads to two characteristic features of any psychological contract: they are perceptual and idiosyncratic (Rousseau 1990, 1995; Anderson and Schalk 1998; Rousseau and Tijoriwala 1998). The perceptual dimension is fundamental in psychological contracts: it makes them distinct from both formal written contracts and implied contracts (Rousseau 1998). Therefore, each party to such a relationship possesses a unique psychological contract (Levinson 1962; Rousseau 1989).

The importance of promises comes from our mental framing: when formed, these promises result in stable, reliable and predictable underlying schema that may lead to the disregard of external factors (Kingshott and Pecotich 2007). Hence, the perceived obligations (promises) tend to act as a strong psychological bond, increasing the level of trust and commitment. It should be noted that these “promises” are different from mere “expectations”: psychological contracts entail beliefs about what one believes he/she entitled to receive, or should receive, because one perceives that the other party conveyed promises to provide those things (Robinson 1996). Therefore the existence of elements that are not necessarily explicit or precise but that can take an ambiguous, undetermined or implicit character is a key element of a psychological contract. These contracts outline perceived behaviors, priorities, rights and obligations each individual has of other individual(s) within an exchange, given their own behavior.

Such contracts have long been evidenced in employee-employer relationship (Robinson and Morrison 1995; Robinson 1996; Robinson and Morrison 2000) and also within audit firms (Herrbach 2001). Psychological contracts have also been applied in supplier-client relationships, either about internal markets (Kilburn and Kilburn 2008), or within the relationship marketing context (Blancero and Ellram 1997; Kingshott and Pecotich 2007; Hill et al. 2009), or about outsourcing success (Koh et al. 2004). In all cases, perception about reciprocal promises has been proved to be a significant driver of individual’s behavior. In fact, psychological contracts can arise in a myriad of circumstances, from employment to

customer-firm relations to doctor-patient interactions, etc. where there are written as well as unwritten agreements (Rousseau 1995). This implied obligation of reciprocity (Rousseau 1989) suggests a psychological contract exists in any agreement and is defined as a participant's subjective, idiosyncratic perceptions regarding obligations due (Morrison and Robinson 1997).

We apply this theoretical framework to the auditor-shareholder relationship. As promises of this nature are also central within the auditor-shareholder relationship, it is highly likely that the psychological contract will also result within this context.

From an economics or legal perspective, the nature of the agency relationship between the auditor and the shareholder can be analyzed as involving a "supply contract". From a social exchange theory perspective, however, the relationship between individual auditors and their shareholder can more largely be characterized as a "psychological contract" in which an auditor exchanges adequate performance against various forms of compensation (Rousseau and McLean Parks 1993). However, in the shareholder's mind, the contract exists between him/her and the auditor. That is, shareholders hold beliefs concerning what auditor is obligated to provide and beliefs about how well the auditing process has fulfilled those obligations.

To our best knowledge, there are no empirically based studies devoted to the psychological contract within the auditor-shareholder context. As a psychological contract is inherently perceptual, and thus one party's understanding of the contract may not be shared by the other, we hopefully expect that this investigation will help extend our understanding of the expectation gap.

1.2 Audit as a psychological contract

In this section, we elaborate on three distinctive principles of psychological contract theory in compliance with Koh et al (2004) to explain how psychological concepts help us to better understand the auditor-shareholder relationship.

1.2.1 Psychological obligations vs legal obligations

The audit function is justified in the agency theory: as a monitoring mechanism. Audit has a contractual utility by reducing agency costs (Jensen and Meckling 1976). From an economic

or legal perspective, the nature of the agency relationship between the auditor and the shareholders can be analyzed as a supplier contract: in exchange of fees, the auditor guarantees the quality of financial information, disclosed by the manager to the users of the financial statements (essentially the shareholders) in compliance with an accounting regulatory framework. So, the auditor's role is to make respect the shareholder's right for information arising from the information asymmetry. Considering the central place which he occupies in this relation of trust, strong expectations are placed on this profession. Therefore a breach of a contract should be like any malfunctioning of the client-supplier relationship. According to Rousseau (1998), agency theory's assumptions regarding mutual understanding of incentive contracts appears to be overly simplistic: it neglects the individual's interpretation of who or what the other parties to the exchange might be. Individuals can form psychological contracts that differ in degree from those expected by the sole application of the incentive mechanisms on which agency contracts are based (Rousseau 1995; Rousseau 1998). Ultimately, it is the individual's beliefs and perceptions of these obligations (i.e., the psychological contract), rather than the actual written contract, that drive his/her behavior. In reality, "all contracts, whether written or unwritten, are fundamentally psychological, existing in the eye of the beholder" (Rousseau and McLean Parks 1993, p. 19).

Psychological contract research mainly raised issues regarding the circumstances in which contract terms conveyed by both parties will be understood (Morrison and Robinson 1997). In employer-employee or supplier-customer relationships, important terms and conditions are not explicitly incorporated in the legal contract; contractual parties relying, instead, on the spirit of the contract. Even when a legal contract exists, written obligations can never be complete and must be supplemented by unwritten promises (Macneil 1980). Regarding the "auditing contract", there is no detailed written contract: once engaged, the auditor has the obligation to issue an audit report by following the generally accepted auditing standards. Therefore, shareholders do not precisely know what the auditors are supposed to do, which could result in high perceived obligations. From a very formal point of view, shareholders should rely on the auditing standards. But not all shareholders really know what these standards are, and to some extent, the standards themselves could be ambiguous and imprecise.

1.2.2 Mutual vs one-sided obligations

A predominant principle in psychological contracting is the recognition of mutuality of the parties involved in the contractual relationship. Mutual obligations entail a belief in what one is obliged to provide based on perceived promises of a reciprocal exchange. The concept of mutuality, therefore, highlights the importance of looking at perceived obligations from the perspectives of both parties involved, rather than from only one perspective. A psychological contract exists only if both parties believe that an agreement exists, that promises have been made, and that considerations have been offered in exchange (Rousseau 1995). Mutuality essentially means “that the parties involved do in fact hold the same beliefs regarding their obligations to each other” (Rousseau 2001, p. 534).

