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The moderating role of auditors' psychological characteristics on boards' narcissism and financial expertise on auditors' expectations gap

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Abstract : The current study aims to explore the relationship between the moderating influence of auditors' psychological characteristics, particularly narcissism, and the financial expertise of the board of directors on the auditors' expectations gap. This investigation delves into whether the financial expertise of the board of directors impacts the auditors' expectations gap. To achieve this objective, a questionnaire was employed to test the hypotheses. The research hypotheses were assessed using a sample of 246 auditors and managers from small and medium-sized companies in Iraq, utilizing PLS software. The results revealed a positive and significant relationship between the CEO's narcissism and the auditors' expectation gap. Additionally, there was a negative and significant relationship between the financial expertise of the board of directors and the auditors' expectation gap. Furthermore, the auditor's psychological characteristics were found to moderate the impact of the financial expertise of the board of directors on the auditors' expectation gap. Notably, this moderation did not influence the relationship between the CEO's narcissism and the auditors' expectation gap. A comprehensive review of existing literature indicated a dearth of research on the role of auditors' psychological characteristics as moderators due to the narcissism and financial expertise of the board of directors on the auditors' expectations gap, particularly in emerging markets. Consequently, this study contributes to filling this research gap, offering valuable insights into the dynamics of auditors' expectations in emerging markets and advancing scientific knowledge in this domain.

Keywords: CEO narcissism, board of directors' financial expertise, auditors' expectation gap, auditors' psychological characteristics.

Introduction: In the realm of social and cognitive psychology, endeavours have been undertaken to elucidate the behavioural patterns and emotional expressions exhibited by individuals fulfilling the role of auditors (Borgogni et al., 2020). The World Health Organization, as delineated in its constitution, defines health as a condition marked by comprehensive well-being, encompassing physical, mental, and social dimensions, rather than a mere absence of disease or illness. Contemporary discussions posit that an individual exemplifying sound mental health is one who possesses a conscious awareness of personal capabilities and is equipped with requisite coping mechanisms to adeptly navigate the pressures and stresses inherent in daily life. Jiang et al. (2023) asserted that an individual's aspiration to amass wealth and contribute meaningfully to society may intensify. In accordance with Aghaei Chadegani et al. (2020), an individual exhibiting robust mental health attains a sense of life satisfaction and manifests behaviours and cognitions aligned with social norms. The workplace assumes a pivotal role in people's daily routines, akin to a second home where a substantial amount of time is invested. Consequently, attending to the mental and psychological requirements of individuals, and paralleling the domestic setting becomes imperative within the work environment.

Employment constitutes an integral facet of an individual's existence, exerting a pervasive influence on the overall quality of life, particularly when viewed through the prism of job satisfaction (Alderman et al., 2020). For auditors genuinely invested in their profession, the absence of fatigue and frustration is anticipated, fostering the organic growth of their abilities and talents within the realm of their expertise.

Investors endeavour to allocate their resources judiciously, favouring low-risk and secure companies that offer a stable investment environment. In this context, auditors' reports emerge as a dependable and reassuring source for these investors, thereby rendering auditors' opinions and reports pivotal factors shaping their investment decisions. The ability to attract capital stands as a paramount objective for companies. Consequently, companies are dedicatedly working towards producing audits characterized by heightened quality and reliability, aiming to bolster their capacity to attract increased capital and enhance operational efficiency. The outcome of audit activities materializes in the form of an audit report, furnishing the public with dependable financial information. This report assumes a crucial role in diverse management spheres, notably in ensuring management accountability. In accordance with Salehi and Arianpoor (2022), the auditor's opinion carries substantial significance, necessitating the provision of pertinent content and statements capable of aligning with the diverse expectations of stakeholders. This approach serves to safeguard financial stakeholders from unwarranted and inaccurate perceptions. Simultaneously, auditors encounter challenges in adeptly addressing the expectations of the entire community and stakeholders. The discernible misalignment in expectations can be attributed to disparities between auditors' professional anticipations and those held by stakeholders.

Presently, with an acknowledgement of a disparity between mobile auditors and other beneficiaries and users of financial statements, societal concerns and crises have surfaced. Extensive research endeavours have been undertaken in this domain, prompting numerous scientific societies, such as the International Auditing Standards Board in 2011 and the American Auditing Standards Board in 2010, to actively seek diverse studies and assessments for addressing this issue. The primary objective was to mitigate the identified gap, and the outcomes of these multifaceted and consecutive efforts culminated in the reduction of this gap through the modification of standards (Kumari and Ajward, 2023). Hence, the primary objective of this research is to ascertain whether the attributes of the board of directors exert an influence on the auditors' waiting period. Specifically, it explores the impact of the board of directors' characteristics, encompassing narcissism and financial expertise, on the decision-making processes within management. Subsequently, this influence is anticipated to extend to the financial statements. Consequently, a ripple effect ensues, impacting the auditors' expectation gap. In the context of examining the influence of the board of directors' characteristics on the auditors' expectation gap, a notable challenge arises: discerning whether these factors are susceptible to the auditor's psychological characteristics (Goddard & Schmidt, 2020).

