

An investigation into the Auditing Profession Regulatory Framework and the factors influencing the adoption of ISAs in the Libyan context.

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Abstract

Accounting information for decision making needs to be reliable, unless the information is audited, it cannot be regarded as reliable. Therefore, although extensive research in the area of accounting in general, and auditing in particular, has been conducted in the developed countries, similar investigations within developing countries have so far been relatively limited. Moreover, global financial crises, the most recent in 2007/8, have increased the pressures for better regulations with the aim of harmonising the auditing profession globally. This study therefore aims to help fill the gap in research and to provide recommendations to the governing body of the Libyan auditing profession, in order to address the difficulties faced by the profession, and advance and improve the quality of professional auditing practice.

This study is predominantly positivist in essence, but, based on the nature of the problem and research questions, a mixed methods approach to gathering data from stakeholders in the auditing profession is adopted. A questionnaire (196 respondents), and a set of semi-structured interviews (nine participants), represent the quantitative and qualitative instruments of the study respectively. The research sample for both empirical exercises is comprised of individuals from five different groups representing the Libyan auditing profession stakeholders. This wide spread of participants is selected in order to generate valid, reliable, generalizable, and meaningful data, and conclusions.

The overall conclusion drawn from the analysis is that the Libyan audit profession regulations are considered inadequate by the profession itself, since they fall short of meeting international standards, as supported by the fact that many foreign companies invest in Libya, and they insist on their auditing using ISAs as a guarantee of transparent and high quality auditing. The Libyan audit profession is unwilling to implement these international standards, and this weakness needs to be addressed. Furthermore, issues relating to licensing, accounting and auditing education, examination for entry to the profession, and Continuing Professional Development (CPD) must all be reviewed. In addition, a new regulatory framework, that involves government supervision, and the use of internationally-recognised standards in the performance of auditing duties, must be introduced.

In terms of the most appropriate regulatory approach, the results indicated that the independent regulator model is preferred; and with respect to auditing standards, the study finds that the preferred approach is to harmonise all auditing standards used in Libya, and to adopt the ISAs with certain modifications that suit the Libyan context. Furthermore, the study sample identified six factors that impact positively on the adoption of the ISAs, and a further six factors that had negative influences.

This research contributes to the body of literature by filling the gap regarding the Libyan auditing profession in general, and identifying factors that have an impact on the adoption of ISAs in particular. Recommendations are provided to the authority responsible for supervising the Libyan auditing profession that essentially require the upgrading of all professionals, and perseverance to ensure national and international development of the profession in particular, and to other countries with similar characteristics in general.

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Declaration

I declare that this work submitted in fulfilment of the requirements for the award of Doctor of Philosophy, in Liverpool Business School, Liverpool John Moores University, is solely my work, unless stated otherwise, and all sources used have been acknowledged.

Ahmed Eltweri

Dedication

I would like to dedicate my work to my beloved wife Khoulood, father, mother, brothers and sisters for their remarkable support

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Abbreviations

LAAA - Libyan Accountants and Auditors Association
LACA - Libyan Administrative Control Authority
LAB - Libyan Audit Bureau
LSM - Libyan Stock Market
CBL - Libyan Central Bank
LSM - Libyan Stock Market
GPC - General People's Committee
RCC - Revolutionary Command Council
IFAC - International Federation of Accountant
IAASB - International Auditing and Assurance Standards Board
IAESB - International Accounting Education Standards Board
PIOB - Public Interest Oversight Board
FRC - Financial Reporting Council
APB - Auditing Practices Board
PCAOB - Public Company Accounting Oversight Board
SOX - Sarbanes-Oxley Act
IFRS - International Financial Reporting Standards
ISAs - International Standards on Auditing
US- GAAS - United States General Accepted Auditing Standards
UK- GAAS - United Kingdom General Accepted Auditing Standards
ICAEW - Institute of Chartered Accountants in England and Wales
ACIPA - American Chartered Institution of Public Accountants
ACCA - Association of Chartered Certified Accountants
AAA - American Accounting Association
WPK - The Chamber of Auditors
APAK - Auditors Oversight Commission
CPAB - Canadian Public Accountability Board
CNCC - Compagnie Nationale des Commissaires aux Comptes
JACPA - Jordanian Association of Certified Public Accountants
CPD - Continuous Professional Development

Chapter 1 : Introduction

1.1 Introduction

This chapter introduces the background to the topic under investigation. It presents a statement of the research problem, highlights the significance of undertaking research into this issue, and provides a clear statement of the research aim, objectives, and questions. Finally, the structure of the thesis is outlined.

Before formulating the nature of the problem, the background of the study is offered so that the problem itself can be more easily understood. The focus of the study is on the regulation of auditing, which can trace its origins to the nineteenth century and in particular to Scotland, when a growing number of companies became recipients of external finance (Öhman and Wallerstedt, 2012). In these circumstances the providers of such finance required confirmation that their money has been used in a proper manner, and consequently, the need for financial information which was rigorously audited arose. As noted by Guiral-Contreras et al. (2007), financial reports that are professionally audited offer a level of assurance that what those reports state is a true and fair presentation of reality. Similarly, one of the main purpose of the IASB conceptual framework 2010 is to provide assistance to the auditors to form their opinion about the accounting information that are in according to the IFRS. However, the accounting information should convey some characteristics such as relevance and faithfulness of representation.

At the same time, the auditing function is important since it reduces companies' agency costs that exist in equity and debt markets (Watts and Zimmerman 1986). In fact, the audit profession has become vital to the international institutions that provide financial aid to countries, since the audit process ensures that the funds made available are used in a proper manner rather than lost through corruption (Lamoreaux et al. 2015). Furthermore, the agency theory concept confirms the significance of the audit profession, since the assurance provided by the audit function serves to reduce any conflicts that may occur due to the separation of control (management) and the ownership (shareholders), and to protect the interests of other stakeholders. The benefits of the accountancy profession to society as a whole is recognised by the IFAC, (2010), which requires that in order to protect the public interest, a reliable and timely

audit report must be available. Indeed, the audit report has been perceived as the most important source of information for all stakeholders in general and for investors in particular (Leventis et al. 2005; Law, 2011). However, the loss of confidence in the auditors' report to portray an accurate financial position worldwide has led to disappointment within society in the audit profession as a whole (Odendaal and Jager, 2008; Holm and Zaman, 2012).

Nevertheless, the auditor is not expected to be solely responsible for preventing the occurrence of fraud in an organisation, especially in instances where corporate fraud is widespread, as in the case in Libya (Humphrey et al.1993; Wright and Berger, 2011; Zakari and Menacere, 2012). In such situations, corporate fraud is almost a culture in itself which is difficult to eradicate, and much more than the efforts of an auditor are demanded to tackle such crime. It is true that auditors have the power to qualify their final opinions about the audited financial information of an organisation, and this power is perceived as extremely important by management teams, shareholders, and external stakeholders, since they believe this helps to ensure the true and fair presentation of data. However, auditors need to be supported in their actions and hence, the audit profession regulations are considered as significant as the audit function itself. Such regulations play a huge part in increasing the trust and confidence of the business world (Holm and Zaman, 2012).

Another significant contribution made by an effective auditing profession is its impact on a country's funds allocation, and on the stability of businesses, which can be achieved through an effective regulatory system for the auditing profession (Sylph, 2005). This notion of stability is echoed by Fan et al. (2005), who emphasise the use of auditors to reduce the risk of conflict among management and shareholders in emerging markets, as embodied in the agency theory concept.

Nevertheless, such stability is not always permanent, and the blame for the number of financial scandals that have occurred over time, has been laid at the door of the audit profession worldwide, the auditing standards-setters, and other regulators, thereby increasing the pressure upon the auditing profession's regulatory authorities (Fearnley and Hines, 2003; Sylph, 2005; Ball, 2009; Humphrey et al. 2009; Richardson, 2009; Ye and Simunic, 2013). Not

surprisingly, therefore, with the considerable number of audit failures to warn corporations' external stakeholders about their precarious financial positions, society began to lose confidence in auditors' professionalism; and, as the reputation of the profession generally was damaged, calls for reform of the regulations governing it were made (Odendaal and Jager, 2008). Thus, as Jankovic et al. (2010) point out, regulatory changes and developments within the auditing profession can be seen to have occurred after the scandals of Enron and WorldCom in 2001.

As far as the duties of the auditor are concerned, his/her main responsibility is to review the financial statements of an institution and provide a professional opinion on the financial position of that entity; whilst the duties of the profession regulator involve granting individuals and firms the authorisation to perform auditing duties, after satisfying the profession's requirements for the award of an auditing licence (Herrbach, 2005). According to Causholli and Knechel (2012), the audit function consists of two components, these being risk assessment, and the audit procedures to be performed. Both of these components demand a high level of judgment on the part of the auditor, and hence, s/he can be described as *"an expert who is best positioned to assess the risk and to conduct the audit in accordance with professional auditing standards"* (Causholli and Knechel (2012:1).

In regard to the way in which accountancy regulations are performed, many developing countries have implemented the accounting systems from other countries, possibly because they have been colonised and inherited systems that were in use before gaining their independence (Cooke and Wallace, 1990). Furthermore, Cooke and Wallace, (1990) have highlighted that most developed countries tend to be reluctant to adopt accounting and auditing standards from other countries, since these developed countries are often affected by their own internal factors (i.e. level of the national economy, accounting and auditing stakeholders, legal system, and culture). On the other hand, developing countries tend to be more affected by external factors (i.e. colonial ties, the internationalisation of world trade and stock markets). Furthermore, despite the benefits of the International Standards on Auditing, the implementation of these standards by any country may be inadequate if that implementation is not

supported by a proper plan to include the provision of education and training to ensure that accounting and audit professionals have the knowledge and ability to apply these standards (Wong, 2004; UNCTAD, 2008).

Consequently, as advocated by the International Forum for Accountancy Development's Vision (1999), a strong audit profession must be established, in order to be able to audit financial information in line with recognised auditing standards, which provide users with accurate information in financial statements (Iasplus, 2015). This view is consistent with that of Michas, (2011) who highlights that the worldwide harmonisation of the audit profession is far from being achieved unless national regulators and auditing standards-setters improve the audit profession and practice in their own jurisdictions.

That said, there is much variation among countries in the type of regulatory approach used in respect of their audit professions. In this connection, some countries rely on the self-regulation approach to establish and monitor compliance with regulations, such as was the case in the USA, where the auditing profession was previously controlled by the AICPA, but is now under the supervision of an independent regulator (Public Company Accounting Oversight Board - PCAOB) (Hilary and Lennox, 2005; Pritchard and Puri, 2006; Groff and Hocevar, 2009; Jankovic et al. 2010; Vanstraelen et al. 2012; Sawan and Alsaqqa, 2012). On the other hand, auditing professions in some countries have been regulated through governmental approaches, such as is seen in France (Beattie et al. 2008; Baker, 2014). Hence, the legal system applied in a country correlates positively with the approach used to develop and regulate the audit profession, whether this be through the government or self-regulation (Roberts et al. 2008). However, it is erroneous to assume that countries implement just one approach, since it is hard to effectively regulate the audit profession without the simultaneous intervention of other types of approach (Sylph, 2005).

In this respect, several authors have highlighted the potential means available to regulate the audit profession, these being cited as: self-regulation, direct regulation, co-regulation, and independent regulator approaches (Bartle and Vass, 2005; Sylph, 2005; Malsch and Gendron, 2011; Chambers and Payne, 2011; Levi-Faur, 2011; Anantharaman, 2012).

Many scholars have paid extra attention to the implications of the most recent financial crisis on the audit profession and practice regulations at national and international levels (Arnold, 2009; Humphrey et al. 2009; Sikka, 2009), which prioritised the urgent need for more audit regulations in a number of fundamental aspects including the regulatory arrangements controlling the profession. In addition, responses to the global financial crisis of 2007/08 that resulted in a collapse of major banks worldwide raises the question “*where were the auditors?*” (Humphrey et al. 2009: 810).

Moreover, Humphrey et al. (2009) point out that governmental regulatory reports have recognised this complicated approach to professional regulation as a major reason for the global financial crisis. However, these researchers also add that together with the financial institutions such as the banks and credit agencies, members of the auditing profession and the regulators of the profession in some jurisdictions have managed to escape from blame due to their attempts to reform the professional regulation mechanisms, and indeed, certain aspects of practice. Such moves to construct an international financial architecture have occurred in response to the series of financial crises beginning with the Mexican financial chaos in 1994, the Asian financial crisis in 1997, the demise of Enron in 2001, and the most recent global banking financial crisis in 2008. In the UK, for instance, the FRC has reacted to codify audit quality in its Audit Quality Framework in order to restore the legitimacy of regulations (Humphrey et al. 2009; Arnold, 2012; Holm and Zaman, 2012; Beattie et al. 2013).

The amount of losses incurred by many financial institutions worldwide is estimated to be around \$3 trillion; however, the social costs are found to be hard to estimate as a large amount of public funds has been used to relieve the impact of the global financial crisis (Sikka, 2009). Therefore, in the light of such massive losses, Davies and Green, (2013) argue the need to react urgently to reform the financial regulations including the accounting and auditing practice regulations.

Albu et al. (2014) stress the need for uniformity of practice of auditing practice around the world because of the impact of globalisation which firmly includes influences upon accounting and auditing practices since they themselves play a

vital role in the business environment. Furthermore, the authors emphasise that to some extent, emerging markets share the same features and obstacles in respect of the application of international standards (i.e. IFRS/ISAs). The particular features involved include the regulation approach adopted, the significance of the taxation laws and the slow development of the accounting and auditing profession.

According to Rosenau, (2007), the accounting and auditing regulations in emerging economies have been greatly affected by globalisation, and regulatory approaches such as state regulation may not be changed despite these being at odds with the requirements of companies trading worldwide. Moreover, it is noted that the rules and regulations pertaining to the auditing profession vary among the emerging market countries (Michas, 2011); therefore, the nature and quality of auditing practice is a reflection of national preference and development, and in this case, the higher the audit profession development, the higher the audit quality.

The Chinese government is one example of a government that has realised the greater needs of the auditing profession since its economic reform, since the state of the auditing profession has affected Chinese Stock Market developments (Zhou, 2012). However, more examples of the experience of the emerging and developing economies in respect of the adoption of international standards (IFRS/ISAs) are needed as there is little research on this subject. Therefore, studies related to the worldwide harmonisation of accounting and auditing practice are important, especially in developing countries, since the global standards are considered fundamental to improve the quality of accounting and auditing regulation.

In fact, William Parrett, the former CEO of Deloitte, emphasised the urgent need for co-operation among national and international regulators to achieve the desired high degree of harmonisation in the professional auditing environment, since such harmonisation serves to minimise the challenges facing auditors; and in achieving this uniformity, the use of common standards, the universal enforcement of the regulations, and a common framework to qualify auditors are implied (William, 2005).

However, several factors are seen to influence the adoption of rules and regulations by one country that are established in another, by government, or the international financial institutions. One factor supporting the adoption of such practice is the requirement imposed upon countries (especially emerging economies, and developing economies) requesting financial aid, to implement the international standards (i.e. IFRS.ISAs), since the lending agencies wish to be assured that the money loaned will be used wisely and can be supervised through the use of transparent standards (Siddiqui, 2010). Nevertheless, the adoption of foreign regulatory frameworks is considered inappropriate in some emerging economies given the fundamental differences in those economies' legal, social, and economic environments from those prevailing in the countries where the frameworks were originally conceived (Siddiqui, 2010). Similarly, a PCAOB's deputy chief auditor Greg Scates cited by Simunic et al. (2014) states that countries' systems are a very important aspect when considering the adoption of auditing regulations such as the auditing standards.

1.2 Statement of the Problem

In Libya, there was no attempt to practise any form of auditing prior to the discovery of oil. At that point, the country's financial position changed, and the Libyan government began to realise the need for an auditing profession, with the result that Law No.116/1973 was established. This Law delegated regulation of the profession to the profession itself, but since that time, the government has enacted several laws and regulations related to auditing practice. Nonetheless, despite this history of almost half a century of regulation in Libya's auditing profession, the fact that the country is still considered as a developing one also means that the profession remains in a state of relative infancy as it has not progressed. Indeed, the profession neglects its responsibility for the development of auditing and ethical standards. It does not monitor audit practice or what is taught in educational programmes provided by the academic institutions, and it does not require the formal examination of candidates for entry to the profession.

Furthermore, despite the enactment by the General People's Congress of Law No.1/2006 which established the Libyan Stock Market (LSM), Libyan auditing practice remains unmonitored, either by government or by the profession. That

said, the LSM requires all listed financial institutions and companies trading on it to adopt and implement the IFRS when preparing their financial statements and to ensure that these statements are audited according to ISAs, but so far, there is no evidence that companies comply with these requirements according to the PwC, 2011 report.

There is no doubt that the use and recognition of the international accounting and auditing standards in the developing countries has been the subject of debate (Laga, 2013). Yet, to the best of the researcher's knowledge, the factors influencing the adoption of ISAs are still unclear owing to the number of countries (especially, developing countries like Libya) yet to implement these standards even though the listed companies in Libya have been required by law to adopt the IFRS/ISAs.

What is appreciated, however, is that in emerging market countries, the rules, regulation and guidelines for the audit profession tend to be different, and that results in different (poorer) audit quality, yet the adoption of foreign rules and regulations still poses a difficulty because the regulatory frameworks in operation tend to be unable to accommodate regulations formulated in developed countries (Siddiqui, 2010).

1.3 Justification and Significance of the Study

Research in auditing is plentiful and rich, but generally, this has been conducted in advanced jurisdictions, and emerging countries remain relatively unexplored in this respect. Libya is regarded as one of those emerging/developing countries. This perception occurs in spite of the fact that the Libyan government endorsed Law No.116/1973 which established the Libyan Accounting and Auditing Association (LAAA), and that Libya is a country with vast economic resources because of its oil wealth; indeed, El-Firjani et al. (2014) observe that irrespective of these features, Libya's accounting and auditing profession remains in its infancy.

More evidence of this is found in the situation where regardless of the passing of several pieces of legislation (i.e. Libyan Accounting and Auditing Association Law No.116/1973; Libyan Commercial Law 1953 and amended Law No.23/2010; Libyan Income Tax Law in 1968 and amended Law No.11/2004;

LSM Establishment Law No.134/2005; Libyan Banks Law No.1/2005 and Petroleum Laws), all of which refer to the requirements for audit practice, there is no statutory enforcement of the accounting and auditing standards. This leaves the implementation of the required standards up to the individual accounting and auditing practitioners, the majority of whom are incompetent in the matter.

Clearly, this is an undesirable situation, especially given the global financial collapse, which has motivated international regulators, and governments and audit professions in several countries to take steps to restore the legitimacy of the audit profession in order to maintain public confidence in them. However, little is documented of the response in the developing countries which face barriers to the adoption of international standards for the reasons already discussed.

This study is therefore justified as it will help to benefit and draw conclusions from several strands of literature and provide recommendations to the Libyan auditing profession regulatory authority which should enhance the profession and improve the quality of audit practice. As far as the literature is concerned, the study will enhance the current understanding of the factors affecting the adoption of the ISAs in the Libyan auditing context, and in so doing may offer insights into developing countries in similar stages of advancement. It will refer to the literature on professional regulation mechanisms through its investigation of the role of the LAAA, and it will contribute towards expanding the literature relating to entry to the audit profession and the underlying components of accounting and auditing educational provision, thus making a contribution not only to the literature but to benefit future research and to provide practical suggestions on how to improve auditing practice in Libya.

1.4 Research Aim, Objectives, and Questions

Many authors (i.e. Humphrey et al. 2009; Michas, 2011; Holm and Zaman, 2012) have pointed out the increased pressure on the audit profession globally to enhance the degree of harmony present within the audit environment. The way to achieve such an aim is to involve regulators and standards-setters in an attempt to strengthen audit quality in their own countries. However, before this

can be done, it is necessary to know the level of audit practice that actually exists.

Consequently, this study aims to provide an in-depth understanding of the current Libyan auditing regulatory framework, and to examine the problems and difficulties which prevent Libya from establishing an efficient auditing system. In addition, it aims to examine the factors that influence the adoption of the International Standards on Auditing. As a means of achieving the overall aim, the following objectives are established:

1. To explore the licensing requirements for the auditing profession in Libya.
2. To identify the appropriate approach to regulate the auditing profession in Libya, with a further focus on the government role.
3. To assess the main factors contributing towards poor quality in the auditing profession in Libya with special reference to the role of the LAAA in developing the profession.
4. To determine the most appropriate set of audit standards for implementation in Libya.
5. To analyse the perceived benefits to be gained from uniting audit practice through the harmonisation of auditing standards in Libya.
6. To examine the factors influencing the adoption of the ISAs in Libya.
7. To compare the perspectives of the main stakeholders of the audit profession regarding different aspects of regulating the audit profession in Libya.
8. To evaluate the influence respondents to the study place on their choice of the applicable set of standards in the Libya context.

In order to achieve these eight objectives, three main research questions are formulated as follows:

RQ1. How can the Libyan audit regulatory framework be reformed?

RQ2. What are the appropriate standards for audit practice in Libya?

RQ3. What are the factors that affect the adoption of ISAs in Libyan auditing practice?

1.5 Outline of the Thesis

This thesis consists of eight chapters, which are outlined as follows;

Chapter 1: provides an introduction to the topic under investigation, clearly indicating the research motivation, presenting the research aim, objectives, and questions. It also illustrates how the thesis unfolds.

Chapter 2: provides an overview of Libyan audit practice. This includes the historical background to the profession, the accounting and educational environments, and the development of regulations (including LAAA regulations, LAB regulations, and legal regulations).

Chapter 3: critically reviews the literature related to the audit regulatory framework and the factors affecting the adoption of the International Standards on Audit in line with the study's aims and objectives. The chapter is divided into eleven main sections, which after an introduction, address the definition of auditing, its objective, auditing standards and licencing requirements, a critical review of regulatory approaches to the audit profession, along with different countries regulatory frameworks, the International Federation of Accountants, followed by factors affecting the adoption of ISAs in Libya, and regulatory theories. The chapter ends with a short summary of the literature gaps.