Similar to the contract between an employer and employee, the engagement of an auditor involves a contract and a set of mutual obligations between a customer and a supplier. We posit, therefore, that mutual obligations are the essence of the auditing contract—that is, the auditor agrees to make his/her audit report faithfully and in accordance to the relevant standards to the shareholder in return for certain benefits from the shareholders (audit fees and trust in the financial statements). We believe that a psychological contract perspective offers a relevant view of the perception of mutual obligations between both parties, and could be applied to better investigate the expectation gap. Globally, expectation gap results from the difference between public expectations and assurances given by auditors by their auditing work. Several empirical studies (Wilcox and Smith 1977; Arrington et al. 1983; Humphrey et al. 1993; Porter 1993; Warming-Rasmussen and Jensen 1998; Zhang 2007) testing the knowledge of various users of financial statements in different countries confirm the existence of the expectation gap. According to Zhang (2007), it plays an important role in increasing lawsuits number and also influences the court decisions. As a difference of perceived obligations, we expect that expectation gap is a crucial element of the understanding of the psychological contract between the auditor and the shareholder.

1.2.3 Individual Level of Analysis

A psychological contract exists at an individual-level.. As Rousseau argues, “individuals have psychological contracts, organizations do not” (Rousseau 1989, p. 126). Therefore, we believe that the concept of a psychological contract is highly relevant to the context of investment decisions, which is the broad context of the relationship between the shareholder and the auditor, even if there is almost none direct relations between both. By engaging an auditor (voting for him at the General Assembly), a shareholder trusts him to fulfill his/her task.

Therefore, we assume that this necessary condition for the existence of a psychological contract holds in the case of the auditor-shareholder relationship.

1.3 Breach of a psychological contract

What happens when the implied or assumed promises are not fulfilled? A psychological contract breach is a subjective experience, referring to one's perception that another has failed to fulfill adequately the promised obligations of the psychological contract (Rousseau 1989). Psychological contract breach can and does occur in the absence of an actual breach (Morrison and Robinson 1997). It is a shareholder's belief that a breach has occurred that affects his or her behavior and attitudes, regardless of whether that belief is valid or whether an actual breach took place. Thus the focal point of interest in this study is not actual breach, but the shareholder's perception of a breach, and subsequent use of the term psychological contract breach in this study refers to shareholders' perceptions of contract breach, not actual breach. In this study, psychological contract breach is operationalized as a shareholder's perception of the extent to which the auditor has failed to fulfill the following promised obligations.

2. Hypothesis development

2.1 Expectation gap

Literature shows that there are various definitions of the expectation gap, according to Singleton-Green (1990), because of its various types. In their literature review, Lee and al. (2009, p. 8) presents some definitions of the expectation gap. For Liggio (1974) it means "the difference between the levels of expected performance as envisioned by both the user of a financial statement and the independent accountant. The Cohen Commission (1978) in the United States of America extended Liggio's (1974) definition by taking into account whether a gap may exist between what the public expects or needs and what the auditors can and should reasonably expect to accomplish." For other researchers, expectation gap is the difference between expected audit quality and the quality offered by audit standards (Epstein and Geiger 1994). Porter (1993), Jennings et al. (1993) define audit expectation gap as a difference between public expectations and actual service provided by audit profession (Zhang 2007). Porter (1993) retains a more detailed definition where the expectation gap consists of: the performance gap and the reasonableness gap. Performance gap is a gap

between what the society expects auditors to achieve and what they can reasonably be expected to accomplish. Reasonableness gap is a gap between what the society can reasonably expect auditors to accomplish and what they are perceived to achieve. Porter analyses the total expectations gap into three separate components: sub-standard performance (16%), deficient standards (50%) and unreasonable expectations (34%).

Several explanations have been suggested by the researchers to explain expectation gap and the development of unfavorable attitudes towards the auditors. Some of them attributed the poor audit perception by stakeholders to the idealization of the auditor's role (Power 1998; Lin and Chen 2004). For McNair (1991), the major explanation is that audit works are hardly observable and assessable. Indeed, the only measure of audit quality is retrospective: it is related to post audit report disclosure events that reveals auditor's work quality (Lee et al. 2009), as for example in case of a company's bankruptcy for which auditor issued a clean opinion. According to Humphrey (1992), the expectation gap is the result of a certain confusion due to diverse audit model mutations over time. The public is late in its identification of the real audit mission. Accordingly, fraud detection is a very symbolic part of the expectation gap (Sikka et al. 1998). Auditors had themselves built their legitimacy on fraud detection at the beginning of the 20th century (Carpenter and Dirsmith 1993) presenting themselves as expert in reducing the investment's risk (Sikka et al. 1998). Now they try to get rid of this responsibility, which is usually devoted to tax inspectors. Consequently, it is not surprising if some users of financial statements are still confusing the auditors' responsibilities. Other studies support that the expectation gap is the result of the profession failure to fulfill the public demand which has evolved with economic operations complexity and international competition (Francis 1994). Some of them consider that as long as the profession does not execute detection fraud duties, the expectation gap will always persist (DeJong and Smith 1984; Hooks et al. 1994). Whatever the origins of the expectation gap, it will be constantly the main debate between the auditors and the public (Sikka et al. 1998). We therefore state our first hypothesis as follows:

H1: There is an expectation gap between the shareholders and the auditors.

According to the psychological contract theory, the existence of different perceived promises between the auditor and the shareholder should result in a frustration if the contract is perceived to be broken. Therefore, we state our second hypothesis:

H2: Once exposed to a loss, shareholders over-blame the auditor as compared to the auditee.