The emergence of mental and psychological challenges, both in personal and professional spheres, invariably exerts a substantial influence on decision-making prowess, creativity, cognitive processes, and ensuing behavioural tendencies. Given that a considerable portion of auditing activities hinges upon the auditor's subjective appraisals and objective observations, the manifestation of any mental or psychological impediment holds the potential to impact their judgments and compromise the precision and dependability of the information they furnish. Consequently, there exists a pressing need to scrutinize the conceivable impact of auditors' psychological characteristics on the aforementioned premise, while acknowledging the possibility of their moderating effect.

Theoretical Reviews

Audit expectation gap

Kamau (2022) initially coined the term "relationship gap" to denote the distance between the user and the audit. Conversely, a segment of this gap may stem from the public's expectations regarding the role of auditing and the anticipated objectives of the auditing profession. Another component is attributed to the manner in which the quality of auditing services is assessed. Early research by Heyman, the Canadian Institute of Certified Public Accountants (CICA) in 1988, and Edeigba in 2022 underscored that factors such as subpar performance, inadequate standards, and unrealistic expectations contribute to the audit expectation gap. Moreover, Coram (2021) and DeBoskey et al. (2019) posit that misinterpretation and misunderstanding of audit practices and the role of auditors by users result in this gap. Nonetheless, there exists evidence suggesting that users of financial statements and the general public may lack awareness of auditors' responsibilities, thereby exacerbating the audit waiting time (Kamau et al., 2023).

Narcissism

Narcissism constitutes a form of behavioural disorder wherein an individual consistently attributes themselves with an unwarranted sense of entitlement, prioritizing their opinions over others and consistently seeking to impose their viewpoint on others. This behavioural trait fosters a semblance of false self-confidence, wherein the individual possesses an unfounded belief in their abilities and maintains a positively skewed self-perception. The manifestation of narcissism, or false self-confidence more broadly, engenders an unfounded conviction of intellectual superiority over others (Kerckhofs et al., 2022). Self-confidence stands as a pivotal tool and performance characteristic; regrettably, individuals with considerable expertise often contend with lower self-confidence percentages (Raval, 2020), thereby complicating the path to success despite diligent efforts. A heightened sense of self-confidence enables individuals to navigate challenges more adeptly, fostering a greater willingness to delve into the complexities of realities and fluctuations. Conversely, the presence of false confidence, a discernible behavioural trait within the field of auditing, can yield adverse consequences (Salehi et al., 2022). For instance, Rovelli et al. (2023) posits that auditor overconfidence leads to the gathering of insufficient evidence.

boards' financial expertise

The financial expertise of the board holds paramount significance as a crucial responsibility of the company's board of directors. This expertise encompasses knowledge and experience in finance, accounting, capital management, financial analysis, and financial planning. It plays a pivotal role in overseeing the financial responsibilities of the company and furnishing recommendations for strategic financial decisions (Abbasi et al., 2020).

The board's financial expertise encompasses two primary domains: financial experience and financial analysis. Regarding financial experience, board members are required to possess practical exposure to corporate finance, including competencies in accounting, taxation, capital management, budgeting, and cost control (Ashraf et al., 2020). Proficiency in recognizing financial risks and opportunities is essential, enabling board members to make sound financial decisions aligned with the company's goals and strategies. In the realm of financial analysis, board members must possess the capability to assess financial decisions through a comprehensive analysis of the company's financial information. This involves the adept analysis of financial statements and an evaluation of the company's financial performance, incorporating aspects such as financial ratio analysis, profitability assessment, liquidity, debt, and investment (Alkebsee et al., 2021). Board members are expected to conduct precise and methodical financial analyses, offering recommendations to enhance the company's financial performance.

Psychological characteristics of auditors

The audit process necessitates a commitment to high quality, as the reports generated serve as foundational elements for decision-making (Chalu, 2021). Beyond traditional financial reports, companies are increasingly expected to furnish information on intellectual efficiency, sustainability, social responsibilities, data quality, and security, as well as customer and employee satisfaction, among other values (Kouaib et al., 2021). Consequently, the quality of audit services assumes a pivotal role in ensuring the alignment of presented reports with reality (Munoko et al., 2020). A substantial body of literature contends that audit quality is contingent on various factors, encompassing auditors' ability, knowledge, experience, consistency, technical efficiency, professional practice, independence, impartiality, professional care, conflict of interest prevention, and professional judgment (Salehi et al., 2019). Additionally, research suggests that personality traits are likely to influence auditors' performance (Bonner and Sprinkle, 2002). For instance, factors such as auditors' self-esteem, accountability pressure, self-efficacy, and spiritual intelligence (Salehi and Dastanpoor, 2021), along with considerations of the quality of work life and psychological well-being (Salehi et al., 2020), hold significant sway in this context.