Chapter 4: discusses the research methodology and methods employed to achieve the research aims and objectives. The chapter is divided into five main sections. After the introduction, the aims and objectives are re-presented, the philosophical approaches to research are discussed, methods of data analysis are addressed, and a detailed discussion of both quantitative data and qualitative data is provided. The chapter ends with a short summary.

Chapter 5: provides a descriptive analysis and inferential statistics about the perceptions of the research sample in relation to the audit profession regulations in Libya. It analyses the factors that have an influence on the adoption or otherwise of the ISAs in the Libyan context.

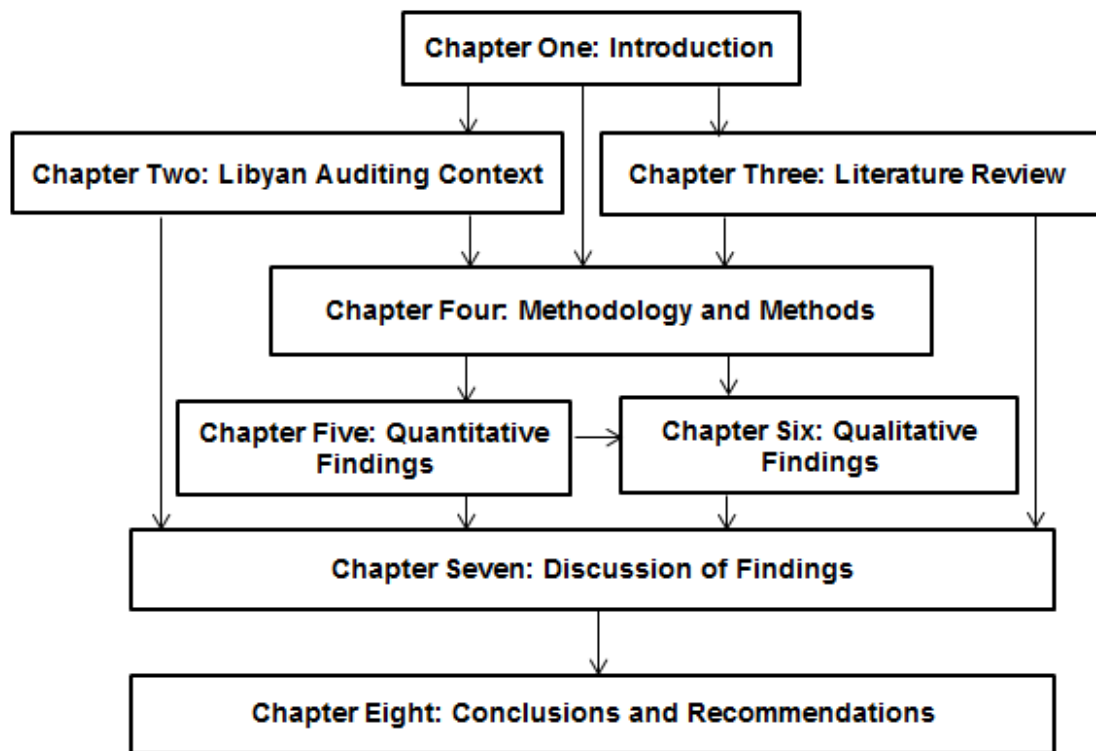
Chapter 6: presents the analysis of the qualitative data gathered through semi-structured interviews with five Libyan audit profession stakeholder groups. This analysis is offered as an enhancement of the quantitative findings.

Chapter 7: presents the results obtained from both aspects of the empirical research, the questionnaire survey, and the interview exercise. These findings

are discussed in the light of the literature in order to determine where existing research is supported or enhanced by the discovery of something unique.

Chapter 8: draws meaningful conclusions based on the discussion of the findings, it offers recommendations, highlights the contribution to knowledge and limitations of the study, and finally makes suggestions for further research.

Figure 1.1: Flowchart depicting the direction of the study.



Source: Designed by the researcher

Chapter 2 : Auditing in the Libyan Context

2.1 Introduction

The purpose of this chapter is to provide the background to the Libyan context, highlighting the economic, political, and social aspects of the country. This information is helpful in explaining the perceptions of the research participants with regard to the auditing profession in Libya, since the volume of literature that focuses on the up-to-date Libyan environment is limited, and most of the existing information is in Arabic.

This chapter is divided into four main sections. The first provides some geographical and economic detail, while the second explores Libya's history, albeit briefly. Thereafter, the Libyan accounting and auditing environment is highlighted, and in so doing, four particular areas are addressed, these being: the accounting and auditing practice; accounting and auditing education; the development of accounting and auditing regulations including the Libyan Accounting and Auditing Association; the State Accounting Bureau and the legal requirements. The next section discusses Libyan culture, and finally the chapter is summarised.

2.1 Geography and Population

Libya is a developing Arab country located in North Africa. The country occupies just over 1.7 million square kilometres, with a coastline of around 1,800 kilometres and a population of approximately 6.7 million in 2012 (KPMG, 2012). Given the vast areas of desert covered by the territory, it is the Mediterranean coastline which is home to the vast majority of Libyan citizens, as the climate is more temperate in that region, and continuing urbanisation has resulted in the development of the country's major cities along the coast. Tripoli is the capital and the largest city in the country, and GDP per capita is approximately \$13 thousand, with GDP growth reported as 12.2% (World Bank, 2014). Given its strategic geographical position within North Africa, its proximity to the Middle East and direct access to the Mediterranean Sea, Libya has long been well placed as a trading country.

2.2 Brief Historical Background

Libya has faced several occupations in its history. The Ottoman Turks settled in the region for many years until they were defeated by the Italians in 1911, who themselves settled in the country, oppressing traditional Libyan culture and implanting the Italian culture wherever possible. This occupation lasted until the Second World War. Subsequent to World War II, however, with the Italian removal from Libya, the country was divided into three regions for administrative purposes, Tripolitania in the northwest, Cyrenaica in the northeast, and Fezzan in the south. Tripolitania and Fezzan were controlled by the British, while the French government was responsible for the control of Cyrenaica. The impacts of such a long period of colonisation were seen in many aspects of Libyan life, such as for example, in the use of the language of the colonisers as well as Arabic, and in the adoption of some of their administrative and business systems.

After centuries of colonisation, Libya was granted its independence on 24th December 1951, by the resolution of the United Nations General Assembly. It was named the Kingdom of Libya, and ruled by the monarchy headed by King Idris Al-Sanussi. During the subsequent reign of the monarchy Libya remained friendly to its previous colonisers and to the West generally. However on 1st September 1969, a young army colonel, Al-Gadhafi overthrew the King, took control of the State, and named himself as leader. What followed was a four decade era during which a new political apparatus was established based on the notion of the People's Authority. Theoretically, this was designed to allow for grassroots participation of all citizens, but in reality the situation was totalitarian, and forty two years after the initial coup, a civil war occurred in 2011, and the Gadhafi regime was defeated. The outcome was the formation of a new transitional government which remained in place until July 2012 when the first ever election was held to form the new parliament, and a new Prime Minister was elected. However, Libya remains politically unstable up to this point in time, and the continuing conflicts are also impacting negatively upon the country's economy.

2.3 The Accounting and Auditing Environment in Libya

When considering the accounting and auditing environment in Libya, it is essential to recall, albeit briefly, the role played by colonisation, and the subsequent harmonious relationships with the West during the period of the monarchy, since these factors have been influential in shaping that environment. In this respect, Ritchie and Khorwatt (2007) observe that the Libyan auditing profession is tied to the UK and USA model as oil exploration in the last 70 years has been conducted mainly by UK and USA companies. Hence, the involvement of these companies has promoted the use of auditing arrangements with which they were familiar and which could ensure standardisation of approach throughout all operations. Indeed, even with the nationalisation of the oil industry during the Ghadafi regime and the swing to nationalisation and away from Western-devised business models, the accounting and auditing practices within the oil industry remained undisturbed (Shareia, 2014).

Nonetheless, despite this legacy in terms of auditing practice, many authors suggest that the Libyan accounting and auditing profession is still in its initial stage of development in terms of responsibilities, since it is only relatively recently that the preparation of financial reports as well as auditing reports has been required by Libyan Commercial Law (El-Firjani et al. 2014). Furthermore, due to the absence of recognised accounting and auditing standards in Libya, the standards adopted by companies, are the result of the accountants' and auditors' preference, and of their own knowledge concerning these standards (Shamsaddeen, 2010), and such knowledge and indeed experience, is an outcome of where the professionals involved have been educated, trained and worked previously. Those who spent time abroad are more likely to be capable of adopting international standards, whereas those with education and training limited to Libya are not. Consequently, there is a lack of rigour within the Libyan accounting and auditing practice, which can be attributed to two main factors. The first is that the financial statements required of the accounting and auditing profession are mainly required by the Tax Department and regulated by the Libyan Tax Law, and the Libyan Commercial Law; and the second is that members of the profession themselves are not homogenous in the knowledge and expertise they possess.

Nonetheless, as stated by Shareia and Irvine, (2014), even though the Libyan accounting environment is influenced by some factors that might be considered unique, and certainly different from those in the advanced countries, the accounting and auditing practices in Libya have developed by following the trend set by the UK and the USA in their accounting practices.

According to Khorwatt, (2006), and Shareia and Irvine, (2014), prior to the involvement of the British, the auditing function did not exist in Libya, since there is no evidence of this during the Italian colonisation of the country. Subsequently, the pressure placed upon the Libyan authorities to establish an accounting and auditing profession became apparent during the 1950s, in line with the discovery of oil. This discovery, and the consequent involvement of British and US companies introduced accounting and auditing practices in Libya, which as already indicated, have been found by Shareia, (2014), to have remained constant, despite changes in the country's legislation. This implies that irrespective of national regulations, the oil companies do not apply these regulations, and hence the practices used are no reflection of the Libyan environment and development, nationally or internationally.

However, the regulatory framework introduced by the Libyan authorities, via the establishment of the Libyan Accounting and Auditing Association (LAAA), has not in any way been properly monitored or supervised, and resulting from the failure of the LAAA to fulfil its duties as a self-regulated body, the government passed the role of regulating the accounting and auditing practices to the General People's Committee (GPC) and its agencies (Shareia, 2010).

A study by Ahmed and Mohmes, (2012) has concluded that the Libyan audit profession has long faced many obstacles relating to the absence of such things as auditing standards, compulsory professional codes of conduct, and many other fundamental aspects of auditing.

This is the environment in which Libyan accountants and auditors currently work, and with this understanding, it is now appropriate to explore the actual practice as it operates. The following sections, therefore, consider the Libyan accounting and auditing profession from the viewpoint of education, and the regulatory framework in which members of the profession work and develop.

2.3.1 Accounting and Auditing Practice in Libya

According to several scholars (i.e. Mahmud and Russell, 2003; Shareia and Irvine, 2014), the accounting and auditing practices in Libya have been influenced by the UK GAAP/GAAS since the UK was in control of the major part of Libya after the Second World War, and basically imported its tried and tested practices. At that time, the large companies and the Libyan government strongly relied on British advisers, headed by Mr J. H. Newbegging, the Director of the State Audit Bureau (SAB), and British Accountancy textbooks, which were used in the University of Libya (Bait Al-Mal et al. 1973). This situation prevailed in Libya until the early 1980s when the Libyan authority decided to move to the American model. This shift was occasioned largely by the fact that Libya's accounting and auditing practices were beginning to be affected by the increasing number of qualified accountants graduating from the University of Libya, and the return from accounting education abroad (especially from the United States) of many other individuals (Bait Al-Mal et al. 1973).

Hence, it can be seen that the accounting and auditing practices in Libya were strongly influenced by the oil firms, originally from the UK and the USA, in the second half of last century and this is accepted as the outcome of the LAAA's weakness, and the absence of Libyan local standards (Ahmed and Gao, 2004). Such weakness led directly to Libyan professional accountants following Western accounting and auditing standards and guidelines (Bakar and Russell, 2003).

Several authors (for example, Bakar, 1997; Bakar and Russell, 2003; Shareia, 2010) have highlighted that the self-regulated LAAA did not establish a code of ethics, it did not systematically arrange local accounting conferences, nor did it issue accounting and auditing standards, thereby leaving professional accountants to consider the adoption of international standards, if they wished. In this connection, it must be noted that such accounting and auditing standards were formulated in Western countries, in response to the needs of developed economies, and consequently, within their framework, no consideration of the peculiarities of the Libyan environment was embedded. However, with no national committee responsible for devising and issuing accounting and auditing standards suitable for the Libyan profession, the actual practice was merely a

reflection of what was available to accountants and auditors. And in a fairly recent study, Faraj and Akbar (2010) found that the majority of their survey respondents believed the auditing standards used in Libya to be of very poor quality. Furthermore, the LAAA failure to design a standardised audit report for use throughout the profession, led the recognised Libyan accountants to produce different styles of report, due to the use of different international accounting and auditing standards, even within the same industry (Bengharbia, 1989; Ahmed and Gao, 2004).

2.3.2 Accounting and Auditing Education in Libya

Many authors (for example, Mahmud and Russell, 2003; Mashat, 2005; El-Firjani et al. 2014) have highlighted that both university and accounting academics in Libya have played a vital role in forming and enhancing the accounting and auditing practices in evidence in the country.

However, in general, education as a systematic process for the Libyan people did not exist in the period of the Italian colonisation, thereby resulting in Libyans being unable to properly execute the country's administrative duties after independence (Bait Al-Mal et al. 1973). Thus, accounting and auditing education has no long tradition in the country, and it was not until 1957 that accounting became available as a course of study when the Faculty of Economics and Commerce was established at University of Benghazi. At this time, professional bodies and universities in the UK and the US were the main sources of influence, providing accountancy education and training for Libyan students (Buzied, 1998; Mahmud and Russell, 2003).

Such a situation is not uncommon; indeed, as observed by Buzied (1998), education in a number of Arab countries has been affected by the political systems in evidence at the time or historically. And particularly, in the case of the Libyan education system, there is a consensus among many researchers (for example Bait El-Mal et al. 1973; Ahmed and Gao, 2004; Ahmed and Mohmes, 2012; Handley-Schachler et al. 2012; Baruni and Sentosa, 2013) that this was imported from the United Kingdom. In fact, most developing countries' education systems are linked to the legacies from their colonisers, and Libyan accounting education is no exception (Yapa, 2000).

The first university in Libya (University of Benghazi) opened in the late 1950s and its accounting department was heavily influenced by the British education system, being based on a nine-month academic year (Shareia, 2014). This was the only Libyan university to deliver accounting education and an accredited accounting qualification for almost 25 years, until the early 1980's when Libya established two other universities - Tripoli University, and Gharyan University (Shareia, 2014).

Shareia and Irvine (2008) point out that this was the point when a shift from the UK accounting model to the USA model came into being, as the newly-established universities adopted American text books, and employed American lecturers, and Arab lecturers educated in American Universities. Furthermore, with yet more changes to the delivery of accounting and auditing education programmes, which are generally provided in the private sector nowadays, the orientation now depends upon the institution concerned, such that the American and UK accounting practices are taught without taking the Libyan social, cultural, and economic environment into consideration (Bakar, 1997; Ahmed and Gao, 2004).

As stated by Baruni and Sentosa (2013) Libyans only need a Bachelor's degree to undertake accounting and auditing activities. They are not required to take any further examinations (of an academic or professional nature), but they must provide evidence of practical experience, and that experience differs according to the qualification held by the person concerned. Hence, there is much variety within the profession as many Libyans have studied overseas in the country's attempt to build its stock of human capital.

Ahmed and Gao (2004) consider the international scene, observing that professional accountants around the world are expected to combine the laws, regulations, and economic policies of the state with their accounting systems when undertaking any accounting and auditing professional work. Clearly, this demands accounting insight, flexibility, and authority on the part of the professionals involved.

However, these qualities are not guaranteed in respect of Libyan accountants and auditors. Indeed, according to Mahmud and Russell (2003), and Ahmed

and Gao (2004), the accounting and auditing education and practice in Libya faces several problems in the production of personnel with these qualities. For example, the accountancy curriculum is not aligned with the Libyan environment due to the adoption of Western accounting theories, shortages of academic staff, the absence of accounting textbooks in the Arabic language, and the lack of accounting research. Such shortcomings are all in themselves, indicative of the low level of public knowledge of the crucial role of accounting in society. Shareia (2010) confirms the problems associated with the use of Western models for Libya's accounting and auditing education system, demonstrating their incompatibility with the needs in developing countries in general, and in Arab countries in particular.

2.3.3 Development of Accounting and Auditing Regulations

As a result of the increase in accounting personnel from Libyan universities and from overseas universities, new accounting firms were established and managed by the locally-qualified accountants, but the absence of any regulatory framework to govern accounting practice, led to pressure for an accounting and auditing profession (El-Firjani et al. 2014) that would implicitly introduce some form of governance.

This pressure was also supported by the fact that Libyan accountants were (and still are) applying various accounting and auditing standards due to the historical events already mentioned, i.e., the absence of national standards for accounting and auditing practice, and the long-standing influences of the UK and the USA oil firms operating in Libya since the discovery of crude oil in Libya in the late 1950s. This combination of circumstances generated extra pressure on the accounting and auditing profession establishment (Ahmed and Gao, 2004; Hamuda and Sawan, 2014; Shareia and Irvine, 2014).

In devising a regulatory approach for accounting and auditing, several options are available to the Libyan authorities. The approaches include Self-regulation, Direct, and Combined or Independent Regulation. According to Okike (2004), the accounting and auditing profession in Libya has adopted the Direct approach by formulating a set of laws such as the LCC, Law 134/2006, Income Tax Laws, Banking Laws, and many others.

2.3.3.1 Libyan Accounting and Auditing Association (LAAA)

The increase in demand for properly audited financial statements emerged over four decades ago, from financial institutions that were being approached by companies seeking funds, and from other organisations that recognised the large number of accounting and auditing irregularities occurring in local companies that were providing financial services (El-Firjani et al. 2014). This demand led to the introduction of Official Law No.116 of 1973 and the regulation of the Certified Public Accountant (CPA) system. After this date the profession became more formally organised.

In 1973, the LAAA was established through Law No.116 of 1973, which introduced the following eight areas concerned with regulation of the accounting and auditing practice: (1) The establishment of the LAAA; (2) Registration of accountants; (3) Exercise of profession; (4) Fees; (5) Pension and contribution fund; (6) Obligations of accountants and auditors; (7) Penalties; and (8) General and transitional provisions.

The main objectives of the LAAA were established as follows (Libyan State, 1976);

- 1- To regulate workers' affairs and raise the level of the accounting profession by raising the standard of scientific, professional capability, and preserving the dignity of the profession and its employees.
- 2- To establish controls to ensure the organisation of the practice of business in general, and the financial accounting and auditing profession in particular.
- 3- To recruit the strength of union members and the organisation and exploitation of their goals to serve the national financial and economic development, manage financial problems, and develop appropriate solutions within the framework of the application of Islamic Socialism.
- 4- To contribute to the planning of business education to serve the needs of the community and meet its requirements.
- 5- To organising scientific conferences and seminars locally, and to participate in those held abroad.

- 6- To follow the development of science in accounting and auditing at home and abroad, and deliver this to all members through newsletters, magazines and scientific journals.
- 7- To work on the research developments related to the accounting and auditing profession and encourage and contribute to its publication, and contribute to the establishment of a union library, and organise lectures and seminars.
- 8- To co-operate with similar organisations, local, Arab, and international, and to establish a strong relationship between them and exchange scientific and professional experiences with them.
- 9- To provide social care for union members through fund subsidies and pensions, and other means of family protection issued and organised specially by the Union Council.
- 10- To uphold the Libyan accountants' and auditors' words; safeguard their rights and their legitimate interests.
- 11- To protect and ensure respect for the profession, and discipline those in conflict with the traditions, literature and rules, according to the list of sanctions issued by the General Assembly of the Union, at the suggestion of the Union Council and the approval of the Secretary of the Treasury and the Audit Bureau. (Researcher's translation)

Furthermore, in order to qualify as a Certified Public accountant (CPA) section 2.24 in Law No.116 of 1973 states that a person must satisfy the following requirements (Libyan State, 1973): hold Libyan citizenship; hold at least a Bachelor degree in Accounting or any equivalent degree recognised by the LAAA such as a PhD in accounting/auditing, ICAEW, AICPA, or ACCA; have five years' experience of accountancy-related jobs in an accounting office after obtaining the Bachelor's degree, or three years after obtaining recognised international accounting profession membership; be active in political and civil rights. In addition, individuals must be of good conduct, reputation and respectability, commensurate with the profession and take the oath to do the work with complete honesty and sincerity.

From this it can be seen that the LAAA (allows) entry to the profession upon the satisfaction of particular conditions, one being a designated amount of practical experience. Additionally, the individual must obtain training either with a

registered accountant or through practising accounting and auditing duties in the following positions (Libyan State, 1973);

- 1- Directors of departments and heads of departments of accounting or auditing in the Treasury Department.
- 2- Acts of scrutiny and revision in the Audit Bureau.
- 3- Acts of scrutiny and review in the Tax Department.
- 4- Managers and heads of departments of accounting or auditing in the banks, public institutions and public sector companies.
- 5- Teaching material concerned with accounting or auditing in colleges or universities, institutes and state-owned commercial entrepreneurs.
- 6- Any other business as a counterpart to the previous, upon a resolution issued by the Secretary of the Treasury upon the submission of the Union Council.

Having obtained the required experience and met all the other conditions, an individual is qualified to become a member of the profession, and be called a 'Certified Public Accountant' (Shareia, 2010). However, Libyan accountants are not required to undertake any Continuous Professional Development (CPD), and this shortcoming has led companies in Libya to ignore the entire issue of staff training (Ahmed and Gao, 2004), which is one reason why the observed quality of Libyan accountants and auditors is so low. This is a major omission from the stipulated duties of the LAAA although arguably it can be seen through its objectives relating to scientific updating, that CPD does fall within the Board's remit.