3. Determinants of the over-blaming

In this section, we test different potential explanations of the over-attribution phenomenon. The first one (perception of the level of responsibility) refers to a contextual explanation: an auditor can be blamed because he/she is actually liable for the disclosing of fraudulent financial statements. The other one relates to the a priori attitude towards the auditor, which consists in several dimensions that we explore.

3.1 Perception of the actual level of responsibility

One reason for the over-attribution could be simply that the shareholder perceives that the actual failure of the auditor: if there is no expected obligations effect, then the level of attribution could be related to the sole perception of the level of responsibility of the auditor regarding the audit failure. We want to control for this effect which has been widely documented in psychosocial research. Attribution theory (Heider 1944) analyses how individuals interpret behaviors by attributing them causes (Kelley and Michela 1980), under the hypothesis that this interpretation plays an important role in the determination of the individual's reaction towards this behavior (Kelley and Michela 1980). It explains individual's behavior ("If I made this, it's for that") or to give a causal explanation to the behavior of others ("If this happens to him, it's because of that"). Introduced by Heider in psychosocial research, attribution theory has been used in many other research domains; management to estimate performances (Kaplan and Reckers 1985), marketing to explain consumers behavior (Burnkrant 1975), criminal justice (Greenberg and Ruback 1982), etc.

Heider (1958) distinguished two kind of factors used by individuals to assess events: internal causes (dispositional factors) and external causes (situational factors). The internal attributions are controlled by the actor: he is then responsible for his acts. External attributions are not controlled by the actor: his behavior is considered as being influenced, limited, or even completely determined by external influences. Let us consider the example quoted by Dubois (1994) about an unemployed person. If this person explains his situation by the economic crisis, he makes external attributions. He makes dispositional attributions, if he explains his situation by his failure during the recruitment interviews. Attribution theory

shows that causal attributions vary on an internal-external dimension, which is called the locus of control (Bemmel 1991).

Audit research has already mobilized the attribution theory, outlining some characteristics of the auditor's or their observer's behavior (Arrington et al. 1983; Arrington et al. 1985; Kaplan and Reckers 1985; Jennings et al. 1993; Anderson et al. 1998). Taken together, these studies tend to demonstrate the effect on the locus of control predicted by the attribution theory. Therefore, if the shareholder assesses the auditor's behavior by the situation and not by the violation of contract he perceives, then, the third hypothesis is stated as follows:

H3: The level of over blaming depends of the reported responsibility of the auditor

3.2 Perception of the obligations

A long history of research on cognitive consistency and attitude change has found that people act in ways that preserve their established knowledge structures, perceptions, schemata, and memories (Greenwald 1990). However, attitude is a complex construct, which could be made of several dimensions. In this study, we first present the predicted expectation regarding the overall attitude towards the auditor; we then focus on two key components in an audit concept: the deep pocket expectation and a priori trust in the auditor.

3.2.1 Overall attitude towards the auditors

In psychology, attitude is the state of mind of an individual or a group towards an object, an action, another individual or another group. It reflects the favorable or unfavorable predispositions of an individual's judgments. Attitude gives an evaluative explanation to the reactions about others' actions (Reckers et al. 2007). Thus, it plays an essential role in the future behavior. Attitude can be related to a direct experience (based on previous experience) or indirect (based on information not related to the behavior) (Fazio and Zanna 1978). Attitude keeps evolving and appears in some events (Bagozzi et al. 2003). An important research stream supports that attitudes influence decisions because individuals privilege information confirming their initial predispositions to those refuting them. (Kahneman and Tversky 1984; McMillan and White 1993). Cognitive consistency is maintained through selective perception, by seeking out, attending to, and interpreting one's environment in ways that reinforce one's prior knowledge, beliefs, and attitudes (Fiske and Taylor. 1984). A rich body of empirical evidence has identified a variety of encoding and decoding biases that tend

toward confirming, rather than disconfirming, prior beliefs (Snyder and Swann 1978; Lord et al. 1979). In audit research, several studies use this framework by focusing in judges' attitudes. They show that the judges' decisions are generally influenced by personal attitudes (Jennings et al. 1991; Jennings et al. 1993; Anderson et al. 1995; Anderson et al. 1997), whereas "in an ideal world, judges would decide cases strictly on their merits" (Reckers et al. 2007, p. 630). Jennings and al. (1993), Anderson et al. (1998), use an aggregated measure of the attitude towards the auditors: this measure enables them to capture the coherence/incoherence of observers' predisposition towards the auditor's general duties. A favorable (unfavorable) attitude is supposed to be coherent (incoherent) with the profession tasks as supported by audit standards. Thus, a shareholder with an unfavorable attitude believes for example that financial statements are part of auditor responsibility and not of the company management one. Therefore we state our next hypothesis as follows:

H4: A shareholder's initial unfavorable attitude towards the auditor (at Time 1) will be positively related to the over blaming toward the auditor (at Time 2).

3.2.2 The deep pocket explanation

"Deep pocket" phenomenon may be the most widespread explanation of the over blaming towards the auditor. Shareholders tend to blame auditors because they are the only ones who will be able to face high indemnities in case of litigation actions: they have insurances covering this kind of risks, and they have larger financial resources than the managers (Caplan and Kirschenheiter 2000). Caplan and Kirschenheiter (2000) consider deep pocket as being part of the delegation contract made by the shareholders with the auditor: it is even regarded by these authors as an incentive to engage auditors even when audit is not mandatory. Requests of indemnities in litigation actions against auditors are mainly made by small shareholders (Lee and Mande 2003) and in the US or the UK (Stanger 1988). They are still very rare in Continental Europe. In the US, big audit firms have long struggled to reform the law which makes them jointly liable for the quality of the financial statements (Power 1998). They complained about excessive lawsuits made by the shareholders because of their financial resources better than for their liability. In extreme cases, when the indicted managers were personally bankrupted, they found themselves obliged to pay for the full losses endured by the shareholders, even if their liability was recognized as limited (Lee and Mande 2003)

It thus seems that deep pocket concern is a strong incentive to over-blame the auditor in case of accounting fraud. Therefore we state our next hypothesis as follows:

H5: A shareholder's initial deep pocket significance (at Time 1) will be negatively related to the over blaming toward the auditor (at Time 2).