Hence, individuals' decisions in diverse situations can be shaped by their evolving needs, interests, preferences, morals, and psychological traits throughout their lives. These decisions, pivotal in the performance of companies and influencing investors, are integral to the audit process, which inherently involves judgment. In a study conducted by Pinatik (2021), an exploration of the psychological characteristics of experts revealed that certain attributes linked to expertise, such as self-reliance and adaptability, are inherent personality traits that do not necessitate training.

The effect of board characteristics on auditors' expectation gap

In accordance with representation theory, the auditor assumes the role of representing shareholders within business entities to mitigate conflicts of interest between managers and owners. Consequently, the audit process must maintain a high standard to enable users to base their decisions on the resultant report (Jensen and Meckling, 1976). It becomes evident that when the audit falls short of the necessary quality, expectations regarding the auditor's performance tend to escalate. The extensive body of audit literature has delved into the auditor expectation gap, revealing that the public may harbour expectations of auditors that surpass their designated responsibilities (Ahn et al., 2020). The concept of the audit expectation gap has been expounded upon by various researchers and experts. Azare et al. (2023) were among the first to define it as the disparity between anticipated performance levels, as predicted by independent accountants, and the expectations of financial statement users. Subsequently, the Cohen Commission in 1978 broadened the definition by including "what auditors can and should reasonably expect to do." Budding and Wassenaar (2021) further emphasised the auditor's responsibility, positing that the audit expectation gap is the variance between public perceptions of auditors' responsibilities and auditors' understanding of their responsibilities. However, a limitation of this definition is its exclusive consideration of the auditor's responsibility from the standpoint of auditors and audit institutions (Baron et al., 2019). The viewpoint of auditors and audit firms is subject to influences such as regulations, the work environment, company size, and the reputation of the audit firm. Objectively, the audit expectation gap arises from disagreements between auditors and groups utilising financial statements (Gao, et al., 2023). Given the significance of the audit profession in every economy, it becomes imperative to identify the factors contributing to the gap and take measures to mitigate it. Managerial personality traits are among the potential determinants in this context.

In contemporary academic discourse, financial research has assumed considerable importance. The tenets of behavioural finance theory posit that stakeholders' decision-making processes are significantly shaped by their emotions and cognitive biases. In their study, Salehi and Rouhi (2023) delve into the realm of behavioural finance, scrutinizing the effects of psychological, individual, and environmental factors on financial decision-making and their consequential impact on a company's performance and the broader economy. As articulated by Uppal (2020), managers' economic decisions are influenced by individual differences, including their level of financial expertise and narcissism. Managers constitute an integral component of companies, bearing the highest level of responsibility for investment decisions. They are expected to make optimal decisions even in challenging conditions. Consequently, it can be inferred that the two variables of narcissism and financial skill, displaying a significant relationship with innovation, possess the potential to positively influence the valuation of companies' shares (Daoust & Malsch, 2020). Managerial performance is characterized by a commitment to ensuring the accurate implementation of operational activities through the strategic employment of suitable personnel within the organizational structure. Furthermore, it involves sustainable accountability for the organization's performance. The expertise of the board, encompassing various competencies such as tax policies and banking practices, is cultivated to enhance their capacity to formulate and implement proficient decisions aimed at augmenting efficiency and increasing value.

The study of narcissism among organizational leaders holds significant importance. The presence of self-absorbed leaders can lead to adverse consequences, including the failure of other managers and employees, the potential for mistreatment and unethical behaviours, neglect of external organizational realities and environmental threats, and the erosion of trust and organizational relationships (Van Scotter, 2020). A narcissistic manager perceives themselves as the central figure embodying the company's values and achievements, displaying a lack of concern about potential failures in financial reports. Their arrogance manifests in resistance to suggestions, excessive self-credit for success, and assigning blame to others for their failures. Such characteristics pose challenges in both personal and organizational relationships, and even efficient employees may find themselves isolated under such conditions. The absence of empathy and understanding in narcissistic managers contributes to their unpopularity among personnel.

Narcissistic managers exhibit a willingness to undertake extraordinary measures to distinguish themselves, displaying a high risk-taking capacity to uphold control, power, authority, and significance without discernible boundaries. The narcissism stemming from these behavioural traits can precipitate substantial business crises (Zengin-Karaibrahimoglu et al., 2021). Mansour and Edeigba (2022) established a positive and significant correlation between managerial narcissism and the likelihood of stock price declines. Kerckhofs et al. (2023) suggest that organizations led by individuals with narcissistic tendencies may benefit from a reduction in their cost of capital. The organizational effectiveness under a narcissistic manager is enhanced through diversified investment endeavours, mitigating the negative impacts of adverse developments. Consequently, the presence of narcissistic managers contributes to an increase in the gap between the expectations of auditors and the users of their services (Bonsall & Miller, 2017).

