An Analytical Study of the Effects of Audit Evidence's Directness on Quality of Auditor's Report

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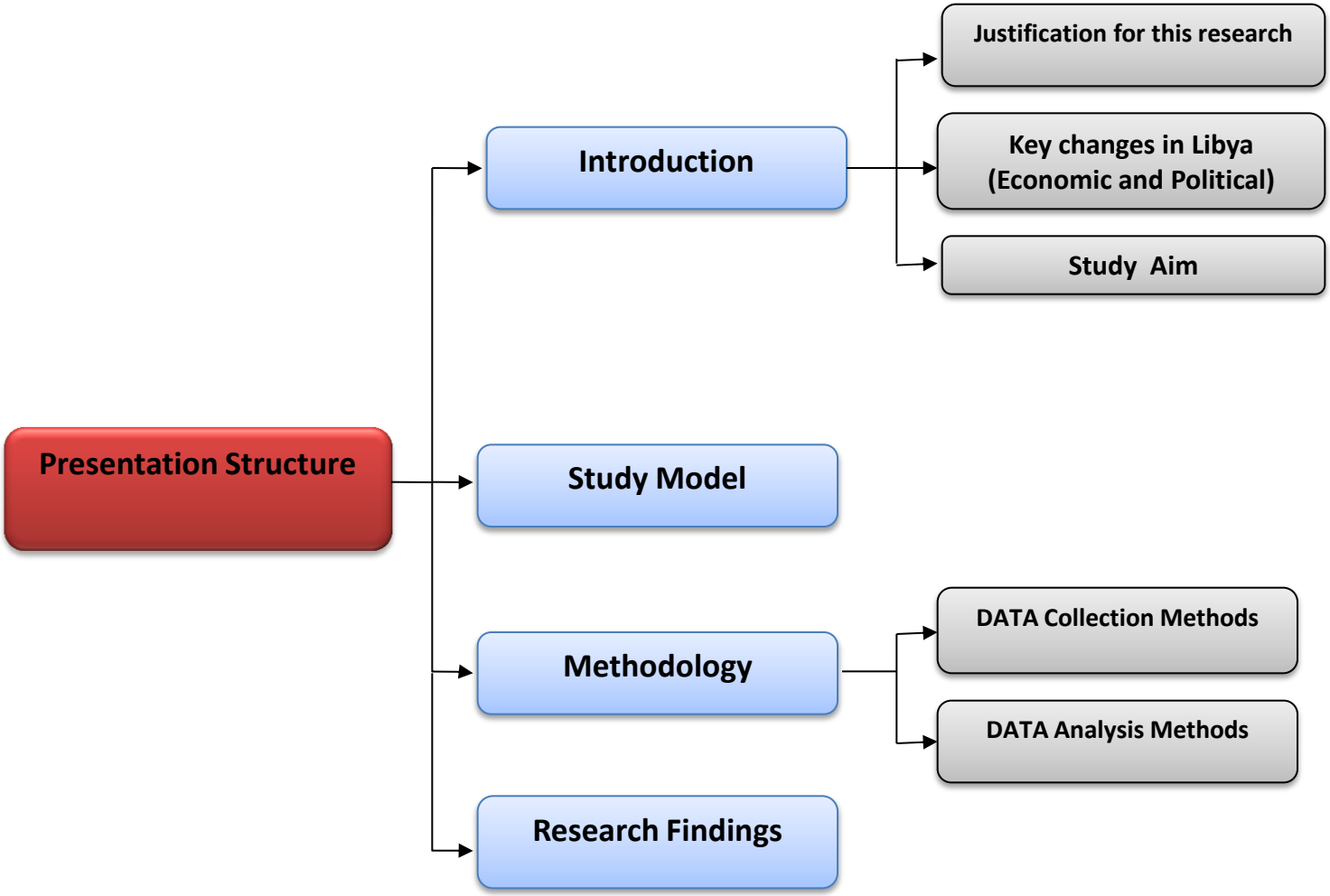
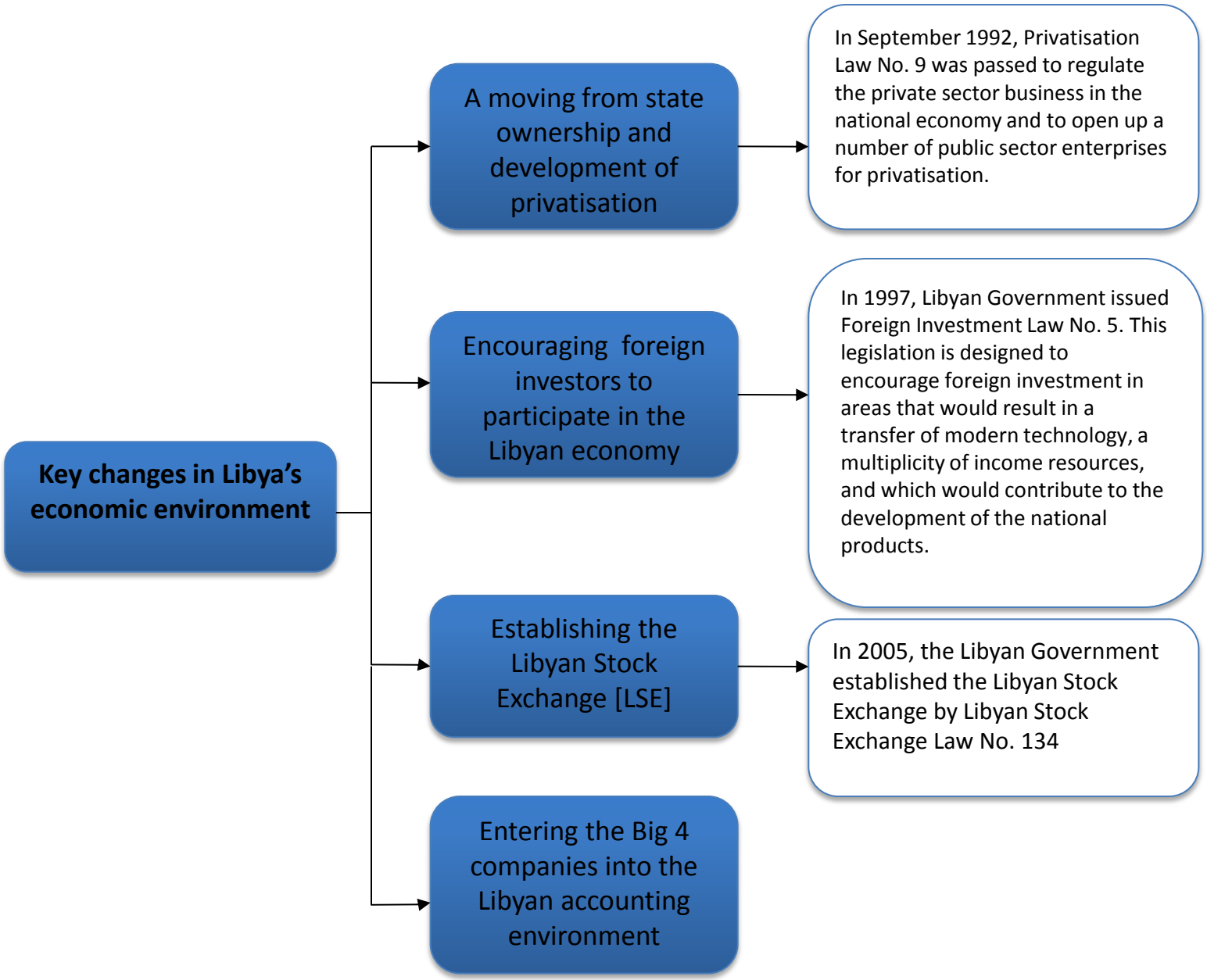