3.2.3 Prior trust as a cause of psychological contract breach

The perception of a breach in a psychological contract generates dispute and disagreement between parties, and can severely erode the foundations of the relationship (Rousseau and McLean Parks 1993; Robinson 1996). The complex mixture of promises and obligations that construct the psychological contract inevitably leads to the occurrence of a perceived breach when the other has failed to perform any of their perceived contractual terms (Rousseau 1995; Morrison and Robinson 1997). The psychological contract and subsequent violations would seem to be consistent with the view that a violation of the perceived promise that audited financial statements must not include any errors has the potential to greatly enhance or even severely damage the overall auditor-shareholder relationship. A perceived violation of psychological contract is often an emotional event, accompanied by feelings of anger and frustration, a sense of having been cheated, and displeasure and disillusionment with the overall relationship (Morrison and Robinson 1997). One very important factor mediating the psychological contract is trust (Robinson and Rousseau 1994; Robinson 1996) and, more specifically, trust in one's auditor (Power 1994).

As a social construct, trust lies at the heart of relationships and contracts, influencing each party's behavior toward the other. Along with Morrison and Robinson (1997), we define trust as one's expectations, assumptions, or beliefs about the likelihood that another's future actions will be beneficial, favorable, or at least not detrimental to one's interests. It is a general positive attitude toward someone else. Therefore, trust is likely to play a significant role in the subjective experience of a psychological contract breach by the auditor: trust in the auditor may influence a shareholder's recognition of a breach, his or her interpretation of that perceived breach if it is recognized, and his or her reaction to that perceived breach. As given the status of the auditor as a producer of trust (auditor=a public watchdog), who transforms financial statements into a reliable form (Power 1994), trust is central in the shareholder-auditor relationship. Therefore we state hypothesis 6 as follows:

H6: A shareholder's initial trust in his or her auditor (at Time 1) will be negatively related to perceiving a contract breach by his or her auditee (at Time 2).

4. Experimental protocol

In a lab experiment, each subject assesses the responsibility of the auditee and the auditor in an accounting fraud case setting (Appendix 2, based on an actual fraud case (SEC 2004)). 92 participants from two MBA programs (HEC Paris and La Sorbonne Université) and 31 students in a Master in Auditing (HEC Paris and Paris Dauphine University) have participated and received a 5 Euros flat amount each. According to Elliott et al (2007), MBA students are good approximates for non sophisticated investors in laboratory experiments.

4.1 Methodology

We observe investor's reaction toward a manipulated involvement of the auditor and auditee in an unveiled fraud case. Auditor's involvement is measured by his independence level. Auditee's involvement is measured by its Board committee efficiency. Students coming from the Masters in Auditing are only used as a benchmark.

*** Insert Table 1 around here ****

Subjects are randomly allocated to one of the four possible scenarios. We then have a 2x2 between subjects experiment.

4.2 Measures

4.2.1 Factor

Variable *attitude* is built by using Anderson et al.'s (1998) questionnaire, itself adapted from Jennings et al (1993). This questionnaire is presented in Appendix 1 ; it is made of 9 items that are assessed on a Lickert 7-points scale (Anderson et al. 1998), with 5 unfavorable questions and 4 favorable questions. As in Jennings et al. (1993) and Anderson et al. (1998), *attitude* variable is built by aggregating the answers to this questionnaire. For the unfavorable questions, 1 codes for a strong disagreement and 7 for a strong agreement. Favorable questions are recoded so as to be measured on the same scale. Thus, if a subject chooses 5 for a favorable question, then it is recoded 3; 6 is recoded 2, etc.

4.2.2 Covariates

As in Kaplan and Reckers' (1985) study, we manipulate both involvements by two levels of attribution (low, high), which are obtained by a combination of the three dimensions of attribution (differentiation, consensus and consistency)¹. For instance, a low auditor's involvement is given by: 1) a high differentiation, "the auditor had previously detected similar errors during the audit of other companies, and had revealed them"; 2) a high consensus "the "second partner review" (Audit firm's internal quality procedure) had identified the error on BOL's contracts and had not considered it as an anomaly"; 3) a low consistency "In the past, minority shareholders had never evoked concerns about independence issues between the auditor and the company's management"². These manipulations are adapted from Kaplan and Reckers (1985) and Arrington et al. (1985) who used a similar framework. Table 1 details all the manipulations on both factors (attribution (low/high) and actor's involvement (auditor/ auditee)).

4.2.3 Dependent variables

Dependent variables are based on the score of internality initially developed by Luginbuhl et al. (1975) to measure the proportion of internal and external attributions. Adapted from Weiner et al. (1972), the score of internality is measured by the difference between, on one hand capacity and effort as internal causes and, on the other hand task difficulty and luck as external causes:

$$\text{Internality score} = (\text{capacity} + \text{effort}) - (\text{task difficulty} + \text{luck})$$

Subjects have then been asked (see questionnaire in Appendix 3) to identify the likelihood of the causes of the error in the financial statements on a 7 point Lickert scale. The questionnaire consists in 7 items: 3 items related to the auditor (capacity, effort, task difficulty), 3 items related to the auditee (capacity, effort, task difficulty), and 1 joint item (luck) related to both. Variable *intscoraud* (resp. *intscorboard*) measures the score of internality of the auditor (resp. auditee), according to the above formula. Variable *overattribution* is calculated as follows:

$$\text{Overattribution} = \text{intscoraud} - \text{intscorboard}$$

¹ Kelley (1967) developed Heider's theory by identifying information affecting the attribution process. He evidenced that people use three types of information when they make judgments: consistency, consensus, and distinctiveness. Weiner and al. (1972) developed Heider's dichotomy (1958) recognizing capacity and effort as internal attributions, and task difficulty and luck as external attribution.