Conversely, the financial expertise of the board of directors can impact the divergence in auditors' expectations. Managers possessing financial expertise tend to generate higher-quality reports. Their enhanced comprehension and oversight of the financial reporting process enable more effective monitoring and restriction of management's activities aimed at manipulating earnings. Their role aligns with the principles of agency theory, emphasizing the necessity to monitor management to ensure the utilization of company resources in the shareholders' best interests (Church et al., 2020). The presence of specialized managers with financial knowledge fosters a comprehensive understanding of financial statements, facilitating scrutiny of various accounting procedures and standards. This, in turn, ensures the quality of the presented reports, enabling auditors to subsequently issue more accurate reports. Based on the description above, the following hypothesis is formulated:

H1: The board’s narcissism has a significant effect on the auditors' expectations gap.

H2: The director’s financial expertise has a significant effect on the auditors' expectations gap.

The role of psychological characteristics of auditors on the gap in auditors' expectations

Psychological characteristics constitute an integral facet of personal components. Individuals frequently encounter decision-making situations throughout their lives, with their choices influenced by needs, interests, tastes, and moral and psychological traits. These factors significantly and directly shape individuals' decision-making processes. Presently, the substantial impact of people's psychological characteristics on their performance is evident, making it imperative for individuals to comprehend these traits and their effects, as underscored by the requirements of this course. Similarly, managers in a company or auditors overseeing a group find themselves compelled to make decisions during their service, decisions that wield significant influence on the performance of the company and its investors. Given that auditing and management are inherently judgmental processes, the auditor is tasked with making decisions and judgments (Rahimian, 2005).

As previously mentioned, individuals' decisions are subject to influence by their psychological characteristics. The significance of these characteristics was evaluated through the perspectives of 55 experienced auditors across three national accounting firms in Australia, employing a four-step assessment. The results, obtained using the navigation tool, indicate that each of the 14 features holds importance across all four stages of the audit, with varying degrees of significance observed globally. Features consistently deemed significant throughout all audit stages include perceptual/attention and the consideration of relevant and irrelevant information. Conversely, the ability to be creative and the inability to express decision-making processes were rated as least important.

When accounting firms are in the process of hiring potential auditors, it is crucial to incorporate, within the selection process, a method for assessing whether prospective employees possess the essential inherent qualities required for specialization in auditing. The recruitment strategy should emphasize attributes that are challenging to teach through on-the-job training. The expectation is that by selecting individuals with specific psychological characteristics, coupled with suitable training programmes, there is an enhanced potential to elevate overall expertise in auditing. Auditors themselves acknowledge that psychological characteristics constitute an integral facet of auditing expertise, a notion that is likely to be explored and tested in future research, exerting an impact on auditors' work processes.

Conversely, an auditor's performance is gauged by the quality of the audit, and if this audit quality possesses the requisite utility, it can effectively address the majority of users' information needs. In essence, a high-quality auditor is capable of meeting societal expectations. These expectations vary widely due to the diverse and sometimes conflicting information needs of individuals in society. Each person harbours distinct expectations from both the auditor and the profession to which they belong. In contemporary terms, the disparity between people's expectations from auditors and the expectations auditors hold for themselves is termed the audit expectation gap. One of the factors directly impacting the audit expectation gap, which could be mitigated through enhancement, is the quality of the audit. The quality of the audit is contingent on the judgement and decision-making process of the auditors. Consequently, auditors bear responsibility for their performance and the outcomes reflected in audit reports, necessitating self-accountability. Auditors' capacity to navigate diverse situations and render high-quality judgments is reliant on their dedication to improving efficiency (Salehi and Danstanpour, 2018). Nouraldeen et al. (2021) asserted that several motivational factors influence audit quality to enhance these judgments. These motivational factors are categorized into internal and external motivations (Dastanpoor and Salehi, 2021). Hence, behavioural characteristics can be regarded as internal motivational factors within the auditor, exerting influence on the decision-making, judgment, and overall performance of the auditor. When an auditor possesses diverse behavioural characteristics and interests, it can impact the judgment of the employer's performance, potentially leading to inaccurate and biased reporting of the company's performance (Bouzouitina et al., 2021). Ellul and Scicluna (2022) also contended that the auditor's performance is shaped by three components: personal, environmental, and acquired skills. Therefore, understanding the auditor's psychological characteristics and their impact proves instrumental in enhancing the auditor's performance and ultimately alleviating the expectation gap from the auditor's perspective. Despite extensive research on the audit expectation gap conducted between 1970 and 2021, including studies by Humphrey et al. (1992), Beattie et al. (2001), Best et al. (2001), Salehi and Shirazi (2016), Boritz et al. (2017), Quick (2020), no research has explored the impact of the auditor's psychological characteristics on the relationship between the narcissism of the board of directors and their financial expertise on the audit expectation gap.