Derwish and Elghli, (2006) also point out that the LAAA has failed to issue any Libyan accounting and auditing standards, and hence, not had any standards to enforce. In addition, the weakness of the LAAA has led to the government being the sole accounting regulatory authority. Even though, the LAAA is ideally responsible for the issuance and monitoring of accounting standards and practices in Libya under Law No.116/73, the public bodies such as the Public Control Office have taken advantage of the absence of an effective accounting association to instruct and demand companies to follow certain accounting procedures (Shareia, 2010).

It is abundantly clear that even though the LAAA was established over 40 years ago, with definite objectives, it has neither provided any standards for members to follow, nor recommended any other standards (Bakar and Russell, 2003; Hamuda and Sawan, 2014).

The limitations of the LAAA's operation are also seen to have an impact upon Libya's economy. In this respect, Akyüz and Cornford (1999) highlight the 'emerging' terminology intended to describe those economies that are developing or moving toward global economy networks. According to the Libyan State (2005), Libya is classified as an emerging economy rather than a developing nation according to the World Bank guidelines. Moreover, since the establishment of the Libyan Stock Market in 2007, this categorisation of emerging economy is particularly appropriate.

In emerging economies, national planning is especially important, although it is true that the developed economies do also engage in such planning; and in ensuring that the national plans are adhered to, and fiscal and monetary policies are strictly enforced (Mirghani, 1982). This calls for the accounting profession to play a major role in supplying the country with valuable information with regard to the state of the economy, since only with such information can the nation be helped to achieve its economic targets.

However, many studies (such as those of Bloom et al. 1998, and Bakar and Russell, 2003) have criticised the adoption of Western or foreign accounting systems in respect of the information required by the state and the economic goals that it are required to be achieved. These criticisms, whilst applied to other emerging economies, also have relevance for Libya since its financial environment is similar to that of other emerging countries, rather than to that seen in the developed countries such as UK, USA, Germany, and France (Kilani, 1988; Bait El-Mal, 1990b; Bakar and Russell, 2003).

2.3.3.2 State Accounting Bureau (SAB)

In addition to the LAAA, there is another institution in Libya concerned with accounting and auditing activities, entitled the State Accounting Bureau (SAB). This was established almost two decades before the LAAA under Law No. 31 of 1955, and it was placed under the control of the Ministry of the Treasury

(Shariha et al. 2014). In 1966, it was placed under the supervision of the Ministry Council of Libya in 1966 by the Audit Bureau Law. Yet further changes to its dependence occurred in 1969, when the supervision responsibility transferred to the Revolutionary Command Council (RCC) under Law No.79 of 1975.

Since that time, the SAB has undergone several changes, one being when the RCC systems were replaced by the GPC, which became the Libyan authority with responsibility for supervision of the SAB in 1977 (Zakari, 2013). And in 1988, the GPC enacted Law No.7 of 1988 which merged the SAB and the Central Institute for General Administration to form a new organisation entitled the Institute for Public Follow-Up, which was subsequently renamed as the Institute of Public Control (IPC) in 1996 (Shariha et al. 2014).

All State agencies, departments, and any other institutions receiving governmental support of over 25% of their capital fall within the auditing scope of the SAB (IPC). This requirement is to ensure that these institutions are in line with the financial law and regulations formulated by the authority (Ahmed and Gao, 2004). Subsequently, the Libyan authority extended the scope of the IPC to cover the foreign companies and joint ventures active in Libya, even though the audit of these institutions is a legal requirement, and where audits are conducted, no specific standard are required. In such cases, the IPC relies on procedures established by the IPC in line with Libyan Law and regulations (Zakari, 2013).

The weakness of the IPC in its ability to perform its supervisory duties, as mentioned, was the shortage of qualified accountants and auditors to perform the tasks required of them, which presented the opportunity to private accountants and auditors to take over and complete these tasks. Eventually, this situation led to a great demand for accounting education in Libya, which in turn precipitated an increase in demand for qualified accountants in the country (Ahmed and Gao, 2004).

Further modifications to the IPC occurred after the Arab Spring of early 2011. At this point, the IPC underwent another name change, to become the Libyan Audit Bureau (LAB), charged with all the same responsibilities. However, Law

No.119 of 2011 stipulated the separation of the roles of the LAB and the Libyan Administrative Control Authority (LACA) (LAB, 2014). Accounting and auditing practice in Libya is discharged as required by the laws and regulations issued by the Libyan government, some of which are now discussed.

2.3.3.3 Legal Requirements

2.3.3.3.1 The Libyan Commercial Law

After Libya gained its independence the Commercial Code was passed in 1953; however, this law has been revised numerous times to reflect the country's needs and to assist its efforts to achieve its economic targets (Masoud, 2014). In order to fulfil the requirements of this law, businesses are required to follow certain procedures such as maintaining daily bookkeeping, inventories, and budgets at a minimum level, in addition to keeping special files for correspondence and dialogue relevant to trade affairs (Article 58, 59) (Libyan State, 1970). According to Articles 580, 583 of the LCL, all firms must submit approved financial reports as well as directors' and auditors' reports to the commercial register within 30 days at the latest.

Furthermore, the LCC requires all companies to prepare Profit and Loss Statements, and Statements of Financial Position, although it does not require the adoption of any specific Libyan standards, and nor does it impose any requirements in respect of the foreign standards being adopted (Bait El-Mal et al. 1973; Kilani, 1988; Buzied, 1998). Nevertheless, it was not until 2005 that the Libyan Stock Market was established by the decree of the GPC No. 134, and at this point all listed companies were required to adopt the IFRS/ISA (Libyan State, 2005). According to Alhasade (2007), the LAB must follow the international accounting and auditing standards when auditing Libyan Banks, as stipulated by Law No.1 of 2005. However, the IFRS are not yet implemented in practice (Iasplus, 2013).

Articles 550, 553, and 580 in the Libyan Commercial Law regulate most matters regarding auditors such as their appointment, duties, and responsibilities. Additionally auditors are required to submit a report which shows their opinions regarding the company's accounts and the progress of the company (Libyan State, 1970). The LCC amended by Law No.23 of 2010 regards the Libyan

Trade Activities issued by the General People's Conference. However, the rules and regulation pertaining to the auditing profession partially changed from the old version of the LCC issued in 1953.

2.3.3.3.2 The Libyan Income Tax Law

According to El-Sharif (1981), the Italian tax laws were implemented in both Italy and Libya between the period 1923–1968, and the first Income Tax Law (ITL) was introduced in 1968. Later in 1973, a new version of the ITL No.64 was enacted and began to influence accounting and auditing practices (Libyan State, 1973). Kilani (1988) observes the influence of the above mentioned Tax Laws upon accounting and auditing practices, noting the fact that since Libyan companies' financial statements were rarely requested by other parties, firms began to adopt the format best suited for the ITL requirements as the basis for preparing their financial information.

However, in 2004 the Libyan Authority introduced changes in the Libyan economic environment, and a third version of the ITL was enacted under Law No.11 (Libyan State, 2004). This ITL requires all firms operating in Libya to submit their audited financial reports signed by a CPA to the Tax Authority in Libya within 30 days from the date of approval of the balance sheet, and not later than seven months from the end of the financial year (Article 80).

2.3.3.3.3 The Libyan Banking Law

The first ever Libyan bank was established in 1956 under Law No.30 of 1955. This was titled the National Bank of Libya, and it became operational in April 1956, with its headquarters in Tripoli, and branches in the three cities of Benghazi, Sirte, and Sebha opened one year later (Libyan State, 1955). The Libyan authority issued several laws regarding the banking system namely: Law No.4 of 1963 to organise and regulate the banking system, Law No.153 of 1970 in order to nationalise the foreign banks, and Law No.1 of 1993 to allow Libyans to establish privately-owned commercial banks.

Furthermore, and most importantly, the Libyan government enacted Law No.1 of 2005 to regulate the banking system in Libya (Libyan State, 2005). This requires Libyan banks to prepare their financial statements based on the IFRS,

and for them to be audited based on the ISAs as stated in Article 25. Moreover, Law No. 1 of 2005 requires all banks operating in Libya to assign two auditors who must perform their duties according to the ISAs.

2.3.3.3.4 The Libyan Stock Market

The Libyan stock market was established in 2006 under Decree No.134 by the General People's Committee, and trading started one year later. The stock market is under the control of the government Ministry of Economics located in the city of Benghazi and the main branch is in Tripoli City (Libyan State, 2006).

Bayar et al. (2014) highlight the importance of the national stock market in enhancing the economic growth in developing countries in many ways, such as for example, the market serves as a source of fresh external capital for companies and government, and at the same time as a pool of foreign capital through portfolio investments.

This view is in accord with that of Fulghieri and Rovelli (1998), who argue that the stock market is necessary for the development of any country's economy. Indeed, Edweib et al. (2013) have recently demonstrated that the Libyan Stock Market has contributed positively to Libya's economic growth.

However, despite the fact that under Law No.134 of 2006 Article 55, it is clear that all listed companies are required to adopt the international accounting and auditing standards in preparing and auditing their financial statements (Libyan State, 2006), there is no evidence indicating that these practices are actually observed by listed companies listed on the Exchange (PwC, 2011; El-Firjani et al. 2014). And yet, as Kribat et al. (2013) stressed, all listed companies in the LSM were required to publish their financial reports, auditors' reports and LSM notes on these financial statements under the LSM rule and regulations within the maximum of a week in the two popular national government newspapers.

2.3.3.3.5 The Libyan Petroleum Law

In the past, the Libyan economy has been described as a deficit economy as the country was not able to balance its economy without financial aid from the USA, the UK, and the UN (Kilani, 1988). However, after the discovery of oil in Libya, the country gained a substantial source of finance which it has used to

underpin the many infrastructural and economic developments (Zakari 2013). Nonetheless, the mainstay of the Libyan economy remains its crude oil exports (Zakari, 2013), the revenue from which forms over 95% of the national budget.

The foreign oil firms have contributed a great deal and have had a huge impact on Libyan accountants as they have imported their accounting and auditing practices, especially from the UK and the USA (Kilani, 1988). Given the enormous presence within the Libyan economy of the oil companies, it can be appreciated that these foreign accounting and auditing practices have become embedded in the financial systems of the Libyan oil firms, and as Libyan accounting personnel have changed jobs, moving in and out of the oil industry, those practices have transferred into the non-oil sector (Saleh, 2001).

2.4 Libyan Culture

The cultural environment is formed from combined characteristics such as *“Language, religion, attitude, morals, values, law, education, politics, social organisation, technology, and material cultures”* (Eldarragi, 2008: 79). Therefore, culture is defined as the collection of attitudes held by one group of people, which make it possible to classify that group of people differently from another group (Hofstede, 1997).

The attitudes mentioned by Hofstede (1997) subsequently affect behaviour such that it is possible to identify a society as being different from another on the basis of differing predispositions to behave in a particular way. After studying workers employed by the American company IBM in 57 different countries throughout the world, Hofstede (1980) identified four dimensions of culture which he believed were present in all societies to a greater or lesser extent, these being: power distance, uncertainty avoidance, individuality/collectivism, and masculinity/femininity. In later work with Bond (1988), he identified a fifth dimension referring to time orientation (known as Confucian dynamism). According to Hofstede, depending upon its ranking on each of these dimensions, a society will act predictably to certain environmental conditions. Although his work did not specifically include Libya, it did include Arab countries which were seen to score highly in terms of power distance (80 on the index), and uncertainty avoidance (68 on the index), and low in terms of

individualism (38 on the index). These rankings all have implications for accounting and auditing practice in Arab countries.

As an Arab country, Arabic is the official language followed by English and Italian which are sometimes spoken in big cities (KPMG, 2012), and Islam is the religion of the vast majority of Libyans (Abubaker, 2007). These two uniting forces of language and religion have great impacts on attitudes within Libyan society (Abubaker, 2007; Twati and Gammack, 2006).

However, apart from these homogenising elements, there are many opportunities for disintegration as Libyan society is characterised by tribalism, meaning that clan, tribe, family, and village are important considerations in all daily routines (Abubaker, 2007). People's relationships and society as a whole are affected by all these characteristics (Buzied, 1998), and especially, as noted by Agnaia (1996), an individual's actions are directly linked to his or her collective. In this respect, an individual must obey and follow the traditional route of the collective way of living. This is borne out in the rankings obtained by Hofstede (1980) that reveal duty to the collective to far outweigh any sense of personal entitlement, and the unwillingness to challenge tribal leadership as seen in the high power distance rankings. Indeed for a period of time Libya has embedded the socio-cultural structure in its political system through the involvement of the Libyan tribes in the government structures - what is called the Popular Leaderships, and the General People's Committees (Pargeter, 2006).

Eldarragi (2008) observes the cultural differences between the Western and Eastern worlds, noting that Libya's membership of the Muslim world dictates an accounting environment that is influenced by strong collective relationships, as well as faith and Islamic values. He makes the point that Muslim auditors in general are not accountable merely to humans for their actions whether in domestic matters or in accounting practices, but also to Allah (God). Consequently, they are required by their religion to discharge their professional auditing duties with due care. At the same time, however, tribal allegiance and collectivist thinking can interfere with independent action, and the tendency to avoid uncertainty promotes a lack of initiative and a preference to follow orders.

These are also characteristics which have implications for the accounting and auditing environment.

2.5 Summary

The purpose of this chapter was to provide an overview of the Libyan context in regard to auditing practices. An overview has been provided of Libya's geographical location, and economic and historical background, from which it was shown the country's strategic position at the juncture of East and West, has placed it favourably for trading with different cultures. Moreover, Libya's situation as the object of colonisation was highlighted as one that left it with a legacy of administrative procedures, among them systems of accounting and the determination of what accounting and auditing education should look like. The Libyan accounting and auditing environment has been discussed in detail, and issues concerning the accounting and auditing practices, education and its influences on the auditing profession, and accounting and auditing regulations and developments were explored. The particularities of the financial environment, namely the LAAA, the SAB, the Libyan Commercial Law, Income Tax Law, Banking Law, Stock Market, and Petroleum Laws were all discussed. Finally, the issue of culture was introduced and the nature of Libyan culture highlighted. The following chapter presents a critical review of the literature regarding the auditing profession regulations and the factors influencing the adoption of ISAs.

Chapter 3 : Literature Review

3.1 Introduction

This chapter critically reviews the literature related to the audit regulatory framework and the factors affecting the adoption of the International Standards on audit in line with the study's aims and objectives.

It is adheres to the regulatory frameworks which provide accountants and auditors with a good reputation, and it is on such reputation that these professionals rely in order to reduce the obstacles associated with information asymmetry (Gul et al. 2003). Investors depend on those reputations in as much as they trust their statutory auditors to provide reports that are helpful in guiding their decisions on future investments. In other words, the reputation of an auditor as an independent individual delivering a quality service, plays a vital role in enhancing investors' confidence with regard to the reliability of the financial information produced (Krishnamurthy et al. 2006).

Undoubtedly, the economy of any country benefits from the role assumed by professional accountants who contribute to the efficient distribution of resources across the institutions around the country, and thereby improve the standard of living enjoyed by society as a whole (IFAC, 2007). It is, therefore, important that the accountancy profession be regulated to ensure that the services it delivers are of an appropriate quality to safeguard public interest (IFAC, 2007). Indeed, the DTI (1998) points out that to protect the public interest, to maintain confidence in the profession, and to sustain the overall reputation of accounting and auditing, it is necessary for professional regulation to be improved.

Many authors (for example, Fearnley and Hines, 2003; Sylph, 2005; Oxley, 2007; Humphrey et al. 2009; Richardson, 2009; Ball, 2009) have highlighted the various financial crises that have occurred over the last 25 years which have drawn attention to the auditing profession, and called for revisions of auditing regulations. In particular, they have reported on the numerous corporate scandals worldwide at the beginning of the third millennium, and the failure of the auditors involved to warn the stakeholders concerned of their impending financial losses. These failures have been seen particularly in the US, where many companies went into bankruptcy. Indeed, 257 companies declared themselves bankrupt in 2001, and a further 191 did so in 2002 (Venuti, 2004).

Furthermore, twelve out of twenty large companies in the United States received an unqualified report and went into bankruptcy (Venuti, 2004).

Not surprisingly, as the worldwide financial scandals increased, public confidence and trust in auditors declined in parallel with the growing perception that auditors were working in their own self-interest rather than in the public interest, and the belief that for this to be allowed to occur, audit regulations were ineffective. Clearly, this situation signals the need for reform in respect of auditing regulations (Odendaal and Jager, 2008).

According to Dewing and Russell (2004), and Jankovic et al. (2010), the development of auditing regulations can be divided into two eras, representing the times before and after the Enron scandal.

The disappointment and loss of public confidence in the auditing profession has also been fuelled by auditors' failure to report their concerns in companies' financial statements (Vanstraelen et al. 2012). Certainly, the fact that even after the demise of Enron in December 2001, auditors were still allowing financial scandals such as those of WorldCom and HealthSouth in the US, Nortel in Canada, Parmalat in Europe, and others (Ball, 2009; Fearnley and Hines, 2003), did nothing to restore public confidence in the profession, and it was necessary for governmental intervention to stimulate reform. In this respect, both the USA and EU responded to the corporate scandals in 2001 to retrieve and protect public interest, and improve the quality of audit work. In the USA this response came in the form of the Sarbanes-Oxley Act of 2002 (SOX 2002) on 30 July 2002, and in the EU it came via Directive 84/253/EEC issued on 25 April, 2006.

According to Al-Moataz and Al-Omiri (2012), and Sikka (1997), different audit regulations have been implemented around the world, yet similarities can be seen in the various systems in as much as they call for licensing, disciplinary procedures, monitoring rules, and adherence to ethical standards by practitioners. Hence, these regulatory frameworks can be understood as the means by which activity is controlled. In essence, they seek to specify the role, actions, and activities of practitioners and to monitor these in line with pre-existing defined and standardised requirements.

Such frameworks are vital since it is recognised that auditors play a significant role in worldwide financial markets as the “guardians of truth” (Volcker, 2002:4). Support for this argument is offered by Humphrey and Loft, (2007), who observe that auditors are important to safeguard multinational institutions. Hence, regulatory frameworks with common elements are valuable as their presence should lead to the harmonisation of financial reporting and auditing standards that might produce a “*level playing field*” for investors (OECD, 2012:16).

According to the mainstream literature in accounting research, the emergence and development of the auditing profession and its regulatory system is highly related to the development of technology, the industrial nature of society, and the information needs of capital markets and rational investors (Sriram and Vollmers, 1997).

The need for auditors arose in response to the need to eliminate the gap between the shareholders and management. In this conception, shareholders appoint the external auditor to work independently and to express an opinion on whether the financial information prepared by managements is true and fair in all material aspects, and in accordance with the applicable financial reporting framework (Pflugrath et al. 2007). Clearly, the auditing regulations are important as adherence to them increases the credibility of financial reports, enhances the overall level of audit quality, and helps the users of the reports to make the right decisions at the appropriate time (Elliott and Elliott, 2011). Moreover, as emphasised by Sylph (2005), an effective regulatory system for the auditing profession also makes for greater stability of businesses.

Unquestionably, efforts to strengthen the audit profession are imperative, and in this connection Nasr (2009) points out that empowerment, independence, and professionalism are key factors to consider in this attempt. Such outcomes are achieved by strengthening corporate governance mechanisms by introducing effective audit committees, and by universities providing suitable accounting education courses that raise the level of awareness of the international accounting and auditing environments by studying the International Financial Reporting Standards (IFRS), and the International Standards on Auditing (ISA) (Nasr, 2009).

The need for proper auditing has not only recently been noted, however, as according to Sunder (2003), all companies listed on the American Securities and Exchange NYSE have been required to have their financial statements audited by independent external auditors since the enactment of the US Securities and Exchange Act in 1933. Clearly then, the need for quality auditing has been accepted for many years, but the implementation of approaches to guarantee that has been lacking.

The literature reviews is made up of twelve main sections. The first presents an introduction to the review. The second offers the audit definition followed by the audit objective presented in section three. Section four demonstrates the auditing profession licensing requirements, while the auditing standards are described in the subsequent section. The sixth section summarises the four possible regulatory approaches in the audit profession. The seventh section incorporates a comprehensive discussion of the regulatory frameworks in Common Law and Code Law countries, drawing distinctions accordingly. In section eight, a summary is provided of the composition and work of the International Federation on Accounting (IFAC). The ninth section explains the twelve factors affecting the adoption of the International Standards on Auditing. Section ten has introduces the theories, which can be used to explain regulation within organisations, while the overall conceptual framework of the study is presented in section eleven. Finally, a short summary is offered.

3.2 Definition of Auditing

According to Dodge (1990), auditing is an examination performed independently which results in a report expressing the practitioner's opinion of the institution's financial reports. Hence, financial information is audited to ensure that what is provided is an adequate and correct reflection of the actual economic events that occurred throughout a specific period. To perform such auditing work, individuals must firstly be qualified accountants, so that they possess expertise in accounting matters. Consequently, auditing is classified under the umbrella of accountancy (Mautz and Sharaf, 1961).

Without question, it is appropriate for the external auditors of listed companies to be qualified accountants, but accounting and auditing roles are different from

each other. Accounting is a creative process which involves classifying, categorising, summarising and communicating financial information about economic events (Porter et al. 2012), whereas the auditor's role is one concerned with evaluation of processes and outcomes. Moreover, Zyla (2013:300) indicates that the American Accounting Association (AAA) defines auditing as

“a systematic process of objectively obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between those assertions and established criteria and communicating the results to interested users”.

And Baker et al. (2010) emphasise the fact that for individuals to be entitled to conduct external audit, they must be approved by the government concerned as being qualified to do so.

In performing their duties, external auditors are expected to examine the financial statements of a company by applying sets of techniques and forming an opinion on that company's standing position (Taplin et al. 2013), thereby offering insight into the financial credibility of the entity (Sikka, 2009). However, such insight is not expected to be a 100% guarantee of assurance as noted by Humphrey (1997), but rather to represent an opinion in regard to whether the financial reports are reasonably free from material misstatements and errors. In other words, external auditors form opinions to help investors and third parties make their own decisions on the credibility of the financial information provided by companies in which they have an interest.

Therefore, financial statements gain credibility through the public confidence placed in them, and such confidence is based on the auditors' decisions and their reputation, which plays a vital part in maintaining the auditing function as a value added service (Rezaee, 2004).