Presentation Structure
Introduction
Justification for this research
Key changes in Libya (Economic and Political)
Study Aim
Study Model
Methodology
DATA Collection Methods
DATA Analysis Methods
Research Findings

Justification for this Research

- **A lack of accounting and auditing research in emerging economies such as Libya (Pratten and Mashat, 2009)**

- **Some major changes in Libya's economic and political structures.**

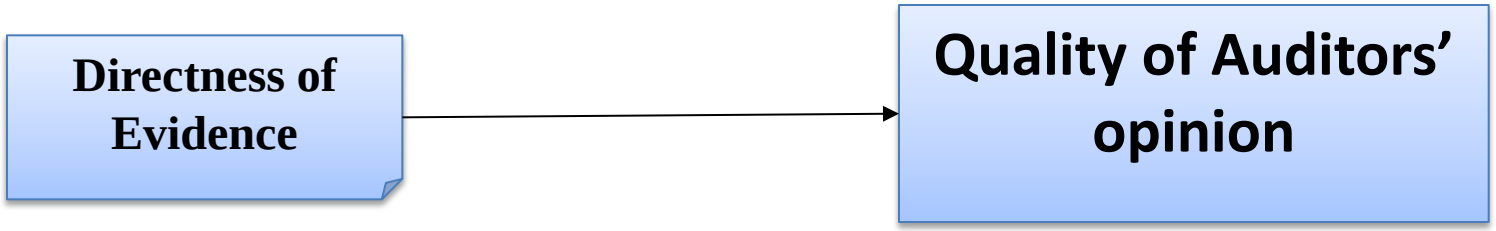

Key changes in Libya's economic environment
A moving from state ownership and development of privatisation
In September 1992, Privatisation Law No. 9 was passed to regulate the private sector business in the national economy and to open up a number of public sector enterprises for privatisation.
Encouraging foreign investors to participate in the Libyan economy
In 1997, Libyan Government issued Foreign Investment Law No. 5. This legislation is designed to encourage foreign investment in areas that would result in a transfer of modern technology, a multiplicity of income resources, and which would contribute to the development of the national products.
Establishing the Libyan Stock Exchange [LSE]
In 2005, the Libyan Government established the Libyan Stock Exchange by Libyan Stock Exchange Law No. 134
Entering the Big 4 companies into the Libyan accounting environment

Research Aim

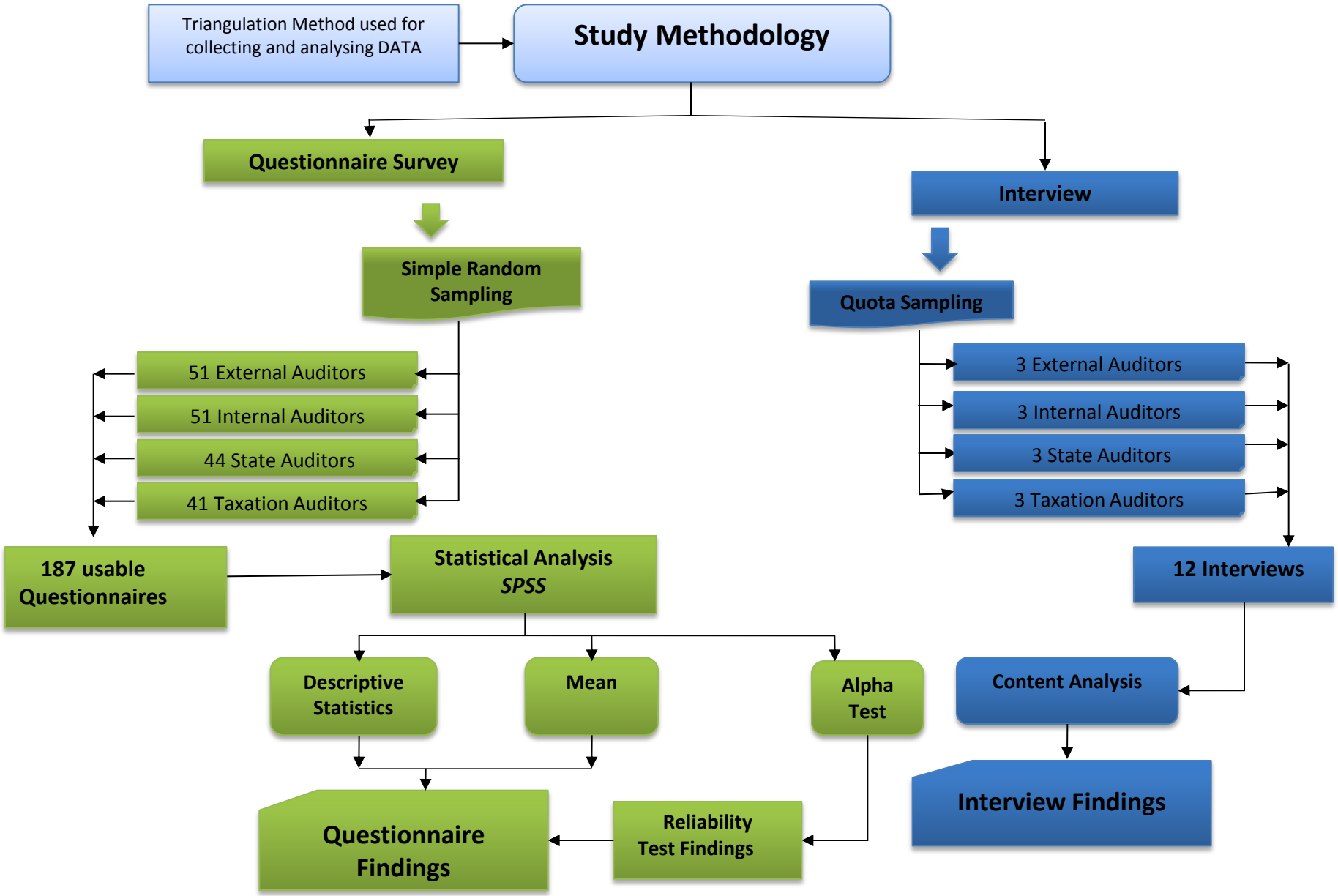
- This study will seek to answer this question: ***Does directness of evidence effect on quality of auditor's report?***