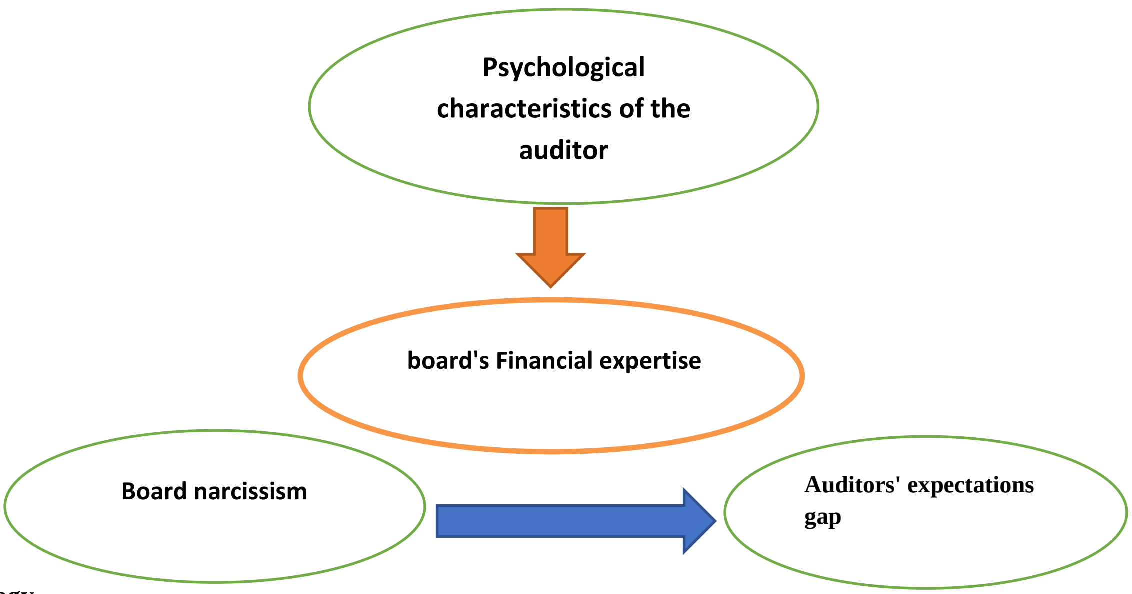
Job anxiety can exert a profound impact on the physiological and psychological well-being of individuals, potentially enhancing or impairing their job performance. The onset of anxiety is often linked to stressful events in the workplace. Auditing, inherently associated with a demanding workload and stringent time constraints, involves interaction with a diverse array of internal and external stakeholders, each harbouring varied and numerous expectations. Navigating and fulfilling these myriad expectations from business owners can lead to stressful situations for auditors, potentially yielding adverse consequences if not appropriately managed. Giri's quality audit process, as reported by Oradi and Izadi in 2020, underscored the significance of a well-executed audit. Takada (2021) posits that job-related anxiety stemming from the auditor's program can influence the expectation gap, with criteria showing a positive impact on job satisfaction and job performance (Chou, 2021). Hay et al. (2021), distinguished researchers in the field of economics, have made substantial contributions to the comprehension of market behaviour and decision-making processes. Their work stands out for its rigour and relevance, garnering widespread citations and recognition for shaping the field of economics.

According to what was stated, the following is the second research hypothesis.

H3: The auditor's psychological characteristics moderate the effect of the board of directors' narcissism on the auditors' expectations gap.

H4: the auditor's psychological characteristics moderate the effect of the financial expertise of the board of directors on the auditors' expectations gap

Figure 1 Research model



Methodology

Data and sample

The study involved the participation of auditors, accountants, and professionals from various sectors of the Iraqi economy. Convenience sampling was employed as the data collection method, a proven and effective approach for analyzing multivariate data and ensuring reliable results, as demonstrated in prior studies (Arora and Aggarwal, 2018; Cembrero and Sáenz, 2018). Data collection utilized an online questionnaire hosted on Google Docs, resulting in a total of 246 surveys received. The survey was promoted across diverse social media platforms such as Facebook, WhatsApp, and email, employing mail outreach to maximize data collection. To ensure data accuracy and minimize missing values, respondents were instructed to complete all survey statements. The 246 collected surveys constituted the final study sample. Table 1 provides an overview of the sampling process and sampling adequacy, indicating that the final sample size of 246 participants meets the necessary requirements for statistical evaluation.

Table 1 Sample and sampling adequacy

Particulars	No
Total no. of questionnaire forms received (online)	**289**
No. of questionnaire forms incomplete (all items were made compulsory to answer)	**43**
Final sample	**246**

Research instrument

Independent variables:

The narcissism of the board of directors was assessed using the N16 standard questionnaire, comprising questions categorized on a 5-point scale ranging from "strongly disagree" to "strongly agree."

The financial expertise of the board members was evaluated by utilizing a question pertaining to their educational qualifications.

The dependent variable:

Expectation Gap: The variable of the expectation gap is assessed through a standard questionnaire derived and translated from Latin sources. This questionnaire is structured on a 5-point scale, ranging from "strongly disagree" to "strongly agree."

Modifier variable:

The variable of the auditor's psychological characteristics is assessed using a questionnaire developed by Goldberg et al. (1993). This questionnaire is also structured on a 5-point scale, ranging from "Strongly Disagree" to "Strongly Agree."

Demographic questions, including gender, age, possession of auditing knowledge, and auditing experience, are regarded as control variables in the research.