3.3 Objectives of Auditing

In general, auditing aims to evaluate the subject under consideration in order to form an independent opinion which reflects the true position of an institution (PwC, 2011). The 'independent' dimension of this process is an important one

according to Agency theory, which requires a third party (an independent auditor) to be involved in the process as a means of resolving the situation that arises when the management team and stakeholders of publicly-owned companies have different goals.

As indicated in ISA 200 which became effective on 15 December 2009, the overall objectives of the auditor are to provide reasonable assurance about the financial information undertaking in all material respects, according to the applicable financial reporting framework, to all users such as shareholders and other parties like investors and creditors, in order that they can make appropriate economic decisions (IFAC, 2009).

Clearly, there are benefits to be gained from the effective auditing of financial information. These can be summarised as follows: firstly, it enhances the credibility and the quality of financial reports through the use of auditors' expertise and knowledge, even though the auditors cannot guarantee the total credibility of what is reported (Becker et al. 1998; Troberg, 2007). Thus, the auditing function serves to reduce the risk of asymmetric information and the risk to capital (Ashbaugh and Warfield, 2003; Burns and Fogarty, 2010). Secondly, it provides supervision of management, and contributes to the overall corporate governance of an entity which in turn protects the public interest. And finally, it provides assurance to shareholders that the entity is a "*visibly going concern*" (Gassen and Skaife, 2009: 887).

Valuable by-products of these benefits are seen in improvements to the validity and reliability of financial reporting through the increased confidence between stakeholders and management resulting from the elimination of information asymmetry (Becker et al. 1998). Additionally, the understandability, and relevance and timeliness of financial information can all be improved with effective auditing supports (Eilifsen et al. 2013). Therefore, it is vital to ensure that auditors are free from all influences when making their evaluations, such that they are able to identify any management errors that might have been made in preparing the financial information, and clearly, this means that they should be totally independent of management (Francis et al. 2009).

3.4 The Auditing Profession Licence

The accounting and auditing regulations cover many aspects of the profession, including the licensing requirements (Orhan, 2013). Colbert and Murray (2003) state that in some countries, accountants and auditors are required to obtain a licence in order to be legally recognised and thus approved to engage in accountancy work. Furthermore, since information asymmetry is a key problem prompting government involvement in the licensing of the accounting profession, it is common nowadays for accountants to be required to pass an examination to practise, and as noted by Moehrle et al. (2006), some countries demand even more requirements, such as participation in continuing education programmes.

Generally, members of the accounting and auditing profession demand certain educational qualifications as well as specific accounting education, but the requirements differ among jurisdictions. For example in most jurisdictions in the US, to become a Certified Chartered Accountant, a person is required to hold an educational qualification such as 150 hours' tuition, from an accredited college or university in the USA or a recognised overseas institution (Raghunandan et al. 2003). Because of such rules, many of the colleges and universities have amended their courses to satisfy the 150-hours requirement (Buchholz and Kass, 2012).

For an individual to qualify for the US-CPA, s/he must take the examination set by the AICPA in any of the US jurisdictions. This is controlled by the National Association of State Boards of Accountancy (NASBA) (Aghimien and Fred, 2010).

Schick (1998) points out that the professional examination serves as a measure of the quality of the education level obtained by the candidate. Hence, a person who has passed the examination is considered as a qualified accountant and considered to be able to serve the public interest by auditing financial statements and providing related services.

Roszaini and Hudaib, (2007) highlighted that the auditing profession in Saudi Arabia has suffered inequality in their local auditors' competence. This status quo is attributable to the lax licensing requirements prior to the Saudi

Organization for Certified Public Accountants (SOCPA) establishment, which requires beyond the bachelor degree a completion of specific sets of examination formed by the profession and allowing old practitioners to continue in practice.

Besides the examination requirements associated with the award of the CPA, there are also certain requirements concerned with practical experience, which vary according to jurisdiction, and which may depend upon the candidate's education level (Titard and Russell, 1989).

According to Vessel (1992) and Aghimien et al. (2009), the academic qualification and the practical experience are jointly considered as major requirements for anyone wanting to obtain the profession licence, and once granted, the licence must be maintained by the holder undergoing Continuous Professional Development (CPD) to keep abreast of changes. In this respect, the New York state established a new law in 2009 requiring all CPA members to undertake forty hours a year of CPD or twenty-four hours with more attention on precise aspects, for instance Accounting, Auditing, or Taxation (Buchholz and Kass, 2012). Consequently, most auditing firms provide their employees with ongoing training and professional development activities, and in some circumstances they go beyond the required level (PwC, 2011).

France, Sweden, and the UK all require three years of practical experience to become a member of the accounting and auditing profession. Furthermore, Sweden requires extra attention to the auditing experience as confirmed by a certified public accountant. In contrast, in the USA where requirements differ according to jurisdiction, experience is generally mandatory in accounting (Aghimien et al. 2009).

The issue of experience is of importance since a study by Schaefer and Zimmer (1995) found significant relationships between the CPA qualification, experience, and revenue, as a result of organisations wanting to be audited by individuals who are properly qualified and able to deliver a quality service, and thus being willing to pay more.

Figure 3.1: The Auditing Profession Licensing Requirements.



Source: Designed by the researcher

3.5 Auditing Standards

There are several auditing standards that are applied throughout the world, such as for example, the ISAs as previously mentioned. In the US, the generally accepted auditing standards are the US-GAAS, as well as local (national) standards. Such standards have numerous purposes such as to assist auditors in performing their jobs, to promote consistency, and to serve as the first step in ensuring the quality of audits. Additionally, they aim to define the role of audit, providing a method for judging performance, and providing assistance in terms of what should be included in the education of auditors (Francis et al. 2009; Burns and Fogarty, 2010).

Bradshaw and Miller (2008) point out that financial statement have gained more credibility since the use of recognised international auditing standards, as investors believe they can be more confident in their decision-making. Nevertheless, in some countries there is insufficient expertise amongst auditors to implement these standards, and consequently, the local standards are still used in preference.

Riisla (2011) states that auditing standards have traditionally been developed as a means of controlling auditing behaviour and thus meeting auditing objectives. Baker et al. (2010) indicate that since the late nineteenth century, many countries have tried to improve the quality of auditing by introducing new legislation to promote the professionalism and independence of auditors, and generally to improve the code of conduct associated with this aspect of financial

work. Simunic et al. (2014) state that the audit standards aims at improving the validity and reliability of the financial statements.

3.6 Approaches to Regulation of the Audit Profession

3.6.1 Introduction

Regulation has been defined as the *“the public administrative policing of a private activity with respect to a rule in the public interest”* (Mitnick, 1980:7). Furthermore, it is believed that *“regulation is a process consisting of the intentional restriction of a subject’s choice of activity, by an entity not directly party to or involved in that activity”* (Mitnick, 1980:9). In addition to the above definitions, Sylph (2005:2) adds that regulation is *“the making and implementing of rules which direct or constrain the behaviour of a person or group of people being regulated”*.

The legal system applied in any country contributes strongly to the decision concerning what type of regulation to adopt in respect of the auditing profession, whether this is a system of government, or self-regulation (Roberts et al. 2008). Auditing regulation follows accounting regulation, the main objective of which is to subject the accounting process to a system of rules in the preparation of financial reports. Once these reports are prepared, the auditing function comes into play, and hence the regulatory process for both aspects is interlinked.

There are two important reasons for auditing regulation, the first being to examine the outcome of a particular audit engagement in hindsight, and the second being to examine the audit firm’s procedures to determine whether those procedures enable the auditor to generate trustworthy financial information (Pritchard and Puri, 2006). And of course, as indicated earlier, auditing regulation plays an important part in increasing trust and confidence throughout the business world (Elliott and Elliott, 2011), and this is a very important motivation.

Historically, as noted by Sylph (2005), auditing profession regulation has come under the wider umbrella of accounting profession regulation, and has covered education and admission requirements, audit standards, ethical standards, and disciplinary actions. Furthermore, in recent years, two more area of regulations

have been included, these being the monitoring of both audit quality, and self-regulatory activities.

The regulation of financial practices is usually accomplished either through a legally-constituted public body with responsibility for implementing, monitoring, and enforcing auditing standards, or through a voluntary approach, which relies on self-regulation by the auditing profession with no oversight from external bodies (Bait El-Mal, 1990b).

Pagano and Immordino (2007) indicate that the optimal model of regulation of the auditing profession must pay attention to three issues. Firstly, it must recognise the costs of enforcement; secondly it must remove incentives for accountant to collude with their clients; and thirdly, it should consider whether in the case where the auditor also provides consultancy services to the client, it is necessary to restrict those services.

The auditing profession regulations must be implemented via the most economical and competent approach since their main objective involves the discharge of duties towards society (Odendaal and Jager, 2008).

Sylph (2005) indicates the difficulty of implementing one type of regulation approach to the exclusion of the other; for example, self-regulation is rarely undertaken without some form of government intervention, and vice versa. Baldwin et al. (2012:3) echo these ideas, arguing that there are various interpretations to be made of 'regulation' since this can be understood as:

A specific set of rules - where regulation consists of issuing a binding set of commands to be applied by a specific organisation.

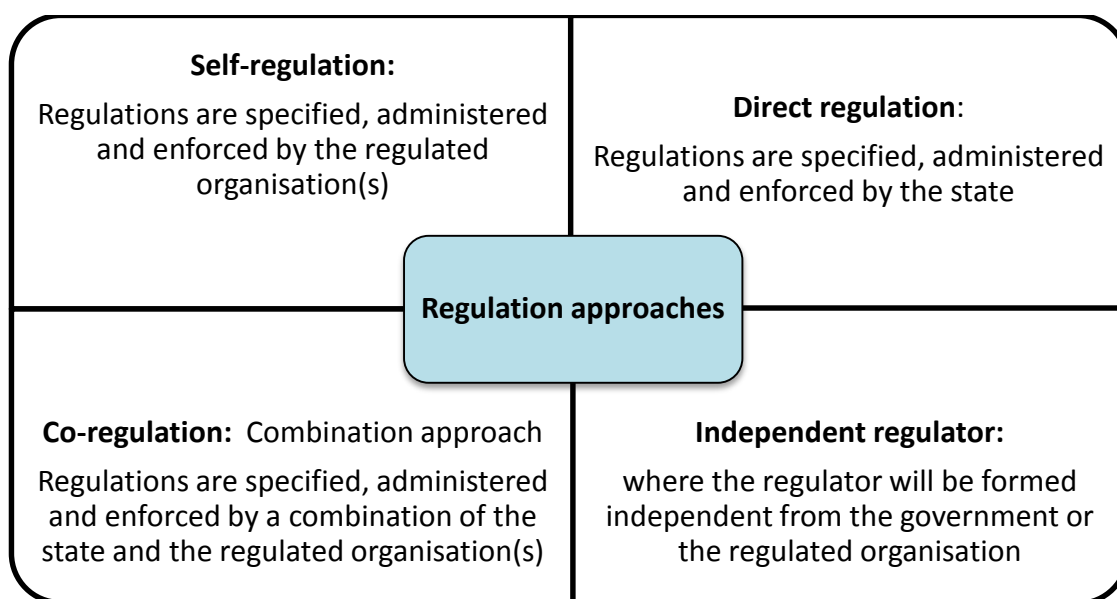
An intentional influence from government - where regulation takes place in a wider environment which includes all government activities aimed at influencing industrial or social activities.

All forms of social/economic control or influence - where all mechanisms that influence activities, either by government or through other sources (communities), are regarded as regulation, regardless of whether regulation takes place deliberately or incidentally.

According to Sylph (2005), the choice between the different approaches appropriate to the national auditing profession is dependent upon many factors such as the economic development, social, legal, and culture of the country concerned.

Bartle and Vass (2005) suggest that there are several trends of regulation that can be seen in respect of the auditing profession, and these are illustrated in the figure below which also shows the difference between these arrangements:

Figure 3.2: Different Regulatory Approaches



Source: adopted and modified from Bartle and Vass, (2005)

According to Sylph (2005), the auditing profession is regulated either by the profession itself, or the government, or indeed by a combination of the two. In this last model, the self-regulation is left to the profession which refers to the laws and statutes passed by government, in implementing its duty. Hence, it is rare that the profession is regulated purely by one of these players without some input by the other. Indeed, as the objective of regulation is to serve the public interest, it seems appropriate for both parties to be involved to increase objectivity in the process.

According to Odendaal and Jager (2005), the regulations concerning the auditing profession result from many factors, such as the monopolies that occur when the practice is dominated by a group of practitioners, and where no competition exists, and situations where insufficient information is provided. In

respect of competition, a firm might reduce the prices it charges for its service in order to eliminate its rivals, thereby engaging in anti-competitive conduct and predatory pricing. This brings about unequal bargaining power which can benefit self-interest. Clearly, the need to protect society from the negative effects of such factors has motivated the need for regulation

According to Sylph (2005), the regulator must never act in a way which might benefit a specific group of individuals, and the benefits of regulation must always exceed the costs.

3.6.2 The Self-Regulatory Approach

Moran (2002) states that British economic life has traditionally been characterised by self-government rather than state government, and that evidence of this can be seen in professions such as medicine, law, and finance and related services. Furthermore, self-regulation is also present in factories and on the railways (Moran, 2003) and as noted much earlier by Baggott (1989), it has become embedded in other professions in Britain, such as engineering.

Since the UK 1989 Companies Act, the accountancy profession has come under pressure from the Department of Trade and Industry (DTI), the result being the threat of involvement in the regulatory process through an independent regulator for auditors, and regulations regarding the size and level of non-audit services (NAS) that auditors are allowed to perform for clients. Hence, the accountancy profession has come to adopt a dual role, which requires it both to represent and regulate its members at the same time (Ramirez, 2013).

As stated by the European Commission report (2003), the self-regulation approach exists when the regulator adopts common guidelines or a code of practice at the European level. Earlier, Gunningham and Rees (1997:364) defined this approach as one consisting of “*regulatory processes whereby an industry-level organisation sets rules and standards related to the conduct of firms in the industry*”.

Historically, since the late nineteenth century, the regulation of the auditing profession in the United Kingdom and Ireland has been performed by the

profession itself (Baker, 1993; Bartle and Vass, 2007; and O'Regan, 2010). As part of this self-regulation, the accountancy professional bodies have developed auditing standards with which members of the profession have been required to comply in order not to face sanctions (Pritchard and Puri, 2006). The self-regulation framework for auditing was established because of the public disappointment with the auditing profession in the 1970s (Hilary and Lennox, 2005; Anantharaman, 2012).

Pagano and Immordino (2007) point out that the weaknesses of self-regulation may lead to corporate failure as highlighted by the examples cited earlier. And Hilary and Lennox (2005), and Anantharaman (2012) provide studies that confirm the situation in the US whereby the self-regulation regime operating via a peer review system has been under criticism for a long time because of the lack of independence embodied in the process. Quite simply, the peer review system involves one accountancy firm reviewing the quality of another, and inspecting the audit performance engagement (Hilary and Lennox, 2005; Anantharaman, 2012). This is hardly an objective process, and not surprisingly, criticism has abounded about the self-regulation of the accounting industry in the wake of many high-profile accounting scandals in 2001, including the Enron meltdown (Pritchard and Puri, 2006).

Sylph (2005) describes the self-regulation responsibility as delegation from the government to the profession, whereby the profession regulates itself under a specified framework. Therefore, the choice of which regulation should be adopted is based on the achievement of the International Organization of Securities Commissions (IOSCO) principles; as such, the responsibility should be clear and should be objectively stated, the regulator should operate independently, have adequate power, and adopt clear and consistent regulatory processes. Finally the staff employed by the regulator should work with competence and confidentiality.

Holm and Zaman (2012) argue that the self-regulation of the auditing profession in the UK has dwindled as a result of the loss of confidence and trust in the auditing profession to perform this activity, which is believed to have resulted in the financial crisis.

According to Bartle and Vass (2007), the system of self-regulation demands absolute transparency, the self-regulatory arrangements must be clearly specified by the regulator to meet the public interest, the self-regulation arrangements for performance measurement and the monitoring system in place to do this should be explicit, and the statutory framework within which the self-regulation operates should be fit for purpose and easy to understand. Finally the self-regulation regime should be well promoted by the regulator so that public appreciation of its existence and what it involves is raised.

In recognition of the difficulties associated with achieving all these conditions, the UK government has gradually increased its involvement in regulation of the accountancy profession with the establishment of the Financial Reporting Council (FRC) in 1990, and the Accountancy Foundation in 2002, both of which have reduced the volume of self-regulation by the profession (Moran, 2003).

According to the Better Regulation Task Force (BRTF), a self-regulation mechanism is a system whereby regulations are created by the regulating body but these are not regulations as such, and rather recommendations for good practice. They are in fact voluntary, and decided upon on the basis of self-interest rather than public interest (Bartle and Vass, 2007). And as noted by O'Regan (2010), the public interest is best served when the profession properly regulates and monitors its members, as opposed to simply making recommendations for adoption.

Essentially, complete self-regulation is a system which does not include any role for state government (Kleinstauber, 2004), yet according to the BRTF, there are self-regulation mechanisms that do involve some degree of government participation, as for example in the need for governments to approve the code of practice stipulated for the profession concerned (Bartle and Vass, 2007).

In addition, as already noted by several scholars (see for example, Moran, 2003; Baggott, 1989; O'Regan, 2010), such mechanisms are not unique to the accounting profession but extend to other professions such as medicine, law, education, and engineering.

What can be seen in relation particularly to the accounting profession however is that in both the UK, and the US, the initial method of regulation has evolved following various financial scandals and a crisis of confidence in the self-regulation system. In the case of the US, after the self-regulation by the AICPA in the 1970s, conducted through peer review, the new millennium swept in a system whereby responsibility for this process was switched from the profession to the PCAOB in an attempt to prevent more corporate collapses (O'Regan, 2010).

3.6.2.1 Advantages and Disadvantages of Self-Regulation

Several scholars have highlighted that self-regulation of the auditing profession has a number of advantages, such as the availability of the knowledge and the expertise possessed by the parties involved, is appropriate to the task and therefore can be put to effective use. In such circumstances there is the potential for greater flexibility and adaptability when problems arise, and for there to be less strict regulation which can produce bureaucratic obstacles to progress. Sylph (2005) picks up on this point, noting that the technical expertise brought to bear by those within the profession is of benefit to the entire process of regulation, and Kleinstauber (2004) argues that the possession of such expertise makes for better regulation than when individuals who do not have such knowledge are making decisions on matters which they are not qualified to comment on.

Additionally, the commitment to best practice is increased with this approach, as is loyalty within the profession because, ultimately, it is assumed that people, who consider themselves as being professional, want to continue to enjoy that prestige.

Furthermore, the market operates more efficiently, and the government also benefits because the costs of regulation are lower when another party is responsible for the task. Moreover, the information derived from the self-regulation exercise is available at lower cost, and the bureaucracy associated with public regulatory systems is avoided, meaning that the profession has the capacity for a quick response to problems. Finally, the cost of enforcement and compliance are less with self-regulatory mechanisms than with a public

regulatory regime (Coglianese et al. 2004; Bartle and Vass, 2007; Pritchard and Puri, 2006; Humphrey et al. 2009; and Pettinicchio, 2011).

Self-regulation also brings the recognition of a need for good corporate governance, which promotes objectives relating to the prevention of damage, the effective management of risk, corporate social responsibility, and ethical trading. Hence, in an ethos of self-regulation, taken seriously, an industry will experience less corporate failures (Bartle and Vass, 2007).

Studies by Coglianese et al. (2004) and Sylph (2005) call for a separation between the profession and the government or the government agency in order for the profession to act faster and more flexibly. Moreover, in a country that requires professions to be more powerful, it is logical that the profession concerned should refer to itself for its own regulation. Continuing on this theme, Coglianese et al. (2004) argue that the collective interests of industry help the self-regulatory approach to serve as the watchman, whereby competitors work to observe each other in terms of their compliance with regulations.

However, all these arguments depend upon serious efforts by a profession to ensure that its self-regulation mechanisms are robust and more than simply recommendations and it is emphasised in this respect, that for such regimes to be credible, they should act in the public interest, and not the private interest. Furthermore, they should meet the statutory objectives, perform effectively and with transparency, and should be visible at the highest level of the profession (Coglianese et al. 2004; Bartle and Vass, 2007).

Clearly, therefore, there are perceived disadvantages to self-regulation, and in the US, where self-regulation exists, accounting firms have badly undermined its credibility by threatening to withdraw funding for the process because of a dispute over auditor independence. Furthermore, there is a lack of power within the system to enable the collection of evidence from third parties, which would bring more objectivity into the procedure. Moreover, it is always the case that peer review might be subjective because accountants might be unwilling to report negatively for fear that their own reputation as a profession might be damaged (Coglianese et al. 2004; Pritchard and Puri, 2006).

According to Al-Eitani and Al-Angari (2012) that the concentration and the shortage of companies that deliver the audit activities and services shows negative impact of the self-regulatory approach in controlling the auditing profession in the Kingdom of Saudi Arabia. This concern threatens the profession regulatory independency, which leads the regulators to act not in the public interest rather they act to dominate accountancy firms that provide audit function.

Coglianesse et al. (2004) also refer to the fact that regulation costs can be considered as a disadvantage when these are borne by the profession as there is the temptation to cut expenses by not being as thorough as is necessary. Clearly, if accounting firms are paying to review themselves, they are able to influence the objectives of the self-regulation towards their own, rather than the public interest. Likewise, as noted by Bather and Burnaby (2006), self-interest can also emerge when practitioners themselves formulate auditing regulations. and another disadvantage of self-regulation is that because of the nature of the process, firms are not forced to comply with recommendations for good practice, and where they decide not to adhere to these recommendations, the profession as a whole loses credibility.

Collectively, these perceived shortcomings attract criticisms of the self-regulation model, suggesting that it lacks credibility; and hard evidence of auditors being deficient in detecting important material errors supports such arguments. Additionally, there are few incentives to operate in an independent manner, as argued by the US Congress and the media generally (Hilary and Lennox, 2005).