² Prior to this experiment, we made a pilot experiment with 120 master degree students. We manipulated several combinations of the three attribution dimensions to obtain intermediate levels of internality. Only both extremes were recognized by the subjects. Therefore we decided to select only two levels high/low corresponding to both extremes, as in Kaplan and Reckers' (1985).

5. Results

5.1 Descriptive analysis

Table 2 presents the descriptive results of the variables used in our experiment.

*** Insert Table 2 around here ***

The 92 participants acting as shareholders are mainly men (80%) and are almost 32 years old in average. They previously had followed accounting, finance or investment specialized courses (74%), in addition to the courses in financial accounting and corporate finance they were having in their present programs. Therefore they can be considered as good proxies for non sophisticated investors, as evidenced by Elliott (2007). Variable *attitude* equals 3.90 (4 corresponding to a neutral position on a 7 point Lickert scale). This result could be compared to Jennings et al. (1993)'s sample, which discloses 4.6 expectation gap average on a 11 point Lickert scale. The average internality score of the auditor measured by *intscoraudit* equals 3.28, and the average internality score of the auditee measured by *intscorboard* equals 0.96, which results in an overattribution (calculated as *intscorboard*- *intscorboard*) of 2.34.

5.2 A priori attitude towards auditors

Table 3 details the average assessments for each question constituting variable *attitude*. We analyze these results in a similar way than Reckers et al. (2007), who discuss the investors' attitude according to 1) their knowledge in the auditing tasks, 2) the auditor's role, 3) their appreciation of the auditing profession in general. We provide results for both shareholders and auditors population along with a comparison between both.

*** ** Insert Table 3 around here ***

Regarding knowledge of auditing tasks, our results show that shareholders have a favorable attitude towards auditors. Namely they share the idea that financial statements are mainly the responsibility of the company (mean=3.2, $p<0.01$), and they are favorable to the use of sampling (mean=2.7, $p<0.01$). But they are less convinced that accounting is an art, therefore not subject to exactitude (mean = 4.4, $p<0.05$).

Three questions deals with the auditor's role. Subjects agree with the audit standards (mean=3.2, $p<0.01$). They do not expect that the auditor assures them against their investment losses (mean 3.4, $p<0.01$). On the other hand, they share the idea that the auditor has to be the watchdog of the financial markets (mean=5, $p<0.01$). Besides, subjects also show a misunderstanding of the role the audit because they consider that it is auditor's responsibility to look actively the fraud (mean =5.3, $p<0.01$). However, answers about auditors' independence show that subjects have a very cautious neutral position (mean=4.1; statistically not different from 4). Globally, the a priori unfavorable attitude is neutral (mean=3.9; statistically not different from 4).

If we compare with the auditors results, we evidence the existence of an expectation gap: auditors' overall a priori attitude is more favorable towards auditors (3.5 for the auditors versus 3.9 for the shareholders, $t\text{-test} = 3.205$, $p<0.01$). Consequently, hypothesis H1 according to which there is an expectation gap is validated. Therefore, the differences between the perceived obligations of the auditor's work are likely to generate a psychological contract issue.

5.3 Is the auditor over-blamed?

What happens when a shareholder is exposed to a loss resulting from the revelation of accounting fraud? Does he try systematically to charge someone (auditor or auditee)? Table 4 discloses the measures of the auditor and the auditee internality scores.

*** Insert Table 4 around here ****

Table 4, panel A, shows that auditor internality score is globally positive (mean=3.280, $p<0.01$), indicating an overall attribution towards the auditor. Table 4, panel A, shows also that auditee internality score is also globally positive (mean=0.956, $p<0.01$), indicating an overall attribution towards the auditee. Therefore, both stakeholders involved in the accounting fraud are blamed for the loss suffered by a shareholder after the revelation of a fraud. However, Table 4, panel B shows that auditor internality score is well superior to the auditee internality score (diff.=2.341 $p<0.01$). Therefore, hypothesis H2 "Once exposed to a loss (at time T1), shareholders over-blame (at Time T2) the auditor as compared to the auditee." is validated.

These results suggest that when a shareholder undergoes a personal damage (investment value decreases) his/her frustration seems to be mainly directed towards the auditor. We now study whether this result could be explained by different determinants.

5.4 Determinants of the over-blaming

5.4.1 Perception of the actual level of responsibility

We first try to explain the observed over-attribution by the degree of implication manipulated by the experiment. If the over-attribution depends on the manipulated implication level, then the over-attribution could be explained without referring to the psychological contract.

The results presented by Table 4, Panel C, show that in every case, the over-attribution (calculated as the difference between the auditor internality score and the auditee internality score) is statistically significant in three on four experimental situations. Consequently, over-attribution towards auditor is almost systematic, and does not reflect manipulations of auditor or auditee internality levels. Moreover an ANOVA (not tabulated) evidences that the auditee and auditor internality level have no significant impact on the over-attribution. Therefore hypothesis H3 “The level of over blaming depends of the reported responsibility of the auditor” is not validated. Globally, these results suggest that the shareholder having suffered from a loss is not influenced by the manipulation of internality levels: Over-attribution to auditor prevails in all experimental situations.

5.4.2 Perception of the obligations

As attitude is a complex construct, we distinguish between different effects, which are disclosed in Table 5.