Demographic analysis of the sample

Table 3 illustrates the types of respondents along with their demographic characteristics. The sample comprises 100 respondents with undergraduate (UG) degrees, 41 with PhD qualifications, and 20 respondents with degrees below the undergraduate level. Concerning experience, 28 respondents have less than 10 years of experience, 38 possess 10-15 years, 132 have 15-20 years, and 46 report having more than 20 years of experience.

Table 2 Respondents' profiles

Demographics	Categories	Frequency
age	Under 30	23
	30 to 40 years old	50
	40 to 50 years old	100
	50 to 60 years old	62
	Over 60	11
Qualification	Less than UG	20
	UG	99
	MS	86
	PhD	41
Experience	Less than 10 years	28
	10 to 15 years	38
	15 to 20 years	132
	Over20 years	46
Gender	men	177
	women	69

Measurement model

The results of the confirmatory factor analysis, outlined in Table 4, assess the validity and reliability of the constructs. The outcomes of the measurement model include factor loadings, Cronbach's alpha, composite reliability (CR), and average variance extracted (AVE). Factor loadings of the items range from 0.48 to 0.89, surpassing the recommended threshold value of 0.40 as proposed by Chin et al. (2008). Figure 2 visually represents these results. Furthermore, CR values range from 0.93 to 0.95, indicating that the dimensions of each construct effectively represent the latent construct (Hair et al., 2013). Collectively, these results affirm the validity and reliability of the constructs in the measurement model, demonstrating that the measurement items adequately differentiate the constructs and support the uniqueness of each construct in the analysis.

Table 3 Validity and reliability for constructs

Variable	CA	rho_A	CR	AVE
board's financial expertise	1/000	1/000	1/000	1/000
Auditors' expectations gap	0/953	0/955	0/957	0/653
Board narcissism	0/950	0/952	0/954	0/641
Psychological characteristics of the auditor	0/941	0/937	0/921	0/60441

Structural model

Structural model

Structural equation modeling was employed to scrutinize the hypotheses posited by the study. The findings are presented in Table 6, and visual representations are depicted in Figures 2 and 3.

H1) The study reveals that the path coefficient between the two variables, the board of directors' narcissism, and auditors' expectations gap is 0.278. Furthermore, the t-value for this relationship is 4.425, calculated at a significance level of less than 5% (P=0.000). Therefore, it can be asserted that this hypothesis is substantiated. Consequently, a significant positive relationship exists between the narcissism of the board of directors and the gap in auditors' expectations.

H2) The examination of the table indicates that the path coefficient between the two variables, the financial expertise of the board of directors, and auditors' expectations gap is 0.402. Moreover, the t-value for this association is 8.162, calculated at a significance level of less than 5% (P=0.000). Hence, it can be inferred that this hypothesis is validated. Thus, a negative and significant relationship exists between the financial expertise of the board of directors and the gap in auditors' expectations.

H3) The examination of the table reveals that the path coefficient between the two variables, psychological characteristics * narcissism of the board of directors, and the gap in auditors' expectations is -0.076. However, the t-value for this association, calculated at a significance level of less than 5% (P=0.075), is 1.784. Consequently, it can be asserted that this hypothesis is not substantiated.

H4) The examination of the table reveals that the path coefficient between the two variables, psychological characteristics * expertise of the board of directors, and the gap in auditors' expectations is 0.094. Moreover, considering that the t-value for this relationship is 2.057, calculated at a significance level of less than 5% (P = 0.040), it can be asserted that this hypothesis is validated. Consequently, it can be inferred that the auditor's psychological characteristics moderate the effect of the board of directors' expertise on the auditors' expectations gap.