According to Odendaal and Jager (2008), the Enron scandal and other similar corporate failures point to the need for self-regulatory mechanisms to be replaced by other forms of regulatory framework, such as government intervention or third party oversight bodies. Similarly, Thomadakis (2005) highlights the global reality that the profession lacks many of the characteristics required for effective self-regulation, such as transparency, consistency in application of rules, and the power of law to enforce recommendations, all of which leave the potential for corruption to occur.

Because of this possibility, critics point to the absence of independence in the process, and as Bergh (2006) highlights, self-regulation can degenerate into a process which lacks democratic legitimacy, and eventually kills the competition (Bergh, 2006).

This idea of democracy is one taken up by Gunningham and Rees (1997), who believe that there can be no credibility in self-regulation unless the state participates by creating the regulations which must be followed, and a framework for enforcement. In this situation, the state is seen to inject democracy into the procedure, which would be perceived by society as more fair (Baldwin et al. 2012). Indeed, as observed by DeMarzo et al. (2005), an element of cronyism is implicit in self-regulatory approaches since those involved work to make life easier for themselves rather than for society as a whole, and hence support each other rather than operating in a truly democratic fashion. Furthermore, the ambiguity of the public towards the fraud detection by the self-regulatory mechanism is considered as a drawback of such an approach to regulate the audit profession (Lima and Núñez, 2015).

From these discussions of the benefits and disadvantages of the self-regulation of professions, and in particular in relation to the accounting profession, it can be understood that governments have been encouraged to introduce changes in response to the heavy criticism attracted. Indeed, it has become clear that self-regulation is not preferred universally (Power, 2009). Certainly, the shift from self-regulation towards state regulation has become noticeable in the last three decades, and so the role of the state in many areas of regulation such as in financial services, has become much greater (MacNeil, 1999; Vogel, 1996:116).

For instance, the UK government has taken a much bigger role in regulating the accountancy profession since the establishment of the Financial Reporting Council (FRC) 1990, and the Accountancy Foundation in 2002, thereby reducing the degree of self-regulation previously in operation (Moran, 2003).

3.6.3 Co-Regulation Approach

Levi-Faur (2011) describes co-regulation as a mechanism which is designed and enforced by two or more parties, which are usually the state, the profession,

and/or the public. Given the possible variations in such collaborations, the scope of the regulatory arrangements made can vary, but essentially the process can be seen as one that relies on public and private collaboration. Moreover, co-regulation can exist in any type of profession/institution (Kleinstauber, 2004).

However, it is seen commonly in respect of the accountancy and auditing profession, and, where it exists, the collaboration of self-regulatory and government approaches result in a process whereby each complements the other. The ethos is one where the two parties reinforce each other's efforts, rather than being competitive (IFAC, 2007), and there is sufficient flexibility in such an approach to allow for different mixtures of effort and input according to what is considered to be the best way to achieve compliance and good practice.

However, according to Bartle and Vass (2005), co-regulation can be manifested in four different ways as follows: First, there is co-operation in which the role of regulator is shared by the government and the industry or the regulated institute. Secondly, the government or the public authority can delegate the role of regulation formulation to the profession or the regulated organisation. Thirdly, the government can formulate the regulations and provide support for their enforcement through legislation. And finally, the profession can develop a set of regulations, which is reviewed and approved by the public authority/government.

According to the IFAC (2011), the mixture of regulatory approaches in respect of the accountancy and auditing profession depends on the following factors:

- The historical experience in the jurisdiction, for example, financial reporting failures have often led to more external regulation;
- The self-regulatory performance of the professional body;
- The regulatory performance of government;
- The general political orientation to regulation as an instrument of economic management;
- The development path of the economy; and
- The nature and characteristics of the market failures to be addressed by regulation.

Moreover, it is rarely seen that the accountancy and auditing profession is solely regulated by one particular method, and in the majority of circumstances a mixed approach is adopted, with the weighting of the different elements within the combinations chosen differing between jurisdictions. For instance, some countries have experienced an increase in the role of government as regulator, whilst others have devolved greater responsibility to the professions, as is seen especially in transition economies (IFAC, 2011).

Clearly, the common sense approach is for both government and the profession to be involved as there are duties for each of them to perform. On the one hand, the government is responsible for guaranteeing that the public interest is safeguarded at the highest level possible, yet for the lowest cost, whereas on the other hand, the accountancy profession must ensure the quality of the services provided, as well as the development of regulations that genuinely relate to the profession, and are not irrelevant (IFAC, 2011).

According to Power (2009) the Minister of Commerce of New Zealand, the co-regulation of the auditing profession is preferred for three reasons. The first is the availability of expertise within the profession which means that practitioners must be part of the regulatory framework. The second is that the financial cost is less when both parties (industry and state) participate in the process. And the third is that a transition from one approach to a co-regulated regime allows for a level of integration which facilitates implementation of the new process.

Particularly in respect of New Zealand, Davis and Hay (2011) note that the regulatory model for the auditing profession reflects a shift from self-regulation to co-regulation, in which an independent oversight body has been created to assess the accounting and auditing profession rules and guidelines.

Such a partnership is believed to be healthy as observed by Odendaal and Jager (2005) who believe that it is undesirable for government to act as regulator without input from other parties. They believe that delegation of authority is the preferred avenue, but that in following this route, important issues need to be settled such as, who takes the role of agent, and what activities are to be delegated.

Such considerations are crucial in order not to create a confusing framework in which the responsibility for different elements of practice becomes vague. This type of situation emerged in Australia in the late 1980s when a mix of self-regulatory and state regulatory approaches was in force (Marsden, 2012). The co-regulation regime had grown to involve many participants such that the direct regulations were overwhelmed. Consequently, the independent regulatory agencies are currently developing other types of co-regulation that can serve to provide the best model (Marsden, 2012).

Recently, Anantharaman (2012) found in a study in the US, that there are several advantages to the adoption of a mixed approach featuring self-regulation and direct regulation in the accounting and auditing profession. And in Germany, the use of the co-regulatory model in respect of the Wirtschaftsprüferkammer (The Chamber of Auditors, WPK) is shown to be successful. In this framework, the profession is responsible for regulating its members, but discharges this under government supervision, via the Federal Minister of Economics (Riisla, 2011).

Doyle (1997) confirms the benefits to be derived from such an approach, suggesting that the optimal model is the one embodying collaboration (two-tiered regulation) which enables the profession to quickly respond in unexpected events.

From the discussion it can be understood that different regulatory models can be seen in different jurisdictions, but it is nonetheless recognised that financial scandals such as those of Enron and WorldCom have international repercussions. Therefore, as noted by Sylph (2005), the direct regulation of the auditing profession is required internationally if the auditing profession is to regain credibility and public trust.

3.6.4 Direct Regulatory Approach

Clearly, the various problems associated with self-regulation as already discussed, and the resulting loss in public confidence in the auditing profession caused by the audit failures in the last two decades, have served as the motivation for governments to legislate in attempts to prevent further accounting

scandals (Pritchard and Puri, 2006; Groff and Hocevar, 2009; Vanstraelen, 2012; Jankovic, et al. 2010; Sylph, 2005; O'Regan, 2010).

A study conducted by Khalifa, (2012) on the United Arab Emirates accounting and auditing profession. Which concluded that the status quo of the profession led the government to take initiatives to interfere in the auditing functions regulations that allow big auditing firms to implement foreign accounting and auditing systems in the national practice in order to ensure the quality desired. However, on the one hand, such reaction aims to expose the local economy to the foreign investments. On the other hand, it may be regarded as an obstacle to localise the national accounting and auditing profession in the country, which may harm the local auditing firms.

Similarly, in the case of the US, the collapse of Enron resulted in the replacement of the self-regulatory mechanism by an independent body created by the government to regulate the auditing profession (Anantharaman, 2012; Baker et al. 2014). That said, the self-regulation enjoyed in the US was not entirely free of statutory involvement, since as noted by Baker et al. (2014), this began as far back as the late 19th century, when the New York State enacted the first law to regulate the licensing for the auditing profession. And from 1930 onwards, the role of the state increased in the regulation process. A similar situation can be seen in France, which established its first legislation of this kind in May 1863.

However, in relation to contemporary times, Pritchard and Puri (2006) note that the move to direct regulation began when the political class felt it had become necessary to impose greater control over the profession because of the global financial scandals, which were aggravated by the incompetence of some auditing firms. In such cases, it was apparent that these firms had not been able to detect fraud or the misuse of the accounting information, and that the self-regulation system in existence was both inefficient and ineffective, requiring some intervention by government to create an independent body.

According to Sylph (2005) direct regulation can be seen when government establish an audit oversight body with responsibilities determined by government and enshrined in legislation. Furthermore, such an approach is

deemed appropriate when there are strong needs for the regulator to be very independent. In such cases, there is usually political pressure to involve government in an effort to prevent corporate collapses.

An example of such regulation is evident in Ireland where the government has introduced the Irish Auditing and Accounting Supervisory Authority as an independent organisation to replace the self-regulation regime (O'Regan, 2010). And as also noted by O'Regan (2010), the US provides another instance of increased pressure from congress members resulting in government intervention to regulate the accounting profession.

According to Humphrey and Moizer (1991), government involvement is required irrespective of corporate collapses, since the traditional services expected by society from the auditing profession demand objectivity of the kind which is only achieved when regulation comes from the state

Ogus (1994:2) summarised several characteristics of direct regulation as follows:

- The government or its agent is responsible for promoting and enforcing the regulation on the regulated body; this is the case where the two parties do not comply with the regulations.
- The regulator holds the control function, being empowered to force individuals to act according to the regulation or face punishment.
- The critical role is exercised by the government in formulating and enforcing the regulations.

Sylph (2005) indicates that the legal regulation of the auditing profession is considered the most appropriate approach, since it is necessary to achieve and uphold the ability of members of the profession to behave independently, and be free from attempts at their coercion. Certainly, the threat of auditors being compromised by clients is a very real one pointing to the need for direct regulation (Pettinicchio, 2011). As noted by Pritchard and Puri (2006), self-regulation is ineffective in guaranteeing that auditors are able to operate independently, and in the public rather than self-interest.

Given the proceeding discussion, it can be understood why the great shift from self-regulation to government regulation occurred, and when it occurred. The global crisis of confidence in the profession at the start of the third millennium speaks for itself (Pagano and Immordino, 2007), and is seen to have had effects in many developed countries such as the US, UK, and Italy.

However, not all countries have a tradition of self-regulation, and in France, the government has dominated in regulating the audit profession since the seventeenth century. The result is that the profession has only a limited role to play. Commenting on this situation, and specifically on the advisory role of the profession, Alhashim and Arpan (1992:31) state that:

“The accounting profession in France has been involved in the preparation of legislation related to accounting matters, which explains the historical readiness of the accounting profession to adopt accounting legislation. Professional institutes, however, have continued to issue numerous recommendations on proper accounting, auditing, and disclosure guidelines in order to implement and to revise the Plan Comptable General and to encourage revision of the tax laws”.

With the announcement by the EU Commission in June 2000 of the intended adoption of the IFRS in 2005, as part of its policy of encouraging free movement of capital (Welbenberger et al. 2004; Whittington, 2005; Fearnley et al. 2006), France has had to incorporate the new regulation into its national auditing profession regulations. The rule required all listed companies to adopt the new IFRS/ISA starting from January 2005.

3.6.4.1 Advantages and Disadvantages of Direct Regulation

The main feature of direct regulation is its uniformity and inflexibility, seen in the requirement for all auditors to adhere to the same regulation set by the government in any specific jurisdiction. As noted in the previous section, this has been and remains the case in France, where the government issues laws regulating the auditing profession, with which all members of the profession must comply (Wallace, 1993).

This characteristic of direct regulation is interpreted by the general public as an advantage since it presents a solution to the failure of the self-regulation approach to apply tough sanctions on peers who do not conform (Kagan and

Axelard, 1997; Pritchard and Puri, 2006). Hence, as noted by Levi-faur, and Gilad (2004), state regulation brings the benefit of being able to restore faith in the profession by society.

However, there are several perceived disadvantages to regulation of the profession by government. One is that when the government is itself pressured by a group within the profession to establish high standards, the result may be too stringent legislation that may raise barriers for new entrants to the market. In this situation, existing accounting firms can charge higher rates for their services (Ogus, 1999; Pritchard and Puri, 2006; Abernathy et al. 2013).

Sylph (2005) also points to increased costs of regulation when the government take over this role, referring to the outcome of the conversion from self-regulation to direct regulation in the US after the implementation of the Sarbanes-Oxley Act. Indeed, the regulatory apparatus is believed to cost twenty times more than estimated. Additionally, there are concerns about over-regulation, as noted by the CEO of the Financial Reporting Council (FRC) Paul Boyle, who has said *"We are reaching a high point of regulation ... there is widespread concern that regulation has gone beyond the point at which it is useful"* (Sylph, 2005:8). This degree of over-regulation and the stringency associated with it, by the PCAOB is also known to have resulted in small firms leaving the audit market (DeFond and Lennox, 2011; Abernathy et al. 2013).

According to Mueller et al. (1987), where government plays the critical role in controlling a nation's economic activity by taking responsibility for framing accounting regulation, which is then enshrined in the legal framework of the country concerned, the profession itself is weakened.

3.6.5 Independent Regulatory Approach

The audit market has been the subject of study (see for example, Bather and Burnaby, 2006; Gunny and Zhang, 2009), especially after the corporate scandals already mentioned. Moreover, the main finding is that having recognised the failure of self-regulated audit, independent regulatory bodies have emerged, marking a new era in the development of audit (Malsch and Gendron 2011). This is viewed as a positive evolution (Humphrey et al. 2011).

However, in opting for new mechanisms of control, it is important to consider what influences audit quality (Lennox and Pittman, 2010; DeFond and Lennox, 2011), since the new mechanisms must be better than the old. Studies by DeFond and Lennox (2011), and Chambers and Payne (2011) indicate that the independent regulator in the US (following from the legislation provided in the SOX), has forced auditors providing poor quality services to leave the market, thereby improving the overall audit quality.

The state of the audit market in the US had been reached by the failure of the self-regulatory approach adopted by AICPA in the 1970s, in an effort to prevent more scandals and audit failures (Gunny and Zhang, 2009). In that approach, all firms performing audits of listed companies were required to join the Securities and Exchange Practice Section (SECPS) to maintain their AICPA membership.

However, the subsequent major accounting and audit scandals highlighted the ineffectiveness of the peer review system, resulting in the establishment of the PCAOB (Bather and Burnaby, 2006; Gunny and Zhang, 2009). This move was seen as a watershed in the history of the US accounting and auditing profession (Malsch and Gendron, 2011).

The PCAOB has four duties, these being: registration, inspections, standard setting, and enforcement. This overall responsibility removes the inspection of accounting and auditing firms from the profession itself to the independent regulator, the PCAOB (Nicolaisen, 2005; Defond, 2010).

Independent inspections are seen to be more effective than peer reviews in detecting audit quality (Hilary and Lennox, 2005; Casterella et al. 2009; Van de Poel, 2009; Humphrey et al. 2011). That said, it is noted by the DTI (1998) that the independent regulator should be working closely with the accountancy profession whilst remaining independent from it in order to serve the public interest.

As in the US and UK, new independent regulatory bodies have been established in Canada and France to control the audit profession and audit practices. Respectively, these bodies are the Canadian Public Accountability

Board (CPAB), and the Haut Conseil du Commissariat aux Comptes (H3C). Clearly, self-regulation in these countries, the profession is not self-regulated (Malsch and Gendron, 2011).

In fact, the shift in the regulatory system governing the audit profession has shifted internationally. For instance, the eighth EU Directive (2008) requires all EU members to establish an independent oversight body to supervise the audit profession; and as noted by Humphrey et al. (2009), it also approved the creation of the European Group of Auditors' Oversight Board (EGAOB) consisting of representatives of all independent regulatory boards in the EU, and ministerial personnel from those countries that have not yet established such boards, and the International Forum of Independent Audit Regulators (IFIAR).

Odendaal and Jager (2008) point out that the regulator must be independent for various reasons. Firstly, the regulator has to be seen as independent by society, not only in its membership but in its actions which should be clearly understood as free from any external influences. Secondly, independence will increase the acceptability of the regulation by the regulated institutions and by society. Thirdly, since an independent party issues the regulations, this should prevent any conflict of interests.

However, as noted by Mitnick (1980) the regulator might encounter attempts by third parties to influence the process, and succumb to those pressures, thereby not operating in the public interest. This concern is confirmed by Odendaal and Jager, (2008), who observes that the regulator's efficiency is affected by many factors such as political influence. Clearly, the independence of the regulator is always under the microscope, and especially when the regulated body finances the regulator. Therefore, the regulator must be funded by all groups involved in order to eliminate the opportunity for power to be exercised over the regulator's decision-making (Odendaal and Jager, 2008).

According to Humphrey et al. (2011), the EU Commission shows a high degree of faith in the independent regulatory body, despite the several signals that the independent regulatory regime shows no evidence of bringing more transparency to the audit market. And as stated by Defond (2010), considering

the US case, independent audit regulators (such as the PCAOB) face criticism on the grounds that they lack up-to-date auditing expertise.

3.7 Different International Regulatory Frameworks

3.7.1 Introduction

According to Baker (2014), there are noticeable differences in the way the auditing profession is regulated in the Common Law and Code Law countries, such as the UK and France respectively. One immediate observable variation is in the degree of government interference which is greater in Code Law countries. Another factor affecting the development of the auditing profession is the source of capital, it being seen that in France the state is the source of capital, whereas in the UK individuals are the source (Baker, 2014). Similarly, in Germany, which is classified as a Code Law country, companies place more reliance on debts than equity (La Porta et al. 1997).

3.7.2 Regulatory Framework for the Auditing Profession in Common Law Countries

3.7.2.1 The United States Regulatory Framework

The approach to the development of auditing regulations in the US was initially through the auditing profession, via the AICPA (Day, 2002). However, in 2002 when the Sarbanes–Oxley Act was introduced, the self-regulated peer reviews associated with oversight by the profession and regarded as being low in credibility, were substituted by independent inspections conducted by the Public Company Accounting Oversight Board PCAOB (Hilary and Lennox, 2005; Pritchard and Puri, 2006; Groff and Hocevar, 2009; Jankovic et al. 2010; Vanstraelen et al. 2012; Sawan and Alsaqqa, 2012).

Essentially, self-regulation ended when the US Congress admitted the failure of the auditing profession to do this effectively, and placed responsibility for auditing regulation with a new and independent body (Bather and Burnaby, 2006).

Historically in the USA, the self-regulation by the profession until 2001, was in itself overseen by the Securities and Exchange Commission (SEC), but due to the passage of the Public Company Accounting Reform and Investors

Protection Act 2002, this came to end (Bather and Burnaby, 2006; Choi and Meek, 2011). The Act established the PCAOB as the main regulator with responsibility and rules delegated by the government. Its main obligation is to monitor compliance by auditors and auditing firms with the US regulatory framework. All auditors involved in any work related to a listed firm must be registered in the SEC (Hilary and Lennox, 2005; Bather and Burnaby, 2006; Pritchard and Puri, 2006; Groff and Hocevar, 2009; Jankovic et al. 2010 and Vanstraelen et al. 2012).

3.7.2.2 The United Kingdom Regulatory Framework

The UK accounting profession started in 1854 with the establishment of the Institute of Chartered Accountants in Scotland (ICAS) (McLeay et al. 1999; Mitchell and Sikka, 2004; ICAS, 2010). According to Sherer and Turley (1997), the British Companies Act 1989 emphasises the need for company auditors to be properly qualified to act as statutory auditors and be supervised in their roles, and for the supervisory body to be assured that the audit work undertaken is of a high quality.

As stated by Baker et al. (2001), and Fearnley and Hines (2003), according to the Companies Act, the UK Department of Trade and Industry (DTI) delegates the responsibility for recognition of the statutory auditor to the accounting professional bodies such as the ACCA, ICAEW, ICAI, and ICAS, with the role of oversight retained by the DTI. However, despite the regulation of auditors aligning with the DTI, in reality, most of the responsibility for this is delegated to the professional bodies (Sikka, 1997).

It can be seen, therefore, that historically the audit profession has been self-regulating. Furthermore, the Accountancy Foundation took responsibility for UK auditing regulations after the collapse of high-ranking firms in 2000, since this body was deemed to be independent from the accounting and auditing profession (Dewing and Russell, 2002).

The Accountancy Foundation was given responsibility for the following boards: the new Ethics Standards Board (ESB), the reformed Auditing Practice Board (APB), the new Investigation and Discipline Board (IDB) and Independent Review Board (Dewing and Russell, 2002).

However, the Accountancy Foundation was relatively short-lived because, based on a recommendation by the DTI Review (2003), the Financial Reporting Council (FRC) replaced the Accountancy Foundation, and three of its four subsidiaries continued to work under the responsibility of the FRC.

The development of auditing practice in the United Kingdom and the Republic of Ireland is a prime aim of the Auditing Practices Board (APB), which the Board is trying to pursue through the achievement of three goals. Firstly, it has established auditing standards demanding high quality; secondly, it deals with users' needs in relation to financial information; and thirdly, it enhances public trust in auditing practice. In order to pursue those objectives the APB has launched the Statements of Auditing Standards, Practice Notes, and Bulletins (FRC, 2014a).

The self-regulation of the UK auditing profession came to an end when the new Public Oversight Board (POB) began to supervise the auditing regulations in 2005. This is consistent with the Federation des Experts-Comptables Européens (FEE), and the EU doubt about the effectiveness of self-regulation, which is valued less than public oversight (Canibano and Heras, 2007).

Regulations regarding audit in the UK have resulted from efforts by the recognised professional bodies rather than government, since the UK has traditionally followed the laissez-faire approach associated with Common Law countries, whereas elsewhere, the quasi-governmental bodies are seen to play a major role in developing the auditing regulatory framework (Baker et al. 2001).

According to Duhovnik (2011), and based on the Directive 2006/43/EC, all statutory audits of listed companies throughout the European Union (EU) must be performed using the ISAs, and this applies both to Common Law, and Code Law countries (i.e. to the UK and France alike).