*** Insert Table 5 around here ****

A. Overall attitude towards the auditors

We first test the global assumption that a-priori attitude towards the auditors is associated with a subsequent assessment of the auditor’s responsibility. The logistic regression shows that the a priori unfavorable attitude, as measured by the construct used by Jennings et al. (1993) and Anderson et al. (1998) is significantly and positively associated with the level of over-attribution (z test = +1.989, p value=0,016). The model is statistically significant (p value<0.01) and explains 22% of the variance. Therefore, H4: “A shareholder’s initial unfavorable attitude (at Time 1) will be positively related to the over blaming toward the auditor (at Time 2)” is validated.

B. Deep pocket explanation

One explanation to the over-attribution could be motivational: the shareholder over-blames the auditor because he has a financial interest to do so, which refers to the deep pocket explanation. We use the answers given by the shareholders to the following question “One role of the external auditor (CPA) is to be an insurer against large stockholder losses”. Table 3 shows that the average rating is 3.591. The logistic regression shows that the expectation regarding the deep pocket role of auditors is not significantly associated with the level of over-attribution (p value >0.10). Therefore, hypothesis H5: “A shareholder’s initial deep pocket significance (at Time 1) will be positively related to the over blaming toward the auditor (at Time 2)” is not validated.

C. Prior trust as cause of psychological contract breach

Among the perceived obligations which form the overall attitude, there is one which can not be related to any financial incentives. The question “The role of the external auditor (CPA) is to be a public watchdog” refers to very imprecise and ambiguous promises and is related to the shareholder’s trust in the auditor’s work. Table 3 shows that the average rating to this question is 5.043, which means that the respondents globally trust the auditor. The logistic regression in Table 5 shows that the answer to this question is positively and significantly associated with the level of over-attribution (z test=0.663, p value=0.032). Therefore, hypothesis H6: “A shareholder’s initial trust in his or her auditor (at Time 1) will be negatively related to perceiving a contract breach by his or her auditee (at Time 2)” is validated.

6. Discussion and conclusion

Our study aims to bringing to light the relationship between attitudes and perceptions of the auditor responsibility using psychological contract concepts. We ran a lab experiment, making MBA students acting as investors having suffered from a loss of value of their investment caused by a report of accounting fraud. First, the results show that subjects acting as shareholders have a statistically less favorable attitude towards the auditors than the auditors themselves. Therefore, expectation gap exists, even if there is no incentive from the shareholders to blame the auditors, as the questionnaire has been fulfilled prior to any event. Therefore mutuality concerns could be raised here. Mutuality is anchored in the reciprocal relationship between the two parties. Mutual obligations entail a belief in what one is obliged

to provide based on perceived promises of a reciprocal exchange. A psychological contract exists only if both parties believe that an agreement exists, that promises have been made, and that considerations have been offered in exchange (Rousseau 1995). Mutuality essentially means “that the parties involved do in fact hold the same beliefs regarding their obligations to each other” (Rousseau 2001, p. 534). Therefore, the observation of an expectation gap gives strong evidence in favor of a psychological contract approach: as the perceptions of mutual obligations are not shared by each one, it is highly likely that auditors behave in a manner that shareholders perceive as a breach of their psychological contract. Therefore, it is not surprising that, once exposed to a financial loss due to an accounting fraud, shareholders over-attribute the responsibility to the auditors. It should be noticed that the over-blaming is strong enough to overcome any well documented manipulation based on attribution theory. A possible interpretation within the framework of attribution theory could be as follows: the shareholder could hesitate to charge his peers (board’s members), which refers to the similarity concept (Crittenden 1983; Hewstone 1984). This result would have been consistent with Dezoort and al.’s study (2001) who confirms that the individuals tend to consider their peers as being more reliable. However, this explanation cannot be applied to our study: our shareholders are non sophisticated investors; it is then highly unlikely that they may feel any intimacy with members of the Board.

We therefore explored an alternative explanation within the psychological contract theory. The psychological contract encompasses the parties’ perceptions and beliefs of both explicit written terms found in the legal contract and implicit unwritten terms (Rousseau 1995). As people have a priori perceptions and beliefs, they will seek out and focus on information that confirms prior cognitions, and they tend to avoid or ignore information that disconfirms them. We evidenced that the overall unfavorable attitude towards the auditors is positively and significantly associated with the over-attribution. But as the measure we used, based on Jennings al. (1993), is a composite construct, we first checked whether some motivational causes could not be found in Jennings et al measurement. Therefore we studied the significance for the shareholders about the deep pocket issue: a shareholder has a strong financial incentive to blame the auditor if he/she wants to recover his/her loss. But our results show that the deep pocket hypothesis does not explain the over-attribution. Therefore, unlike Sikka et al. (1998)’s suggestion, it seems that expectation gap and the resulting over blaming towards the auditor is not only a question of divergent interests.

In psychological contract breach, selective attention could operate such that prior trust in someone will influence the likelihood that one party will perceive a breach by the other party: a party with low (high) prior trust is more (less) likely to look for, find, and remember incidents of breach, even in the absence of an objective breach, because it is consistent with his or her low prior trust (Morrison and Robinson 1997). We actually found that prior trust, as measured by the significance of the auditor's role of public watchdog is a strong determinant of the subsequent over-blaming towards the auditor.

Our study presents the originality to consider expectation gap and auditor over-blaming within the framework of psychological contract theory. It permits a better understanding of the nature and the role of the expectation gap to explain shareholders behavior in case of accounting fraud. The limits of this work deals essentially with the fact that only the psychological contract between the auditor and the shareholder has been studied. We did not analyze the psychological contract between the shareholder and the manager, even if we recognize its significance. A second limit is related to our choice of participants: MBA students proxy for non-sophisticated investors (Elliott et al. 2007), but our results cannot be extended to professional investors. We therefore open future ways of research in studying such relationships, as all agreements between people are subject to interpretation (Rousseau 1998).