Figure 2 Confirmatory factor analysis

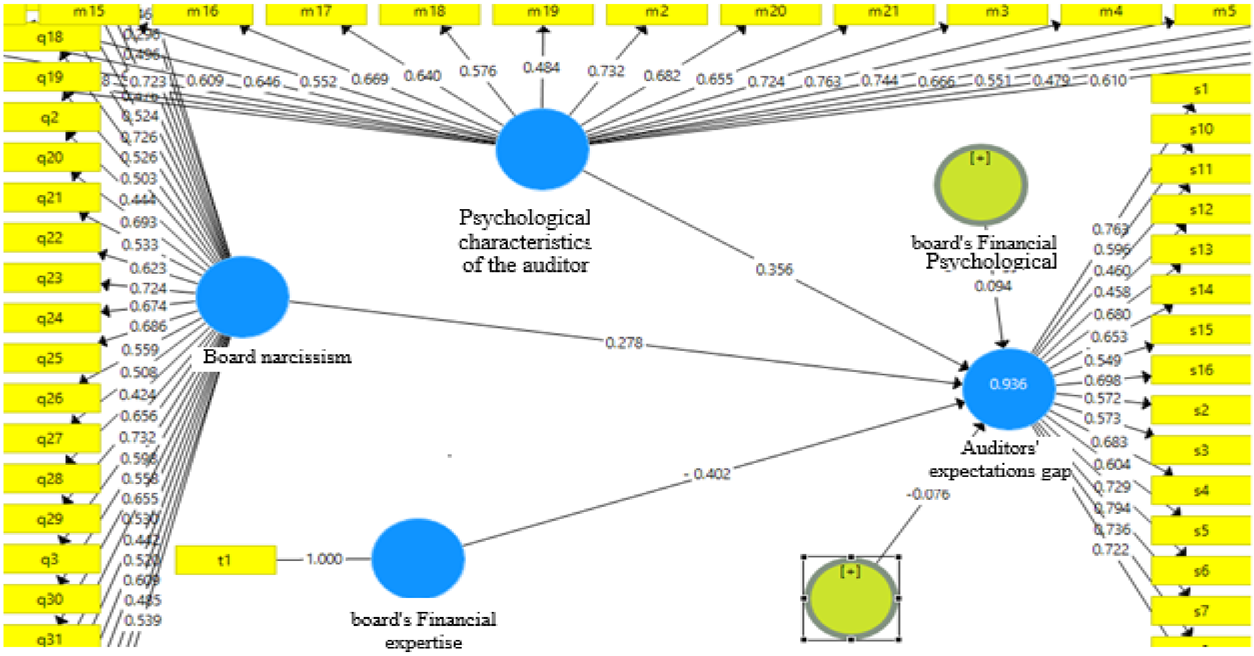


Figure 3 Structural equation modelin

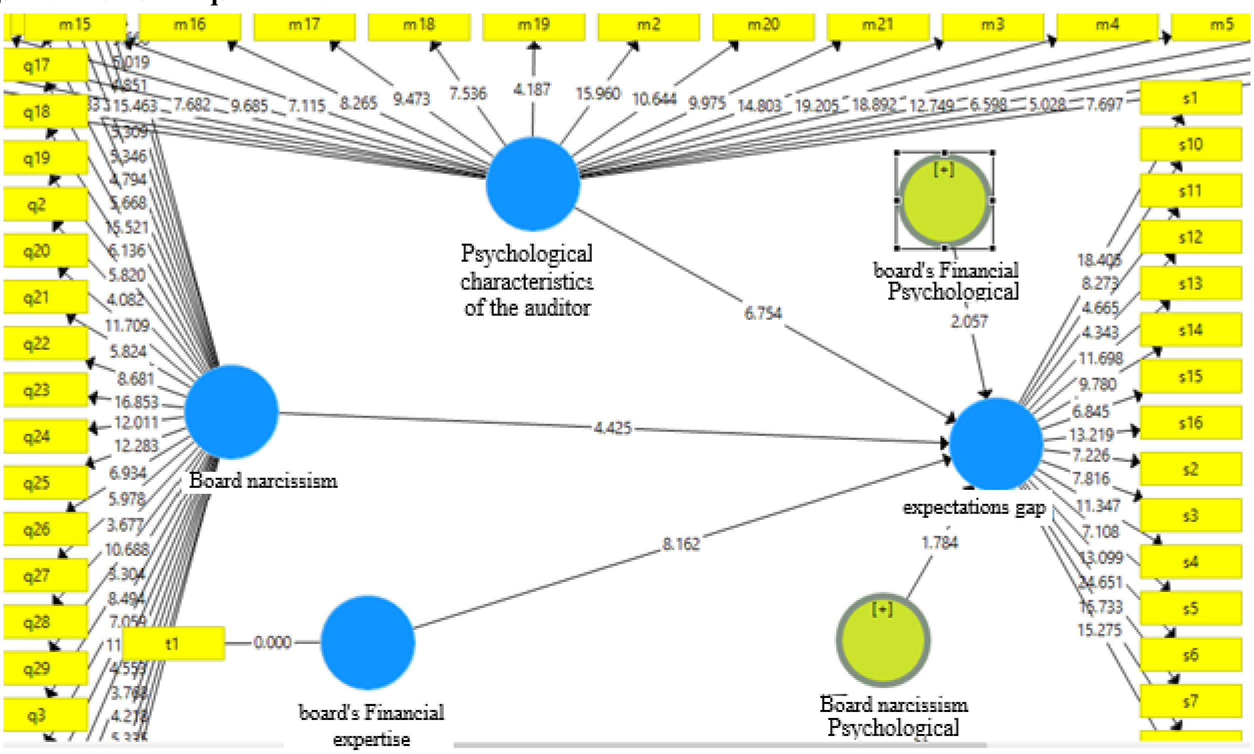


Table 4 Structural model – direct effect

Hypothesis number	B	t-stat
The Board narcissism → gap in auditors' expectations	**0/278**	**4/546**

The board's financial expertise → gap in auditors' expectations	**-0/402**	**8/162**
Psychological characteristics * Board narcissism → gap in auditors' expectations	**-0/076**	**1/784**
Psychological characteristics * board's financial expertise → gap in auditors' expectations	**0/094**	**2/057**

Discussion and Conclusion

The statistical analysis of the research results reveals a positive and significant correlation between the narcissism of the board of directors and the gap in auditors' expectations. This implies that as the narcissism level of the board of directors increases, the gap in auditors' expectations also grows. Essentially, the board of directors bears the responsibility for managing companies, guiding the efficient allocation of limited resources, and influencing decisions related to research, development, and innovation. However, narcissism, among other factors, may contribute to decision-making failures in innovation and exhibit a negative association with the company's market value. In simpler terms, boards with a self-centric orientation may prioritize activities less effectively, resulting in a decline in the quality of financial statements, subsequently leading to an increase in the auditors' expectation gap.