In fact, regulation of the auditing profession in the UK has undergone reform several times in the last four decades. In 1976, the Auditing Practice Committee (APC) was established and subsequently (in 1978) published a codification of auditing best practice. This was replaced in 1980 by the formal auditing standards and guidelines, which were followed by a series of Practice Notes in

the late 1980s. In 1991, the Auditing Practice Board (APB) was replaced by the APC (Baker, 2014).

In the new millennium, the UK decided to reconsider the financial services regulatory structure, and widened the role of the FRC such that it became the only independent auditing profession regulator, being responsible for issuing auditing standards and enforcement actions associated with these (Baker, 2014). However, the independent character of the FRC was lost with the enactment of the Companies Act 2006, which requires the FRC to report to the government on certain issues such as the way it conducts the oversight role, and inspects the work of the recognised professional bodies (Baker, 2014).

In 2012, the British Government implemented yet another reform in respect of the FRC, which it restructured in order to ensure an even greater level of control of the regulatory activities within its remit. This resulted in the APB being replaced by the Audit and Assurance Council (AAC), which is responsible for advising the FRC Board and the Codes and Standards Committee on matters related to auditing and assurance (FRC, 2014c).

The UK statutory auditors are considered as private professionals rather than civil servants and not controlled by the state but controlled by laws, however, the state has to be satisfied for approval to practice the audit functions (Lee, 2014).

3.7.3 Regulatory Framework for the Auditing Profession in Code Law Countries

3.7.3.1 French Regulatory Framework

In contrast, in France, legislation is the main route to regulating the auditing profession (McLeay et al. 1999). According to Baker et al. (2001), statutory auditors in France are under the supervision of the Ministry of Justice of the French government, a situation which has been existence since the nineteenth century.

The basis of the auditing profession regulations is found in the Company Law 1966, which ended novice audit (Baker, 2014). The Regional Institute of Statutory Auditors (Compagnie Nationale des Commissaires aux Comptes,

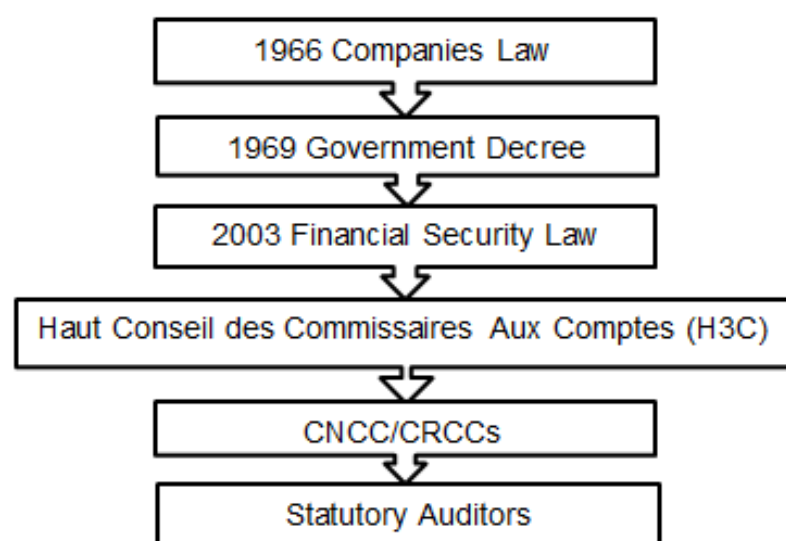
CNCC) plays a major role in ensuring compliance with auditing regulations, and in order to be approved as a statutory auditor and perform audit functions, a person or a firm must register with this body (Baker et al. 2010).

The CNCC's main responsibilities are the preparation and adoption of the auditing standards, disciplinary procedures, ethical and technical standards, providing recommendations, and supervising auditors' compliance with the standards, which are themselves endorsed by the Minister of Justice such that they can be effectively enforced (Baker et al. 2010).

It is mainly through French legislation that the audit profession is regulated. In particular, the Law of 24 July 1966, and the Decree of 12 August 1969, which modifies the role, duties and the status of the statutory auditors, apply. Furthermore, Law 1966 requires auditors to be registered with the Compagnie Nationale des Commissaires aux Comptes (CNCC) (Baker, 2014).

In response to the European Commission Green Paper, the CNCC worked in collaboration with the FEE to enhance the European regulations in respect of statutory auditing, which subsequently resulted in the enactment of the French Financial Security Act of 2003 (Baker, 2014). Figure 3.3 below illustrates the regulatory process pertaining to statutory auditors in France.

Figure 3.3: Regulatory Processes Pertaining to Statutory Auditors in France.



Source: (Baker, 2014)

Despite its national process, however, France (as an EU member) nonetheless complies with the International Standards on Auditing, and obeys Directive 2006/43/EC enacted by the European Parliament and the Council. To operationalise these requirements, the CNCC has adopted the ISAs as national auditing standards with amendments to overcome the differences arising from the variations in legal and regulatory requirements (Beattie et al. 2008; Baker, 2014).

3.7.3.2 German Regulatory Framework

In Germany, two professional bodies have been in place to authorise and register a statutory auditor (either a person or corporation). In fact, the German profession is an auditing profession rather than an accounting profession, and is entitled the Wirtschaftsprüferkammer (The Chamber of Auditors, WPK), a public body under public supervision via the Federal Minister of Economics of the German government (Hellmann et al. 2010; Altintas and Yilmaz, 2012). Membership of this body is mandatory for all statutory auditors, and this regulation is enforced by law. The second professional body is the Institute der Wirtschaftsprüfer (IDW), a private body setting auditing requirements with voluntary membership for statutory auditors (Benston et al. 2006).

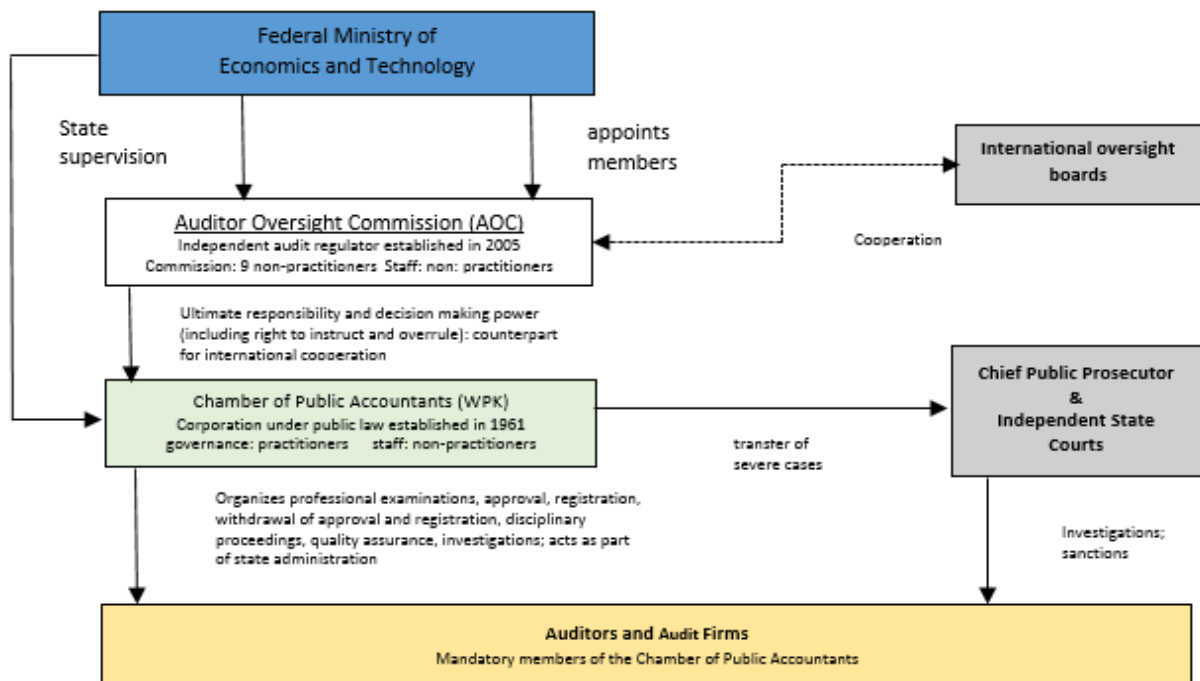
Regulations governing the work of auditors are the main responsibility of the WPK. Specifically, this encompasses the obligations to: establish the code of ethics, supervise the profession and take disciplinary actions; represent the profession to outsiders, and conduct professional examinations. On the other hand, the IDW's responsibilities are to publish auditing guidelines which are not compulsory but recommended as good practice (Hellmann et al. 2010).

Germany has two auditing qualifications, the Wirtschaftsprüfer (WP), and the sworn-in auditor (Vereidigter Buchprüfer vBp) qualification, but the vBp only allows holders to perform auditing duties in small, private limited liability companies (GmbH) (Altintas and Yilmaz, 2012).

The German accounting regulations are set and endorsed by the government represented by the Federal Ministry of Justice through the Commercial Law (Hellmann et al. 2010).

In early 2005, the Auditor Oversight Commission (AOC) was established to act in the public interest by overseeing the German Chamber of Public Accountants and Auditors (APAK, 2014). As stated in the Public Accountant Act, the AOC is responsible for all the following areas: professional examinations; aptitude tests for qualified auditors from abroad; licensing of public accountants (Wirtschaftsprüfer and vereidigte Buchprüfer); licensing of audit firms, revocation of licences; registration of public accountants and audit firms; disciplinary oversight; external quality assurance; and adoption of professional rules. Figure 3.4 presents a flow chart which illustrates the regulatory structure of the accounting and auditing profession in Germany.

Figure 3.4: Regulatory Structures of the Accounting and Auditing Profession in Germany.



Source: Marten, (2008:6)

3.7.3.3 Jordanian Regulatory Framework

Jordan is also categorised as a Code Law country, and as part of its recent economic reforms, the government introduced several laws to facilitate the privatisation of government-owned companies. The Jordanian auditing profession was first established in the early 1960s through the Law for Practising in the Audit Profession, Law No.10/1961 (Al-Akra et al. 2009).

Over a forty year period, three pieces of legislation emerged (Al-Farah et al., 2015). The first was in 1961 when the government introduced the first auditing law to regulate the licensing requirements for entry to the auditing profession. The second was in 1985, with amendments to Law No.32/1985, requiring applicants to take an examination as a prerequisite for entry (Al-Farah et al., 2015). This particular law places the audit profession administration with the Board of Audit Profession, a body which consists of a mixture of government agents and academics, as well as members of the profession. By this law, the Jordanian Government placed full control of the auditing profession with the state, since there had been no expression by the profession of wanting to self-regulate (Al-Farah, 2007).

And the third was in 1988, when the Jordanian Association of Certified Public Accountants (JACPA) was established by Law No.42/1987. The major development brought by the JACPA was its recommendation of the adoption of the ISA (Al-Farah, 2007).

According to Al-Omari (2010), and ROSC (2004), the Jordanian auditing profession is regulated through the High Council for Accounting and Auditing, which was established through the Law of Organizing the Practice of the Public Accountancy Profession (No.73/2003). This Council is headed by the Minister of Industry and Trade, and consists of 12 members. The government plays a dominant role in the boards as members with auditing background are limited to 25% of the total number of members (Helles, 1992; Al-Farah, 2007).

Since the enactment of Law No.73/2003, the JACPA has been a powerful organisation that has been expected to play a major role in developing the audit profession (Al-Farah, 2007). Other laws which comprise the legal system relating to auditing are: the Companies Law No.22/1997, the Insurance Regulatory Law No.33/1999, the Bank Law No.28/2000, the Securities Law No.76/2002, and the Income Tax Law. These pieces of legislation comprise the main regulatory framework governing the Jordanian auditing profession.

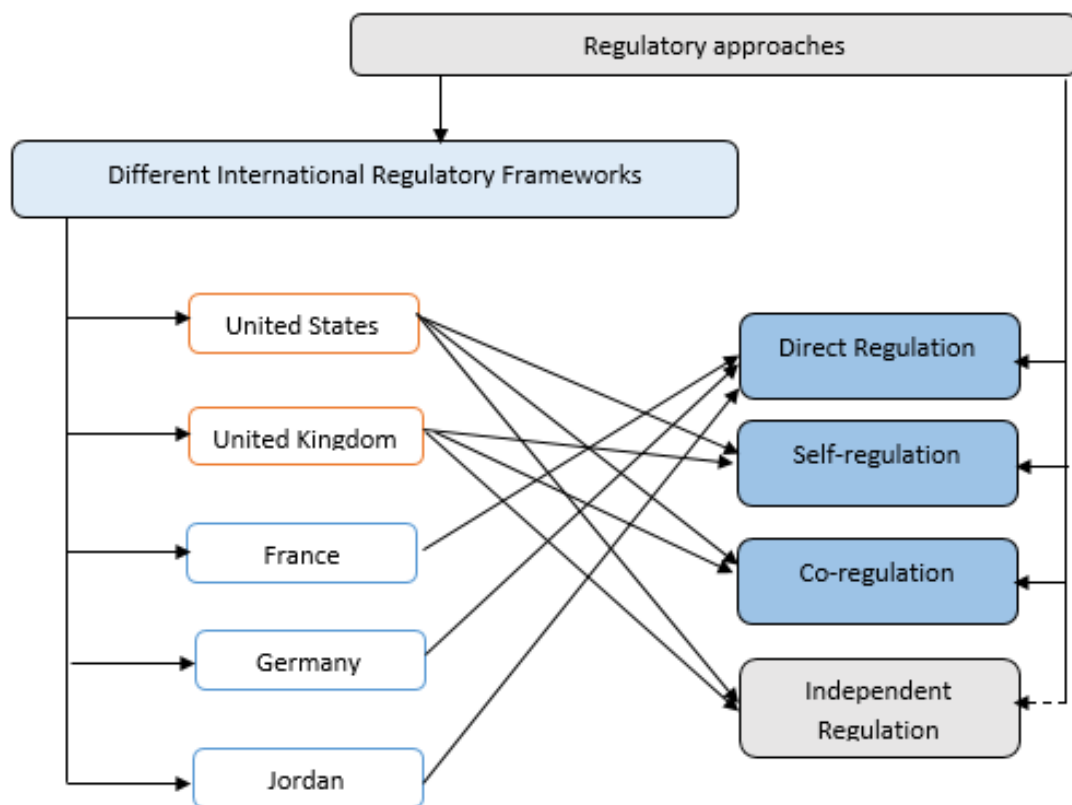
In addition, the JACPA retains the licensing responsibility for auditors, whilst the Ministry of Industry and Trade through the Company Controller (CL 1997), and the Jordanian Securities Commission (JSC) (SL 2002) retain responsibility for

imposing criteria by which external auditors must complete their audits by the external auditors (Al-Omari, 2010).

3.7.4 Summary of the Adopted Regulatory Approaches in Different Countries

Given the four regulatory approaches discussed in turn in section 3.6, the present section 3.7 presents and explains the different regulatory approaches adopted by the five selected countries represents Common Law and Code Law countries. Figure 3.5 portrays the relationship among the four common approaches used in a number of countries presented above.

Figure 3.5: Relationship among the Four Common Approaches Used in a Number of Countries



Source: Adopted and modified from Bartle and Vass, (2005).

3.8 International Federation of Accountants

The IFAC is the globally recognised body representing the accountancy profession. It was established in 1977 with its headquarters in New York, and began with 63 members from 51 countries. Since its inception, it has increased to 179 members from 130 countries, including developing, emerging, and developed countries (IFAC, 2014a). The main function of the IFAC is to serve

the public interest, and hence, the Federation contributes towards the development, adoption, and implementation of high quality international standards for auditing and assurance. These standards and related regulations are essential to ensure the credibility of information for public consumption, and to develop economies across the globe. Additionally, the IFAC speaks out on public interest issues. Furthermore, it supports the development of high quality accounting standards by the IASB through the ISAs (Humphrey et al. 2007; IFAC, 2014a).

The IFAC supports the development of high standards in various areas such as auditing, assurance and quality control, accounting, and accounting education and ethics; and it also provides support and guidance to its members in the adoption and implementation of its standards. Additionally, it enhances the development of the accountancy profession in emerging economies (IFAC, 2014a). The IFAC successes were attributed to the well-recognised organisations support such as the European Commission, the World Bank, IOSCO, WTO and Financial Stability Board, FSB.

Four independent standards-setting boards are responsible for the development of high quality standards that operate in the interest of the public via an efficient, transparent, and effective approach. These are: the International Auditing and Assurance Standards Board (IAASB); the International Accounting Education Standards Board (IAESB); the International Ethics Standards Board for Accountants (IESBA); and the International Public Sector Accounting Standards Board (IPSASB) (IFAC, 2014a).

Furthermore, the Public Interest Oversight Board (PIOB) oversees the IAASB, the IAESB and the IESBA, in addition to the IFAC's Compliance Advisory Panel (CAP) activities (IFAC, 2014c).

3.8.1 International Standard-Setting Boards (ISSB)

3.8.1.1 International Auditing and Assurance Standards Board (IAASB)

Securing the public interest is the main objective of an independent standard-setting body such as the International Auditing and Assurance Standards Board (IAASB), formerly named the IAPC. This is achieved by formulating high quality

standards for auditing, as well as operating as the cross point for international and national standards. The IAPC was established in March 1978, and re-constituted in 2002 when it became the IAASB. The IAASB standards comprise four different areas: International Standards on Auditing (ISAs); International Standards on Assurance Engagements (ISAEs); International Standards on Related Services (ISRSs) and International Standards on Quality Control (ISQCs).

As a result of all of these standards, there is increased public confidence in the worldwide. The IAASB sets the ISAs under the supervision of the PIOB and supported by (IFAC, 2014b). These are designed to achieve financial stability and the harmonisation of auditing standards as well as to highlight the important status of the profession in terms of the corporate reporting behind the issuance of those standards (Humphrey et al. 2009).

In formulating the standards, the IAASB consulted with the public via the Consultative Advisory Group (CAG), and that interest is reflected in the ISAs, whereas the Public Interest Oversight Board (PIOB) oversees the interest of the public in all IFAC activities including the IAASB standards (IAASB, 2012).

The ISAs together with the IFRS have been adopted by many countries around the world because of the benefits that their adoption can provide. Increased credibility and quality of the audited financial statements, which subsequently boost public confidence and trust in financial reports are the main ones (FEE, 2012).

Since the creation of the ISAs by the IAASB, the process of external audit, and the legitimacy of the auditors concerned has been strengthened (IFAC, 2014b)

3.8.1.1.1 International Standards on Auditing (ISAs)

The IFAC's main aim is to safeguard the public interest through the development, promotion, and enforcement of worldwide-accepted standards. The quality of these standards is deemed to help secure the development and progression of all kinds of entities, as well as add value to all accountants working worldwide irrespective of the organisations in which they work (IFAC, 2013).

The IFAC started to play the role of the international accounting and auditing profession by producing, via the International Auditing Practices Committee (IAPC), the international auditing guidelines, which later shaped the international standards on auditing. Even though the IFAC's influence was limited at that time, it did nonetheless, make a contribution to those countries that had no standards (Humphrey et al. 2009).

The EU began to consider the adoption of the ISAs in the mid-1990s, as confirmed in the EU Green Paper deriving from a meeting in Brussels in late 1996 (Humphrey et al. 2009). Since the adoption of the ISAs in Europe, there is evidence from the big four companies working in EU of an increase in the credibility and the quality of the audited financial statements (Kohler, 2009).

Humphrey et al. (2009) argue that the IFAC receives support from the worldwide regulators such as Financial Stability Forum (FSF), IOSCO, World Bank, and the EU, which is considered the closest international regulator since its adoption of the International Standards on Auditing in the EU countries by the Eighth Directive 2006.

There were various parties involved in the writing of the ISAs - representative of accounting firms, investors, and academics from thirteen countries – and collectively they formed the IAASB (Ye and Simunic, 2013). However, the Board is not static and all members change over time in order to ensure the full representation of the auditing profession as a whole rather than specific country (Ye and Simunic, 2013).

The IFAC is not responsible for the enforcement of the international standards on auditing. Rather, it is the responsibility of individual countries to implement and enforce the adoption of the ISAs where applicable or amended as necessary. For example, in the EU, these are enforced by European law as standards to be adopted in member states unless member states amend their own national standards to reflect the ISAs (Humphrey et al. 2009).

In fact, there is much similarity in the legal systems throughout the EU, and this facilitates the adoption of the ISAs in the different member states. Certainly, the implementation of the standards brings benefits to all of them as their auditors'

compliance with them enhances the overall quality of audit work in all EU member states (Ye and Simunic, 2013).

Certainly, the implementation of the auditing standards are key in increasing the quality of auditing performance, and serving the public interest, which is the main duty of professional accountants and auditors (Sylph, 2005).

The adoption of the ISA's for some developing and emerging economies is not an option. Rather it is a response to the international institutions such as the World Bank put more pressure to adopt the IFRS/ IAS and ISA's, in case of providing fund or giving supports to any specific country (Delonis, 2004).

According to Thomadakis (2005), the Chairman of the PIOB, the adoption of the ISAs is required to ensure that any new regulations formulated by countries, do not create new types of problem, such as divergence rather than conformity. However, as the ISAs are principle-based standards rather than rule-based as is the case in the US, where the PCAOB has oversight, there is a concern in the US that the adoption of the ISAs will lead to a decrease in audit quality because of the legal systems brought in by the SOX in 2002 (Minlei, 2009). That said, Soltani (2007) has observed that the use of common auditing standards throughout Europe has made for a harmony in audit which fosters high quality in the audit function. Clearly, the international standards on auditing deliver *“common auditing language that investors, auditors, audit oversight bodies and securities regulators can use (...) in the global capital markets”* (IOSCO, 2009).

Auditors must follow comprehensive and high quality standards if they are to achieve consistency and provide worthwhile and accurate opinions (Simunic, 2003). In fact, in this regard, a study performed by Kohler, (2009) concerning the adoption of the international standards on auditing in Europe, concludes that any negative outcomes are far outweighed by the benefits of implementation as required by the Fourth (EU, 1978) and Seventh (EU, 1983) Directives.