Study Model (Theoretical Framework)

Independent Variables **Dependent Variable**



Research Methodology


Triangulation Method used for collecting and analysing DATA
Study Methodology
Questionnaire Survey
Interview
Simple Random Sampling
Quota Sampling
51 External Auditors
51 Internal Auditors
44 State Auditors
41 Taxation Auditors
3 External Auditors
3 Internal Auditors
3 State Auditors
3 Taxation Auditors
187 usable Questionnaires
Statistical Analysis SPSS
12 Interviews
Descriptive Statistics
Mean
Alpha Test
Content Analysis
Questionnaire Findings
Reliability Test Findings
Interview Findings

Research Findings

Questionnaire Findings

Percentage distribution of auditors by general information

	External Auditor		Internal Auditor		State Auditor		Taxation Auditor		Total	
	No	**%**	**No**	**%**	**No**	**%**	**No**	**%**	**No**	**%**
Auditors' gender										
Male	49	96.1	47	92.2	35	79.5	39	95.1	170	**90.9**
Female	2	3.9	4	7.8	9	20.5	2	4.9	17	**9.10**
Total	**51**	**100**	**51**	**100**	**44**	**100**	**41**	**100**	**187**	**100**
Auditors' age										
21- 29 years	17	33.3	17	33.3	18	40.9	15	36.6	67	35.8
30- 39 years	17	33.3	20	39.2	23	52.3	20	48.8	80	42.8
40-50 years	11	21.6	11	21.6	3	6.8	6	14.6	31	16.6
Over 50 years	6	11.8	3	5.9	0	0	0	0	9	4.8
Total	**51**	**100**	**51**	**100**	**44**	**100**	**41**	**100**	**187**	**100**
Auditors' education level										
High School	1	20.0	11	21.6	5	11.4	1	2.4	18	**9.6**
First University Degree	33	64.7	35	68.6	28	63.6	36	87.8	132	**70.6**
Masters Degree	12	23.5	4	7.8	10	22.7	4	9.8	30	**16.0**
PhD	5	9.8	1	2.0	1	2.3	0	0.0	7	**3.7**
Total	**51**	**100**	**51**	**100**	**44**	**100**	**41**	**100**	**187**	**100**
Auditors' education subject										
Accounting	50	**98.0**	43	**84.3**	28	**63.7**	28	**68.3**	149	79.7
Management	1	2.0	3	5.9	6	13.6	3	7.3	13	**7.0**
Economics	0	0.0	5	9.8	10	22.7	10	24.4	25	**13.3**
Total	**51**	**100**	**51**	**100**	**44**	**100**	**41**	**100**	**187**	**100**
Auditors' years of experience										
Under 5 years	9	17.6	8	15.7	3	6.8	6	14.6	26	**13.9**
5- 9 years	10	19.6	19	37.3	11	25.0	14	34.1	54	**28.9**
10- 14 years	11	21.6	9	17.6	21	**47.8**	14	34.1	55	**29.4**
15-19 years	8	15.7	7	13.7	7	15.9	5	12.2	27	**14.4**
20-24 years	13	25.5	8	15.7	2	4.5	2	4.9	25	**13.4**
Over 24 years	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Total	**51**	**100**	**51**	**100**	**44**	**100**	**41**	**100**	**187**	**100**

Main results

	The Statements	Mean	Std. Deviation	STUAR		SLUAR		N		SLEAR		STEAR	
				No	%	No	%	No	%	No	%	No	%
1	Auditor has collected the evidence directly from a source	4.70	1.486	0	0	0	0	7	3.7	43	**23.0**	137	**73.3**
2	The auditor has received the evidence indirectly	3.32	1.844	14	7.5	31	16.6	42	22.5	82	**43.9**	18	9.6
3	The information is from the third party outside the entity	4.39	1.567	1	.5	1	.5	21	11.2	65	**34.8**	99	**52.9**
Overall mean = 4.13													

Sample Size = 187
STUAR = Strongly Undermines Auditor's Report (1)
SLUAR = Slightly Undermines Auditor's Report (2)
N = Neither (3)
SLEAR = Slightly Enhances Auditor's Report (4)
STEAR = Strongly Enhances Auditor's Report (5)

Interviews Findings

In general, the interviewees were in an agreement about the effects of the directness of evidence on quality of auditor's report. Seven interviewees explained that the evidence collected directly by the auditor has more credibility and reliability than indirect.

However, five interviewees indicated that indirect evidence has the same effect as direct evidence. They added that the source of evidence is a more important issue than its directness.

Thanks for attention

Is there any questions?