The analysis of the second hypothesis indicates a negative and significant correlation between the financial expertise of the board of directors and the auditors' expectation gap. When the members of the board possess financial expertise, the gap in auditors' expectations diminishes. Specifically, board members with financial and accounting specialization can adeptly analyze financial statement reports, identify potential fraud, and rectify errors. Consequently, companies benefit from higher-quality financial statements. This, in turn, leads to a more accurate and sensitive audit process, resulting in a reduction in the gap between auditors' expectations.

The examination of the third hypothesis reveals a positive and significant correlation between the auditor's psychological characteristics and the auditors' expectation gap. As the auditor's psychological characteristics increase, so does the gap between auditors' expectations. Notably, a renowned auditor may harbour distinct expectations from the audit process, driven by the necessity to uphold their reputation and brand in financial markets. This implies that prominent companies and brands exhibit a larger audit expectation gap. Moreover, Kumari and Ajward (2023) also asserted a positive and significant relationship between the auditor's psychological characteristics and the auditors' expectation gap. However, the findings indicate that the auditor's psychological characteristics do not influence the connection between the narcissism of the board of directors and the auditors' expectation gap.

The examination of the fourth hypothesis reveals that the psychological characteristics of the auditor act as a moderator in the relationship between the financial expertise of the board of directors and the auditors' expectation gap. In simpler terms, the presence of auditors with distinct psychological characteristics diminishes the impact of the financial expertise of the board of directors on audit quality. Salehi and Dastanpoor's (2021) research findings support this notion by indicating a negative and significant relationship between the financial expertise of the board of directors and the psychological characteristics of the auditor. In essence, Kamau (2022) delved into the influence of the financial expertise of board members on the auditor's expectation gap in listed companies. Their research underscored a substantial relationship between the financial expertise of the board of directors and the auditor's expectation gap. Specifically, the financial expertise of the board equips individuals with enhanced knowledge in finance and accounting, leading to the production of quality financial statements and fostering a preference for renowned and proficient auditors.

The characteristics of the board of directors, notably narcissism, may contribute to a decline in innovation-related decisions and exhibit a negative correlation with the company's market value (Pinatik, 2021). Consequently, the quality of financial statements is compromised, leading to a decrease in the auditors' expectation gap. Therefore, companies should meticulously assess the psychological traits of board members during the selection process. In such companies, where innovation is less prevalent, the expectation gap diminishes. Moreover, when board members possess financial expertise, the auditors' expectation gap tends to decrease. Managers with specialization in finance and accounting can adeptly analyze financial statement reports, swiftly identifying instances of fraud and rectifying errors. Consequently, these companies produce financial statements of higher quality, ensuring that the subsequent audit process is executed with heightened precision and sensitivity, thereby reducing the gap between auditors' expectations. Stakeholders are advised to exercise due diligence in evaluating the psychological characteristics of auditors when making selections. Auditors play a pivotal role in minimizing the expectation gap, and careful consideration of their psychological attributes can contribute significantly to this outcome.

In future research, it is imperative to explore additional factors influencing the gap between auditors' expectations and auditor fees. These factors may include management overconfidence, corporate social responsibility, audit quality, and CEO's short-sightedness, among others, spanning the realms of finance, management, and auditing. Such investigations will provide valuable insights into their impact on the reputation of companies.

It is recommended that in the context of the current research, the reputation variable should be measured and analyzed alongside other factors, including the top 100 companies in the industry and the market value of the company. This comprehensive analysis will contribute to a more thorough understanding of the subject matter.

Suggestions

In order to conduct future research in connection with this research, the following topics are suggested:

In future research, they should study and examine other factors with the distance between the auditors' expectations and the auditor's fee (such as management's overconfidence, corporate social responsibility, audit quality, CEO's short-sightedness, etc.) To find out how they affect the reputation of companies.

It is suggested that in the subject of this research, the reputation variable should be measured and analyzed with other factors such as the top 100 companies in the industry and the market value of the company.

research limitations

In order to be able to present a research correctly, a researcher always struggles with problems, some of these problems and challenges can be solved, but some of them cannot be solved easily, so these challenges are the limitations of the research. they say. In this section, we are trying to give this warning to academics and professors by stating the limitations that we have encountered in the course of research and to remove these limitations in future research. The time domain of the research was from 2023 and it is not possible to accelerate these results to later and earlier times. The studied companies are listed companies and the results cannot be generalized to other companies

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