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Appendix 1: Attitude questionnaire

Please rate the following assertions:

- Accounting is an art, not subject to exactitude

strongly disagree strongly agree
- The financial statements contained in the annual report to stockholders are primarily the responsibility of corporate management, and not of the external auditor (CPA).

strongly disagree strongly agree
- The big corporations and their big (external) auditors (CPAs) work hand-in-glove and only tell the public what they want to tell them.

strongly disagree strongly agree
- External auditors (CPAs) cannot look at every client transaction. They must rely on samples and tests of relationships in conducting the audit

strongly disagree strongly agree
- The big international auditing firms make plenty of money in the good times, so they should share in the stockholders' losses too.

strongly disagree strongly agree
- The current practices and standards of the auditing profession are very high.

strongly disagree strongly agree
- The role of the external auditor (CPA) is to be a public watchdog.

strongly disagree strongly agree
- In the performance of the audit, it is the external auditor's (CPA's) responsibility to actively search for fraud.

strongly disagree strongly agree
- One role of the external auditor (CPA) is to be an insurer against large stockholder losses.

strongly disagree strongly agree

Appendix 2: Scenario

Example: Scenario A (low attribution of the auditor, low attribution of the auditee)

“You are a **minority shareholder** of Gemstar Inc, an American company based in California. Gemstar is listed on the Nasdaq. An important part of its profits comes from the rent of diverse technologies, among which an Interactive Program Guide (IPG).

The development of this new product is strategically important for Gemstar: profits generated by this activity are closely scrutinized by the financial analysts.

On March 15th, 2008, the SEC (Securities and Exchange Commission) led an investigation which resulted in a correction of the Gemstar’s financial statements. The announcement of this correction caused a \$50 decrease of Gemstar share value. **As a shareholder, you lost \$100 000.**

SEC’s investigation revealed that in 2007, Gemstar had published financial statements containing various significant overstatements of the revenue generated by IPG. In particular, Gemstar fully accounted for a rent service contract for BOL over 2007, whereas it should have been displayed over 8 years.

Bryan E. Palbaum, from BIG LLP, is the Gemstar’s auditor. He didn’t report this irregularity in the audit report. When his audit team reviewed Gemstar’s service contracts, they had identified the error on BOL’s contract. After discussion, Bryan E. Palbaum shared Gemstar’s CFO point of view on the non significance of this misstatement, and thus issued a clean audit report.

The SEC unveiled the following information:

- Bryan E. Palbaum had previously detected similar errors during the audit of other companies, and he had revealed them.
- The “second partner review” (BIG’s internal quality procedure) had identified the error on BOL’s contracts and had not considered it as an anomaly.
- In the past, minority shareholders had never evoked concerns about independence issues between Bryan E. Palbaum and Gemstar’s management.
- No Board’s member has been previously involved in accounting frauds in other companies.
- Considering the strategic importance of this segment, it’s usual for the Boards of Gemstar’s competitors to accept some revenues overstatements.
- In the past, Gemstar’s Board has never accepted any manipulation of the company revenues. ”

Appendix 3: Internality score questionnaire

Please respond to each of the scales below by indicating the extent to which you think the item contributed to the misstatement.

Auditor's lack of ethics
○-----○-----○-----○-----○-----○-----○-----○
very unlikely cause very likely cause

The board committee members haven't sufficient accountancy expertise to realize the importance of this manipulation

○-----○-----○-----○-----○-----○-----○-----○
very unlikely cause very likely cause

Auditor's lack of effort

○-----○-----○-----○-----○-----○-----○-----○
very unlikely cause very likely cause

Disclosing this misstatement in the audit report was too costly to do for the auditor

○-----○-----○-----○-----○-----○-----○-----○
very unlikely cause very likely cause

The board committee members didn't pay enough attention to the financial statements (because of weak number of meetings dedicated to this subject)

○-----○-----○-----○-----○-----○-----○-----○
very unlikely cause very likely cause

It is difficult for the company to resist to the market's pressure

○-----○-----○-----○-----○-----○-----○-----○
very unlikely cause very likely cause

It's bad luck, nobody is really responsible

○-----○-----○-----○-----○-----○-----○-----○
very unlikely cause very likely cause

Table 1 : Controlled factors

Auditor’s internality factor

Criteria	Text	Attribution dimensions	Scenarios
Attribution of the auditor: high	Although Bryan E. Palbaum detected similar errors during the audit of other companies, he has never mentioned them in the audit reports.	Low differentiation	B & D
	The “second partner review” (BIG’s internal quality procedure) had identified this error on the BOL’s contracts and had considered it as an anomaly.	Low consensus	
	In the past, some minority shareholders had already evoked concerns about independence issues between Bryan E. Palbaum and Gemstar’s management.	High consistency	
Attribution of the auditor: low	Bryan E. Palbaum had previously detected similar errors during the audit of other companies, and he had revealed them.	High differentiation	A & C
	The “second partner review” (BIG’s internal quality procedure) had identified the error on BOL’s contracts and had not considered it as an anomaly.	High consensus	
	In the past, minority shareholders had never evoked concerns about independence issues between Bryan E. Palbaum and Gemstar’s management.	Low consistency	

Auditee’s internality factor

Criteria	Text	Attribution dimensions	Scenarios
Attribution of the board committee members: high	Some Board’s members have been previously involved in accounting frauds in other companies.	Low differentiation	C & D
	Despite the strategic importance of this segment, it’s unusual for the Boards of Gemstar’s competitors to accept some revenues overstatements.	Low consensus	
	In the past, Gemstar’s Board’s has already accepted manipulation of the company revenues.	High consistency	
Attribution of the board committee members: low	No Board’s member has been previously involved in accounting frauds in other companies.	High differentiation	A & B
	Considering the strategic importance of this segment, it’s usual for the Boards of Gemstar’s competitors to accept some revenues overstatements.	High consensus	
	In the past, Gemstar’s Board has never accepted any manipulation of the company revenues.	Low consistency	