3.9 Factors Affecting the Adoption of the ISAs

Velte and Stiglbauer (2012) argue that regulations of the audit profession is required urgently as there is a concern that trust in the quality of external audit is being lost, and this will lead to instability within the financial system.

The evidence from Jordan, as presented by Al-waqleh (2010) is that the recent improvements in the Jordanian economy that have derived from foreign investments, have been the direct result of an auditing system that has adopted the International Standards on Auditing since the use of these standards ensures the credibility of financial reports. Foreign investors are familiar with the ISAs, and hence, the decision by the Jordanian government to adopt them has facilitated investment decisions.

According to studies undertaken by Mir and Rahaman (2005), and Abadi and Qashi (2007), the decision in many countries to adopt the international accounting and auditing standards is a result of the requirement imposed by the international lending bodies, such as the International Monetary Fund (IMF) and the World Bank. However, even where there is no such influence, some countries opt for the use of these standards because they believe their use achieves the highest quality of audit work. This was found, for example in a study of the Australian auditing environment conducted by Dellaportas et al. (2008), and in the general position taken by consultants Deloitte, and KPMG.

What is nonetheless evident is that the adoption of the International Standards on Auditing is affected by political, social, and economic factors. These factors include the standard of accounting education and expertise possessed by auditors, the presence of international accounting firms, national laws and regulations, culture, national economy, the volume of foreign firms operating in the market, the amount of overall foreign investment, the capital market, and harmonisation (Al-waqleh, 2010). Clearly, all of these influences can favour the introduction of the standards, or erect barriers to their adoption.

3.9.1 Accounting and Auditing Knowledge

According to Al-Farah et al. (2015) the existence of in the accountancy education including auditing is a highly important aspect in the role of the accounting and auditing profession. Helliard (2013) argues that it is difficult to harmonise accounting education worldwide as the provision of education in any country is influenced by historical, social, economic, political, and cultural contexts. For instance, the needs of accountants working in Africa may differ from the needs of accountants working in Europe, even though the kind of

accounting education they have received may have been the same and met the International Education Standards (IES) issued by International Accounting Education Standards Board (IAESB).

Furthermore, the nature of the national education system is important, since as noted by Mueller et al. (1987), the development of accounting systems in any country is very much supported by that education system, this being confirmed by the positive correlation between the number of qualified accountants and the type of education available at a general and higher level. The adoption of international standards requires accountants and auditors to possess expertise and competence which can only be provided by an education system that is of high quality. In this respect, Street (2002) argues that accountants and auditors must be well qualified in order to understand, interpret, and apply the standards.

Consequently, it can be appreciated that countries whose general and higher education systems are not properly developed will not be able to produce accountants and auditors with the required levels of expertise, and be prevented from applying the standards (Street, 2002; Hegarty et al. 2004).

Certainly, accounting education is affected by many factors such as a country's global connections, whether it can share experience across borders, and whether language barriers exist. Research conducted by the World Bank (2004), entitled *Implementation of International Accounting and Auditing Standards: Lessons Learned from the World Bank's Accounting and Auditing (ROSC Program)* highlighted that the lack of expertise and the financial resources lead to obstacles to the implementation of the international auditing standards (Hegarty et al. 2004). Qualified individuals are needed to perform audit duties to high standards and thus, the personnel involved must receive adequate education, training, and experience, if the full implementation of the International Standards is to be achieved. Indeed, the EU recognises this as a requirement if the ISAs are to be adopted as a means of enhancing the consistency of audit quality (Deloitte, 2012).

Clearly, appropriate accounting education is crucial in order to enhance the quality of the auditing profession, but there are also other requirements, for instance there must be auditor independence and professionalism, which as

noted by Nasr (2008), can be achieved through governance mechanisms. That said, university accounting education curricula development is vital to provide accounting graduates with sufficient knowledge of the international standards. Indeed, the IFAC sub-board IAESB (2005) requires all member countries to design their accounting qualifications to cover not only technical knowledge, but also the ethical standards required of the profession.

3.9.2 Culture in Accounting

Hofstede (1991) defines culture as collective mental software that results in a way of feeling, thinking, and acting. He speaks of it as *“the collective programming of the mind which distinguishes the members of one human group from another”* (Hofstede et al. 2010:6). According to Dent (1991:708), culture is *“an ideational system [...] produced and reproduced through action and interaction”*, and its effects is *“neither programmatic nor static”*.

Transferred into the specific profession of accounting, culture is described as: *“the institutional framework of accounting, including the market environment, in which it operates, and the specific practices and beliefs about the role of accounting that have grown up within that framework”* (Whittington, 2008:497). Furthermore, Perera (1989:43) highlights that *“...culture is often considered to be one of the most powerful environmental factors affecting the accounting system of a country”*. Moreover, according to Zeghal and Mhedhbi, (2006) and Nobes and Parker (2008) the accounting system in a country is highly affected by the culture, therefore it should be expected that auditing practice must be affected in parallel to the accounting systems.

Hofstede (1984a) argues that culture has several dimensions, each of which contributes to how communication between those within that culture operates. Particularly, he explains these dimensions as follows:

Power Distance explains the level of agreement by the powerful members of institutions on the way power is distributed throughout society. Where there are large gaps between junior and senior staff in organisations, high power distance is said to exist, whereas in flatter organisations, the level of power distance is low (Hofstede 1984b). These are reflections of the national culture which may

be observed to embody large variations in power showing inequality among populations that is perpetuated from one generation to another.

Uncertainty/Avoidance measures society's willingness to tolerate situations that have no rules for guidance. Societies that are uncomfortable in these circumstances and that demand strict regulation and legal systems are considered to be high on this dimension, whereas those which can accept the inevitability of certain situations are indicated as being low on this dimension, and characterised by the ease with which they take risk, and can adapt to environmental change. As noted by Aghila (2000) in high uncertainty avoidance cultures, individuals are constantly afraid of making mistakes, whereas people are much more relaxed in low uncertainty avoidance cultures (Hofstede, 1984b). The outcome of these tendencies is that individuals from high uncertainty avoidance cultures tend not to use their initiative, whereas those from low uncertainty avoidance cultures are happy to do this, in the knowledge that if they make a mistake there will be little or no blame placed up them. The United Kingdom scores low on this dimension, yet neighbouring countries (Germany and France) score high (Hofstede, 1984a), and in the context of accounting and auditing, it can be seen that these national predispositions have been evident in the degree of self-regulation allowed to professions historically.

Individualism/Collectivism measures the degree to which people in societies operate individually or as groups. It represents the value placed within that culture on the on individual as opposed to collective achievement. Hofstede (1984b) describes individualism as a situation where the 'I' principles are more in evidence than the 'we' consciousness. According to Aghila (2000), cultures high on individualism highlight the rights of the individual, and people themselves work to achieve their own desires. Examples of such cultures are those in the UK and the USA, whereas Arab countries provide instances of collectivist cultures (Hofstede, 1984b), in which allegiance to the tribe and wider extended family is prominent.

Masculinity/Femininity indicates the extent to which a society values the characteristics traditionally associated with men or women over the characteristics of the other. For example, men are considered to be assertive whilst women are believed to be supportive, and behaviour mirroring these

beliefs is either expected or rejected according to the society's acceptance of these traditions. In societies where there is a high level of masculinity, there is a high level of reward and wealth, men are expected to be more ambitious than women, concerned with the money, and to admire whatever is big or strong. In contrast, in cultures which score high on femininity, men and women are expected to be equally modest and non-competitive and, therefore, they are interested in relationships rather than achievements, and sympathise with whatever is small and weak (Hofstede, 1984b). Sensitivity and a care for society are demonstrated more in feminine cultures than in masculine cultures which place greater value on success and the accumulation of wealth (Hofstede, 1984b). The UK and Germany are considered more masculine than French society.

Long-term/Short-term Orientation This dimension relates to the way in which people perceive life in general, whether they look to the future and engage in planning for that, or whether they tend to live in the present and the past (Hofstede, 2001). Countries within East Asia demonstrate a long-term perspective whereas countries in the West consider life much more in the short term (Mooij, and Hofstede, 2002).

These dimensions of culture have been used by researchers (see for example, Sabri, 1995; Smith, 1992) as frameworks for effective inter-cultural comparison in the international business literature. More specifically, in a study by Arnold et al. (2009), all five of these dimensions have been found to be important in the realms of international accounting, since they have relevance to the ethical approach taken by accountants and auditors. Arnold et al. (2009) conclude that even within the same region, the accounting and audit environments can vary, that standards can be read differently, and that audit results can differ purely because of the cultural predispositions in existence.

3.9.3 Laws and Regulations

The complexity of business environments requires laws and regulations to be in place as a means of controlling the behaviour of managements and protecting stakeholders (this being taken to include the public interest). Hence, legal frameworks are created that aim to facilitate business activities and guarantee

appropriate and ethical standards are followed by those involved. That said, not all countries have sufficiently developed legal systems to produce statutory frameworks that can achieve this aim, and in these circumstances, it is difficult to implement the ISAs (Samsonova, 2009).

Indeed, Hegarty et al. (2004) earlier noted the same problem, reporting that the application of the international standards on auditing depends upon there being an adequate legal framework for their support and enforcement, and yet in many jurisdictions such legal apparatus has not yet been developed.

Certainly, as noted by many scholars (see for example, Salter and Doupnik, 1992; Jaggi and Low, 2000; Bushman and Piotroski, 2006), the accounting and auditing profession in any country is significantly affected by the legal regime in which it functions. One clear difference is that Common Law countries provide superior investor protection and have advanced financial markets in comparison with Civil Law countries. Standards and recommendations concerning accounting and auditing do not have the status of law in Common Law countries, whereas in Code Law countries they do and the prevailing legal systems greatly influence accounting practice. According to Sawani (2009), there are similarities in the regulatory frameworks in the UK, USA, and Australia, which are slightly different from the frameworks in France and Germany.

Clearly, accountants must comply with accounting regulations and laws where they exist. In this respect, the Tax Law of a country serves as unique and impinges greatly on the accounting and auditing regulatory framework established. For example, in the US, the Tax Law and accounting regulations are aligned, whereas in other jurisdictions these are embodied in the same overall regulation (Sawani, 2009).

The influence of the various laws and regulations in respect of accounting and audit is very obvious on the business behaviour of individuals and corporations (Wahrish, 2001). These laws are the result of the political environment, which as argued by Sawani (2009), is extremely influential upon accounting policy-makers. Countries with high levels of freedom require greater financial disclosure, and vice versa. In the case of developing countries, Nobes (2004) observes that most of these are influenced by their previous colonisers in the

formulation and implementation of their legal and political systems, and consequently their accounting practice is a reflection of their histories.

The most important piece of legislation to the auditing profession in most of the Gulf Cooperation Council (GCC) countries is the commercial law, which dominates most of the accounting and reporting regulations which lead to direct impact on the transparency that is essential in a rigorous corporate governance model (Al-Qahtani, 2005; Baydoun, et al., 2012). Therefore, the laws and regulations in these countries are considered as the most important aspect behind the adoption of any foreign set of regulations such as IFRS/ ISA.

Altaher et al., (2014) suggest in their study that laws and regulations in Arab countries have heavily influenced the Kuwaiti Association of Accountants and Auditors, since it has been susceptible to an Arab political movement during the 1970s which overwhelmed the protectorate treaty of the British Empire.

3.9.4 The International Accounting Firms

According to Briston (1978), the accounting systems of developed countries are adopted and transferred by the international accounting firms that are seen as important vehicles in standardising practice across countries and regions of the world. Furthermore, auditing standards can play a major role in advancing the economies of developing countries, since as has been shown earlier in the case of Jordan, there is evidence that the application of the International Auditing Standards promotes investor confidence, and thus attracts trade. From this wider perspective, auditing firms and auditing standards setters and regulators have a vital role to play (ICAEW, 2010). Moreover, international accounting and auditing firms have many other opportunities to influence policy-makers (i.e. regulators, politicians, and the public) (Sikka, 2009).

Gallhofer et al., (2011) stress the urgent need for adopting the international accounting standards and its counterpart the auditing standards, as a result of the high level of competition from the international auditing firms and its impact on the local job prospects for the Syrian local accountants.

Hegarty et al. (2004) note that the implementation of the international accounting and auditing standards depends on the local environments, and

hence they may be implemented properly, or not at all. Because of the need for some level of assurance to stakeholders that auditors are implementing these standards, the International Audit Firms network (Forum of Firms - FoF) was established to provide a means for firms to find support in fulfilling their obligations, such that public interests are protected by the full adoption of the international standards (FoF, 2011).

According to the FoF (2011), members are asked to voluntarily comply with two aims, these being: a) to promote the consistent application of high quality audit practices worldwide, including the use of ISAs; and b) to support the convergence of national audit standards by the use of ISAs. It is only by countries opening the door to the international accounting firms that such aims can be achieved since it is those firms that will introduce the international standards (IFRS/ ISA) (Gyasi, 2010), and improve credibility.

3.9.5 The Foreign Corporations

Nowadays the world is witnessing a great increase in economic activities that occur internationally, and investors are no longer satisfied with financial information that is prepared according to local standards (Zeghal and Mhedhbi, 2006). Hence, it can be seen that foreign corporations have an influence upon audit policy-making, which they exercise through alliances with local audit firms, overseas counterparts, audit regulators, and local companies that are seeking to expand their business nationally and internationally (Samsonova, 2009).

According to Samsonova (2009), and Arnold (2005), international institutions such as the European Commission, and the World Trade Organisation (WTO), also exercise such influence on the activities of countries through dictating the need to comply with international accounting and auditing regulations and services, and in so doing, effect reforms to their accounting and auditing practices.

One example of this kind of influence can be seen to result from the World Bank assessment of the Ghanaian Accounting System. Its report on the Observance of Standards and Codes, published jointly with the International Standards Accounting Board in June 2004, contained policy recommendations for Ghana to improve its financial reporting framework, and recommended that in order to

lend credibility to the country's accounting and auditing statutory framework, the IFRSs should be adopted in their entirety, without any modifications. Hence, the World Bank and the IASB effectively forced Ghana to rectify the deficiencies identified in its National Accounting Standards system of financial reporting.

A study by Hassan et al. (2014) revealed that there is a significant impact of the institutional "coercive, mimetic and normative" pressure on the process of adoption of the IFRS in Iraqi accounting practice, which emphasizes the roles of the western organisations that led to the Iraqi making their adoption decision of the most recognised internationally accounting reporting standards. Furthermore, the Iraqi accounting practice superiority of the Iraqi's partnership such as trade institutions, multinational corporations and their international counterpart. Where these entities have provided the accountancy profession with the knowledge and the expertise, nevertheless, such rigorous model would not be sufficient without other investments in other related accountancy activities such as training and education to support the smooth implementation and maximise the benefits.

As noted by Assenso-Okofu et al. (2011), many developing countries are seeking foreign direct investment, and in order to secure this, they must satisfy the requirements of multinational firms in respect of their accounting and auditing practice. Thus, the development of such practices is both a direct result of the business environment and the presence of the well-established multinational companies within it, and a cause of improvements in that environment (Assenso-Okofu et al. 2011).

Clearly, when auditing multi-location firms, the final result must be comprehensible in several different jurisdictions, and consequently, one single set of standards is required (PwC, 2011).

3.9.6 The Economy

Baruni and Sentosa (2013) note that the increase in commercial activities globally and the complications of relationships between corporate entities, investors, and governments, have placed accounting regulations in the spotlight and called for improvements in order to cope with those developments. Hence,

it can be understood that the market economy is a main influencer in the shaping of strategy in terms of accounting (King et al. 2001).

Al-Moataz and Hussainey (2012) argue that the auditing profession in Kingdom of Saudi Arabia has witnessed serious developments, which are considered as vital steps in order to reach the economic development desired. Therefore, one should expect that there is a high correlation between the accounting and auditing developments and the health of the national economy

Indeed, as already discussed, the adoption of the international accounting and auditing standards improves the economy by attracting foreign investment, developing capital markets, and meeting the conditions attached to loans from the international entities such as IMF and the World Bank (King et al. 2001). Again, as just mentioned, international institutions like the WB and IMF may have a direct effect upon countries' accounting and auditing regulatory frameworks, as was the case in Ghana when the adoption of international standards was required (World Bank, 2004).

In fact, as noted by Zehri and Chouaibi (2013), the adoption of international accounting and auditing standards in developing countries is intertwined with the development of those countries' legal and education systems, and collectively these efforts promote economic growth. Furthermore, Simunic et al. (2014) concluded that the legal environment has great impact on the adoption of the international standards on auditing like in the US where the legal system is rather different from other countries.

Such arguments are not isolated, since Kater, the head of the ACCA, and UNCTAD also observed the link between an effective accounting profession and the economic development of a country (ACCA, 2012). Likewise, evidence confirming this claim is provided by Daniel and Suranova (2001), who observe that developments in the Slovakian accounting system are associated with the national economic growth, and by other researchers (see for example, Preobragenskaya and McGee, 2003; Al-Akra et al. 2009; Abdolmohammadi and Tucker, 2002). However, as noted by Zeghal, and Mhedhbi (2006), economic growth alone does not guarantee the development of accounting in developing countries (Zeghal and Mhedhbi, 2006). Nor does the adoption of the

international accounting and auditing standards necessarily guarantee improved economic outcomes, since whilst it is documented that the African developing countries have experienced positive effects in their economic development in these circumstances (Larson, 1993), the Asian countries have not shown significant economic development since adopting the standards (Woolley, 1998).

In this respect, direct and indirect effects on accounting practices occur as a result of the economic environment generally (i.e. the type of business found, and the economic systems used in a country) (Baruni and Sentosa, 2013). This suggests that the greater the volume of economic, industrial, and commercial activities, the greater the need for more sophisticated and transparent accounting practices.

Obviously, in developed nations the volume of such activities is high, and the accounting profession needs to be well qualified in order to produce the relevant information to cope with the economic growth. This is clearly supported by the fact that the most advanced accounting professions are located in the most developed countries (Sawani, 2009).

Hence, the adoption of international accounting and auditing standards can only be achieved if the regulatory environment covers the need for accounting education, appropriate experience, and licensing of individuals (Orhan, 2013).

What emerges from the discussion regarding economy is the vital contribution made by external auditors, and internal auditors to national development, and the need for government to equip such professionals with the tools to discharge their roles effectively and support national growth.

3.9.7 The Stock Market

Numerous studies support the contention that the availability of a capital market is a major factor in the adoption of a single financial reporting system (see for example, Zeghal and Mhedhbi, 2006; Choi and Meek, 2011), and that accounting and auditing standards are of great relevance in the advancement of the stock markets in developing countries (Mahon 1965; Scott, 1968 as cited in Chamisa, 2000).

Baruni and Sentosa (2013) also note the relationship between economic factors and the stock market, and the subsequent influences upon the accounting system adopted in the country. On this issue, Zeghal and Mhedhbi (2006) observe how the stock market represents a major player in economic development through its involvement in funds distribution among the various sectors.

Clearly, stock market effectiveness is conditional upon transparent accounting systems that provide accurate financial information for investors who require specific and high quality detail concerning the financial standing of companies which they want to support, and in some cases, these investors force a country to adopt certain accounting systems (Gray and Radebaugh, 1997).

The idea of comparability is fundamental in this respect, and various studies (see, for example, King, 1999; Mennicken, 2008) indicate that auditing standards are used to facilitate the work of auditors such that they can produce audit reports which can be used to show comparative situations across nations, and thereby assist in investors' decision-making.

Investment is an essential element of any capital market, and the accounting environment has a vital role to play in securing foreign investment for that market to grow. Hence, as noted by Sawani (2009), financial information must be accurate and trustworthy. In Germany, for instance, the main sources of finance underpinning the stock market are the banks, and they demand financial information of the highest standards when deciding whether to make loans (Sawani, 2009).

Clearly, the financial market in any country is influential in respect of the accounting and auditing standards adopted, since as noted by Samsonova (2009), inadequate local standards will deter foreign investment. In this respect Jemakowicz and Gornik-Tomaszewski (2006) make the point that those countries with developed financial markets are more likely to adopt the international standards to attract more foreign investors. However, it is also appreciated that certain companies prefer to apply local standards because their use enables them to hide unfavourable information, and it is this situation

which leads to a lack of information within the stock market (Bertomeu and Cheynel, 2013).

3.9.8 Implementation Costs

Several factors must be taken into account when evaluating whether the cost of implementing the international standards on auditing supports or hinders that process. For example, there are costs associated with translating the standards into the language required and with employing individuals who are qualified to implement them. However, there are benefits to be derived from harmonising standards.

In respect of translation, this is always seen as an obstacle when importing any type of regulation such as standards. However, the International Standards were translated into several languages by the IFAC in June 2009 (IFAC, 2009), including Arabic. That said, any amendments must be translated instantly or the practice associated with that standard will not be up-to-date.

In respect of implementation, the costs are associated with potential inconsistencies between the international standards and the legal framework in the country, and the lack of qualified personnel and institutions to implement and enforce them (Hegarty et al. 2004).

These implementation costs are noted by Hecimovic et al. (2009) and Rezaee et al. (2010) as varying among the stakeholders. For example, there are costs of training and developing individuals, there are technical resources that have to be provided, the inspection process must also be funded, and there are financial implications in the administrative process of harmonising the new standards with the old.

Considering the issue of adopting the international standards in Greece, Iatridis and Rouvolis (2010), confirmed the obstacles as being the technical issues, and the overall costs of implementation as discussed above.

In respect of the harmonisation of accounting standards, Nobes and Parker (2006:75) define this as *“the process according to which an increase in the amount of accounting practices compatibilities is persuaded through delimiting a*

certain degree of variation". This is discussed by Arnold (2012), who explains as harmonisation in accounting and auditing as the standardisation of financial reporting, auditing standards and regulations that organise the profession, such as the International Financial Reporting Standards (IFRS) and International Standards on Auditing (ISAs).

It is accepted that harmonised auditing standards improve the comparability and credibility of financial statements, and as noted by Dunn, (2002) the use internationally recognised auditing standards will enhance audit value.