Table 2: Descriptive statistics

		N	mean	sd	min	p25	median	p75	max
Age	Shareholders	89	31.79	5.49	21	28	31	34	54
	Auditors	36	25.25	3.83	22	23	24	26	37
Gender	Shareholders	93	0.20	0.41	0	0	0	0	1
	Auditors	36	0.39	0.49	0	0	0	1	1
Accounting course	Shareholders	92	0.48	0.50	0	0	0	1	1
	Auditors	36	0.92	0.28	0	1	1	1	1
Financial analysis course	Shareholders	92	0.30	0.46	0	0	0	1	1
	Auditors	36	0.67	0.48	0	0	1	1	1
Corporate finance course	Shareholders	92	0.28	0.45	0	0	0	1	1
	Auditors	36	0.69	0.47	0	0	1	1	1
Investment course	Shareholders	92	0.25	0.44	0	0	0	0.5	1
	Auditors	36	0.44	0.50	0	0	0	1	1
One of the above courses	Shareholders	92	0.74	0.44	0	0	1	1	1
	Auditors	36	1.00	0.00	1	1	1	1	1
A priori attitude	Shareholders	92	3.90	0.70	1.89	3.50	3.89	4.33	5.56
	Auditors	36	3.48	0.64	1.89	3.11	3.44	3.89	4.67
Internality Score Auditor	Shareholders	93	3.28	3.22	-5	1	4	6	9
	Auditors	36	2.81	3.62	-6	0	3.5	5	9
Internality Score Auditee	Shareholders	91	0.96	3.18	-5	-1	1	4	10
	Auditors	36	1.25	3.14	-8	-1.5	2	4	6
Overattribution	Shareholders	91	2.34	4.17	-6	-1	2	6	12
	Auditors	36	1.56	3.35	-6	-0.5	2	3.5	11

Table 3: A priori attitude towards auditors

<i>Questions</i> ^(a)	Shareholders	t-test ^(b)	Auditors	t-test ^(b)	Total	t-test ^(c)
Accounting is an art, not subject to exactitude	mean: 4.446 se: 1.653 obs: 92	2.586**	5.528 1.298 36	7.062***	4.750 1.631 128	-3.912***
The financial statements contained in the annual report to stockholders are primarily the responsibility of corporate management, and not of the external auditor (CPA)	3.237 1.808 93	-4.072***	3.472 1.812 36	-1.747*	3.302 1.805 129	-0.663
External auditors (CPAs) cannot look at every client transaction. They must rely on samples and tests of relationships in conducting the audit.	2.720 1.618 93	-7.628***	1.861 1.046 36	-12.267***	2.481 1.526 129	3.552***
The current practices and standards of the auditing profession are very high.	3.215 1.326 93	-5.710***	2.722 1.186 36	-6.465***	3.078 1.303 129	2.047**
The big corporations and their big (external) auditors (CPAs) work hand-in-glove and only tell the public what they want to tell them.	4.129 1.576 93	0.79	3.306 1.546 36	-2.696**	3.899 1.605 129	2.700***
The big international auditing firms make plenty of money in the good times, so they should the shareholders' losses too.	3.376 1.928 93	-3.120***	2.750 1.811 36	-4.142***	3.202 1.910 129	1.730*
The role of the external auditor (CPA) is to be a public watchdog	5.043 1.488 93	6.758***	5.222 1.436 36	5.105***	5.093 1.471 129	-0.629
In the performance of the audit, it is the external auditor's (CPA's) responsibility to actively search for fraud.	5.323 1.468 93	8.687***	3.361 1.791 36	-2.140**	4.775 1.791 129	5.853**
One role of the external auditor (CPA) is to be an insurer against large stockholder losses.	3.591 1.907 93	-2.0666**	3.139 1.915 36	-2.699**	3.465 1.912 129	1.205
<i>A priori unfavorable attitude</i>	3.897 0.704 92	-1.400	3.485 0.635 36	-4.868***	3.781 0.708 128	3.205***

Notes: (a): Disclosed values are recoded values: 1= very favorable attitude; 7 = very unfavorable attitude; (b): Bivariate tests, mean =4; (c): Bivariate tests: Diff. (Shareholder-Auditor)=0

Table 4: Overblaming towards the auditor

Panel A: Internality Score

t-test > 0	n	mean	std. err.	std dev.	t	p
intscoraud	93	3.280***	0.3343948	3.225	9.807	0.003 ^(a)
intscorboard	91	0.956***	0.3333011	3.179	2.868	0.005 ^(a)

Panel B: Over-blaming: Internality Score Auditor - Internality Score Auditee

paired t-test	n	mean	std. err.	std. dev.	t	p
intscoraud	91	3.297	0.341	3.251		
intscorboard	91	0.956	0.333	3.179		
Diff.	91	2.341***	0.437	4.169	5.356	0.000 ^(a)

Panel C: Over attribution by manipulated factor

		Auditor internality factor	
		low	high
Auditee Internality factor	mean	2.154***	1.286
	low t	2.819	1.304
	p	0,005 ^(a)	0,207 ^(a)
	n	27	21
	mean	2,818**	3,091***
	high t	2.7	4.364
	p	0,013 ^(a)	0,000 ^(a)
	n	23	22

Notes:

(a): bivariate tests

Table 5: Determinants of the over-blaming

Logistic regressions DV: overattribution	Predicted signs	Hyp. 4		Hyp. 5		Hyp. 6	
		b/se	p ^(a)	b/se	p ^(a)	b/se	p ^(a)
A priori unfavorable attitude	+	1.989** (0.827)	0.016				
Deep pocket	+			0.193 (0.292)	0.509		
Watchdog	+					0.663** (0.308)	0.032
Constante		-3.776 (2.591)	0.145	2.487*** (0.959)	0.01	0.272 (1.184)	0.818
N		90		91		91	
Pseudo R2		0.22		0.014		0.148	
p-value		0.007		0.491		0.028	

** p<0.10, * p<0.05, *** p<0.01

(a) : bivariate tests