Clearly, the legal environment in a country is a major factor in whether that country can create or adopt any unified auditing standards. All countries with similarities in their legal environments can realise cost savings by adopting harmonised auditing standards such as the International Standards on Auditing adopted in the EU (Ye and Simunic, 2013). However, in a country where the legal structure is not strong, serious consequences could result as there is no enforcement mechanism for unified auditing standards. Therefore, harmonised auditing standards, whilst being achieved easily in some environments, are a long way from being implemented in others because of differences in legal frameworks (Ye and Simunic, 2013).

Nonetheless, the major international accounting firms and international firms have aligned to encourage governments around the world to eliminate their domestic regulatory barriers represented in their non-unified financial reporting standards and auditing standards (Arnold, 2005). Arnold (2012) reports that the International Forum on Accountancy Development (IFAD) was established in 1999 in the wake of the East Asian crisis to encourage international auditing firms to promote their interest in having harmonised auditing standards. Additionally, the IFAD hoped to divert attention from the audit failures, by suggesting that enhanced performance would result from harmonised reporting standards in the developing countries.

In respect of the EU, the legal system does not permit any member state to deviate from the ISA in their auditing regulation, and consequently, the benefits of the harmonised auditing standards are secured (Kohler, 2009).

According to Gangolly et al. (2002), audit harmonisation reduces information asymmetry, the costs associated with information search, and the costs of developing local standards. And Sawani (2009) refers to the many benefits recognised by the EU in implementing the international accounting and auditing standards. Moreover, in the US, the Securities Exchange Commission (SEC) is discussing the implementation of the international standards.

Nevertheless, regardless of the benefits that the international standards provide, there are many obstacles facing their implementation, as already indicated, not least of which is the fact that the imposition of more regulation on the audit profession, may reduce quality, and small firms may find themselves out of the market (DeFond and Lennox, 2011; Chambers and Payne, 2011).

3.9.9 International Financial Institutions

Mir and Rahaman (2005) emphasise the substantial influence wielded by the international financial institutions (WB, IMF, and EUB) upon countries seeking funds. Such pressure can be seen in the requirements for such countries to update their existing standards, or to adopt the international standards (IFRS/ISA) in order to strengthen the accountability of financial information and enhance investor confidence.

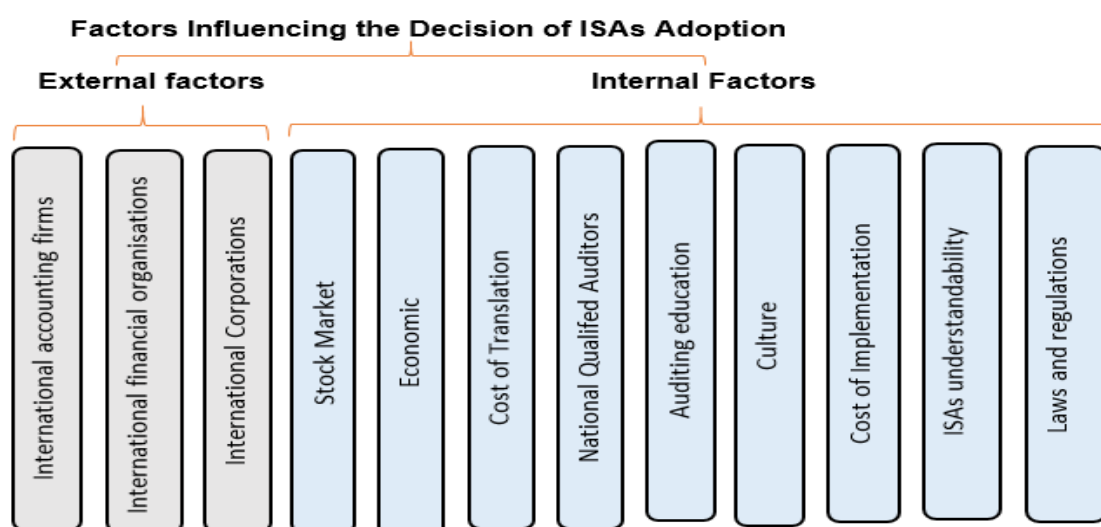
However, since the accounting and auditing environment in emerging economies are different from those in developed countries, the adoption of international accounting and auditing standards is hard to achieve (Mir and Rahaman, 2005). It is thus argued that the donor international financial institutions should be working more closely to support the recipient country in order to utilise those funds in an efficient manner (Wallace and Briston, 1993). The influence of the WB and IMF is seen in the ROSC 2005, which allows these institutions to evaluate a country's ability to implement the international financial standards (Graham and Annisette 2012). The purpose of this framework is to assist developing countries to prepare themselves so that they can enhance their economies, and attract foreign investment (Graham and Annisette, 2012).

Furthermore, Wade (2007), and Humphrey et al. (2009) emphasise that this framework can be used in countries with unstable economies in need of stability,

and that the international standards are helpful in injecting such stability and in supporting applications for funding.

Similarly, the process of joining the WTO involves countries satisfying certain conditions, such as for instance, allowing international accounting firms to operate so that they can support local accounting firms and assist their development (Graham and Annisette, 2012). The following Figure 3.6 depicts the identified factors that have influence on the ISAs adoption.

Figure 3.6: Identified Factors that have Influence on the ISAs Adoption



Source: designed by the researcher

3.10 Regulatory Theories

In discussing theories concerning regulation, it is necessary to arrive at a common definition of the concepts of regulation, regulator, and indeed, theory.

According to the Oxford English Dictionary, regulation is “A rule or principle governing behaviour or practice; esp. such a directive established and maintained by an authority”. Regulator has been defined as “An official or agency responsible for the control and supervision of a particular industry, business activity, area of public interest, etc”. In other words, the regulator is “A person who or thing which regulates or controls”. Theory was defined by Hendriksen (1970:1) cited in Deegan and Unerman (2011) as “A coherent set of hypothetical, conceptual and pragmatic principles forming the general framework of reference for a field of inquiry”.

Therefore, regulations are expected to be controlling principles which embody a process of monitoring compliance, and enforcement procedures (Deegan and Unerman, 2011).

3.10.1 Agency Theory

The importance of the auditing profession is easily seen in a consideration of agency theory. This theory holds that a general lack of trust and confidence in management exists on the part of stakeholders of any institution, and the auditor acts to keep a check on management activities to ensure no wrongdoings. It is argued (see for example, Smith and Watts, 1982; Denis, 2001) that in the absence of regulation, stakeholders of any organisation, including the owner (the principal) of the entity, will assume that the management team are working in their own interest rather than that of the stakeholder or at least the shareholders.

This theory suggests that it is possible to resolve the conflict of interest issues that occur between principal and agent (shareholders and management) by introducing a regulatory framework that eliminates conflict among interest groups, and hence encourages trust between the agent and the principal. It can help to determine the best choice among regulation options, and in the case of auditing, it highlights the needs of the auditor and the importance of the audit role.

3.10.2 Economic Regulatory Theories

Economic regulatory theories aim to explain the stakeholders' role in contributing to the need for intervention aimed at regulation. There are two main theories - the public interest theory, and capture theory. The former suggests that regulation results from a request by the public for an entity to meet its demands, and this is usually in cases where behaviour has been exercised without supervision and control, and that is not in the public interest (Uche, 2000). This view applies to all professions/services which find themselves in crisis at some point. It is not unique to the accounting and auditing profession, but this type of public demand was seen, for example, prior to the establishment of the US Securities and Exchanges Commission, and in other cases in the

American communications industry when government intervention was called for to secure the public interest (Posner, 1974; Uche, 2000).

Posner (1974:335) defines public interest theory, saying: “*regulation is supplied in response to the demand of the public for the correction of inefficient or inequitable market practices*”.

The implicit belief of public interest theory is that regulations are called for and delivered, that protect the public by making appropriate information available, and preventing monopolistic abuse (Uche, 2000; Del Bo, 2006).

Therefore, legislation which ensues is designed to act as a balance of the costs and benefits to society, and to increase society’s confidence that the capital market will allocate public resources evenly to enhance public welfare (Posner, 1974). At this point it should be noted however, that supporters of self-interest theory suspect ulterior motives on the part of those formulating such legislation, suggesting that whilst this may have the appearance of being a selfless act in the public interest, in fact the legislators believe that their behaviour will ultimately benefit them as it could provide good cause for their re-election (Deegan and Unerman, 2011).

Capture theory, on the other hand is concerned with the supply of regulation in order to maximise the welfare of organisational members. It embodies the idea of special interests groups’ involvement in state interventions to secure certain rules and legislations. In other words, the regulated bodies influence the state agencies that should in the first place control those bodies (Deegan and Unerman, 2011).

Posner (1974:335) defines capture theory, saying: “*regulation is supplied in response to the demands of interest groups struggling among themselves to maximize the incomes of their members*”.

Several instances of how the ‘capture’ operates are indicated by Mitnick (1980) as follows:

- When the regulated body captures both the regulation and the regulator

- When the regulated body influences the regulator to implement regulations that satisfy their private interest
- When the regulated body acts to manipulate the regulator's activity
- When the regulated body interacts (perhaps not even deliberately) with the regulator in order to drive toward situations that serve their perspective
- When without the influences of the regulated body, the regulator is not sufficient to act in the public interest

3.10.3 Institutional Theory

A number of researchers (see for example, Covalleski and Dirsmith, 1988; Fogarty, 1993, 1996; Rollins and Bremser, 1997; Bringnall and Modell, 2000; Dillard et al. 2004) in the accounting and auditing field have adopted institutional theory to explain phenomena they have been exploring. Institutional theory considers organisational form, and why such form has been chosen. It provides an explanation of how organisational form affords legitimacy to the organisation (Deegan and Unerman, 2011).

In doing this, it offers a justification for the presence of mechanisms which allow the organisation to align with stakeholders' perceptions, characteristics, and expectations of the organisation's practice, and uses the organisation's alignment with cultural values and/or societal norms as a means of enhancing its overall legitimacy (Deegan and Unerman, 2011). Carpenter and Dirsmith (1993) have used institutional theory to analyse the role of the auditing profession, concluding that auditors tend to retain their legitimacy through affiliating with the values and norms of society.

From this discussion of institutional theory, it can be understood that the decision to adopt the international standards in any country is based on great pressure from the financial international institutions in that country, if, as is likely, the country concerned depends upon international aid/loans (Mir and Rahaman, 2005).

And clearly, if the audit profession is to regain and retain public confidence, it must be seen to perform its duties in line with public interest. Therefore, the adoption of international standards should be supported in all financial contexts,

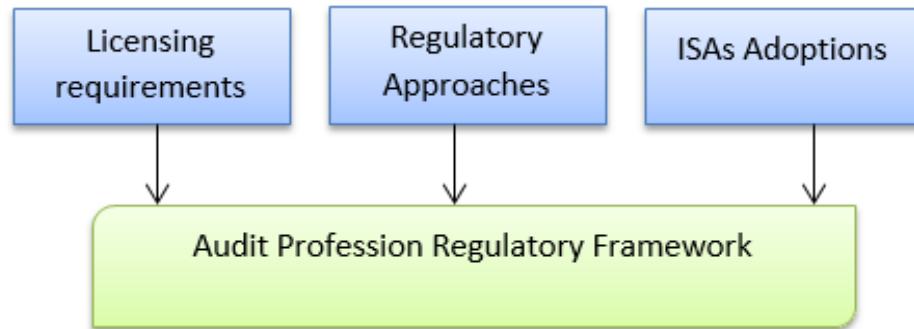
but as these standards have been formulated in the advanced countries, the developing countries should be supported in their attempts to adopt and implement them (Mir and Rahaman, 2005). Moreover, with greater communication and harmony between countries and financial institutions such as the World Bank and other donor agencies, countries would be encouraged and supported in these aims (Mir and Rahaman, 2005). It can be understood, therefore, that the world's financial institutions such as the IMF and the World Bank, play a vital role in promulgating the international standards (IFRS/ISA) and encouraging developing countries to adopt them; hence it is possible to see institutional isomorphism at work (DiMaggio and Powell, 1983; Points and Cunningham, 1998).

3.11 The Overall Conceptual Framework of the Study

The importance of the role of audit profession is to maintain and protect the public interest as well as for the protection of investors. Therefore, actions must be carried out periodically to ensure the profession and its regulatory system are up-to-date and that safeguards are in place to resist any potential threats facing the financial markets, since economies at both global and national level are not in favour of waiting for whistle-blowers regarding a crisis to react to make the necessary amendments to the regulatory system. In the same vein, as there is no doubt that the alterations that have been implemented as reactions to the previous crisis have proven not to reduce the possibility of a financial crisis from happening again, therefore, the improvement of regulatory systems must follow the changes in the business cycles and be precautionary rather than reactionary.

The rationale behind the creation of the conceptual framework of the current study is to organise the various aspects of the regulatory system so the literature review process is more coherent. This framework enables the synthesis of the three aspects of the auditing profession regulatory system. This framework attempts to comprehensively combine the audit profession regulatory framework using three separate heading of licensing requirements, the regulatory approaches and the factors influencing the adoption of ISAs, which have been identified and highlighted from the literature.

Figure 3.7: Conceptual Framework of the Overall Study.



Source: Designed by the researcher

Each part of these three aspects is considered as an important stage towards the development of a rigorous auditing regulation framework. First of all, licensing requirements are considered as an important element of the audit profession regulations to ensure the quality of practitioners, and provide a reasonable assurance on the entity's financial information. These requirements vary among jurisdictions depending on the number of factors, as mentioned in section 3.4. Figure 3.1 illustrates the licensing requirements. Second, the regulatory approaches for the audit profession regulations design taken into consideration the highlighted regulations approaches by Bartle and Vass, (2005) were discussed in section 3.6. These four regulatory approaches have been analysed against a number of countries representing Common and Code Law adopted systems in section 3.7. Nevertheless, Figure 3.5 depicted the five selected countries and their relationship with the four common approaches to auditing profession regulations. Finally, since it is a critical to adopt a foreign design set of standards in any country, a number of factors must be addressed carefully in order to make the right decision and to have a smooth implementation. Twelve factors have been identified from the literature that influence the International Standards on Auditing (ISAs) adoption. These factors have been addressed in section 3.9.

3.12 Summary and the Gaps in the Literature

This chapter has reviewed the literature pertaining to the audit regulatory framework including the historical events leading to the current state of regulation in the profession. The overall emphasis has been on the factors that have influenced the formulation of the International Standards on Auditing and that have an impact on whether they are adopted or not.

The reviewed literature clearly indicates that the audit profession regulations are still considered as a debatable topic, as there are a number of highlighted unresolved issues. Moreover, evidence from the literature shows that there are a limited number of empirical studies in developing countries including Libya, especially after the recent changes in the Libyan regime.

Furthermore, since the quality of the audit and the auditors' role is influenced by the social, economic and political environments of the country, where these environments are diverse among developed and developing countries, therefore, it could be expected that studies on the auditing regulations based on information in developed countries are considered unsuitable in developing countries. Likewise, to the best of the researcher's knowledge, the factors influencing the adoption of ISAs are still unclear owing to the number of countries yet to adopt ISAs, especially developing countries such as Libya.

The inconsistency in regulating the auditing professions globally reveals that there are pros and cons of implementing different approaches and regulations. Nevertheless, the mainstream accountancy research paid more attention to accounting regulations rather than auditing regulations. However, much research on auditing regulations is rather prescriptive arguing for and against the adoption of ISAs. In addition, auditing regulatory framework and factors influencing the adoption of ISAs are too abstract and lack practical implications in unstable and unpredictable environments such as Libya. Therefore, this study aims at filling this gap by conducting research into the Libyan auditing regulatory framework and the factors influencing the adoption of ISAs in the Libyan context. The following chapter will discuss the methodology and methods employed in the current study in order to achieve the research aim and objectives.

Chapter 4 : Methodology and Methods

4.1 Introduction

This chapter discusses the research methodology and methods employed to fulfil the research aims and objectives, which are concerned with exploring the Libyan audit profession regulations and the factors influencing the adoption of the International Standards on Auditing in the Libyan auditing context.

The chapter is organised according to the following structure. Firstly, the research aims and objectives are presented in Section 4.2. Secondly, the philosophical approaches to research are introduced in Section 4.3. This is comprised of four sub-sections, these being: research philosophy, approach, choice, and strategy. A discussion of the research methods used for data collection then appears in Section 4.3, which considers the issue of quantitative and qualitative data, and then in Section 4.5 a summary of the chapter is presented.

4.2 Research Aim and Objectives and Questions

Many authors (i.e. Humphrey et al. 2009; Michas, 2011; Holm and Zaman, 2012) have pointed out that there is increased pressure on the global audit professions to boost the level of harmonisation within that profession. Furthermore, the means to achieve such an aim is seen as being the involvement of both regulators and standards setters in an effort to strengthen the audit quality in their own countries. Given this appreciation, the study aims to obtain an in-depth understanding of the current regulatory framework for auditing in Libya, to examine the problems and difficulties which prevent Libya from establishing an efficient auditing system, and to investigate the factors that influence the adoption of the International Standards on Auditing. In order to achieve the overall aims, the following objectives are formulated:

1. To explore the licensing requirements for the auditing profession in Libya.
2. To identify the appropriate approach to regulate the auditing profession in Libya, with a further focus on the government role.
3. To assess the main factors contributing towards poor quality in the auditing profession in Libya with special reference to the role of the LAAA in developing the profession.

4. To determine the most appropriate set of audit standards for implementation in Libya.
5. To analyse the perceived benefits to be gained from uniting audit practice through the harmonisation of auditing standards in Libya.
6. To examine the factors influencing the adoption of the ISAs in Libya.
7. To compare the perspectives of the main stakeholders of the audit profession regarding different aspects of regulating the audit profession in Libya.
8. To evaluate the influence respondents to the study place on their choice of the applicable set of standards in the Libya context.

In order to achieve these eight objectives, three main research questions are generated as follows:

RQ1. How can the Libyan audit regulatory framework be reformed?

RQ2. What are the appropriate standards for audit practice in Libya?

RQ3. What are the factors affecting the adoption of the ISAs in Libyan auditing practice?

4.3 The Philosophical Approaches to Research

According to Saunders et al., (2012: 5) research is “*something that people undertake in order to find out things in a systematic way, thereby increasing their knowledge about the phenomenon under study*”. This in line with the belief expressed by Collis and Hussey (2009) who argue that research is a method used to examine a specific subject to discover its reality.

There is almost unanimity among authors (see for example, Easterby-Smith et al. 2012; Collis Hussey, 2009; Creswell, 2013) on the importance of research design, and the role it takes in a study as a whole. Indeed, Kumar (2005) describes this role as being one concerned with developing a research problem or questions, which require answers, and establishing valid research methods in order to achieve valid solutions to those questions.

4.3.1 Definition of Methodology and Methods

Kothari (2004) distinguishes between the terms ‘research methodology’ and ‘research method’, noting that research methods refer to the instruments used

by the researcher to perform the research, whilst the methodology refers to the overall system employed to manage the research activity.

Quite simply, all the methods used by the investigator in order to solve a research problem are characterised as research methods. Collis and Hussey (2009) refer to these methods as tools of data collection. On the other hand, research methodology is a way of systematically solving the study aims (Collis and Hussey, 2009), and hence this can be understood as being the entire process followed by a researcher in order to achieve the aims and objectives of a study. Clearly, these two aspects of the research exercise must be properly appreciated by the researcher (Kothari, 2004) as referring to different things, since one precludes the other and must be determined before the second is decided. That is to say, a researcher cannot choose which methods to adopt for data collection, until s/he has decided upon the overall research methodology, which brings with it certain assumptions about the type of data to gather.

Likewise, the choice of a suitable research methodology cannot be made until the researcher is fully aware of the potential advantages and possible limitations of the methods needed to collect the data required to solve the research problem (Eriksson and Kovalainen, 2008). This implies some initial thought to the various philosophical assumptions inherent in any intended research activity.

4.3.2 Philosophical Assumptions

Philosophies in the social sciences are numerous depending on the position the researcher takes, and this position is based on various pre-conceived ideas and assumptions. Collis and Hussey (2009) refer to these assumptions as being ontological, epistemological, axiological, rhetorical, and methodological. In respect of ontological assumptions, these derive from ideas held by the researcher about what actually exists in the situation s/he is exploring. Eriksson and Kovalainen (2008) define ontology as the existence of the connections among people, society and the world as whole. It can be seen, therefore, that ontology is about whether something exists, and hence, ontological assumptions concern that question. Epistemological assumptions, on the other hand are concerned with what counts as knowledge, and how this is produced, and consequently, these are related to this matter (Eriksson and Kovalainen,

2008). Table 4.1 provides a comprehensive summary of the difference between these two types of assumption and indeed the other philosophical assumptions embedded in a research study.

Table 4-1: Comparison of Ontological and Epistemological Assumptions

Assumptions	Quantitative	Qualitative
Ontological (Nature of reality)	Social reality is objective and external to the researcher	Social reality is subjective and socially constructed
	There is only one reality	There are multiple realities
Epistemological (Relationship between researchers and research)	Knowledge comes from objective evidence about observable and measureable phenomena	Knowledge comes from subjective evidence from participants
	The researcher is distant from phenomena under study	The researcher interacts with phenomena under study
Axiological (Role of values)	The researcher is independent from phenomena under study	The researcher acknowledges that the research is subjective
	The results are unbiased and value-free	The findings are biased and valued-laden
Rhetorical (Language of research)	The researcher uses the passive voice, accepted quantitative words and set definitions	The researcher uses the personal voice, accepted qualitative terms and limited a priori definitions
Methodological (Process of research)	The researcher takes a deductive approach	The researcher takes an inductive approach
	The researcher studies cause and effect, and uses a static design where categories are identified in advance	The researcher studies the topic within its context and uses an emerging design where categories are identified during the process
	Generalisations lead to prediction, explanation and understanding	Patterns and/or theories are developed for understanding
	Results are accurate and reliable through validity and reliability	Findings are accurate and reliable through verification

Source: Collis and Hussey (2003:47).

4.3.3 The Importance of the Research Philosophy

The research philosophy is considered as an important aspect of any study, and Easterby-Smith et al. (2012) emphasise this, pointing out three advantages of clearly identifying the philosophical assumptions implicit in a study. The first is that clarification of the research design means that researcher is in no doubt as to what type of data is required for examination. The second is that the research

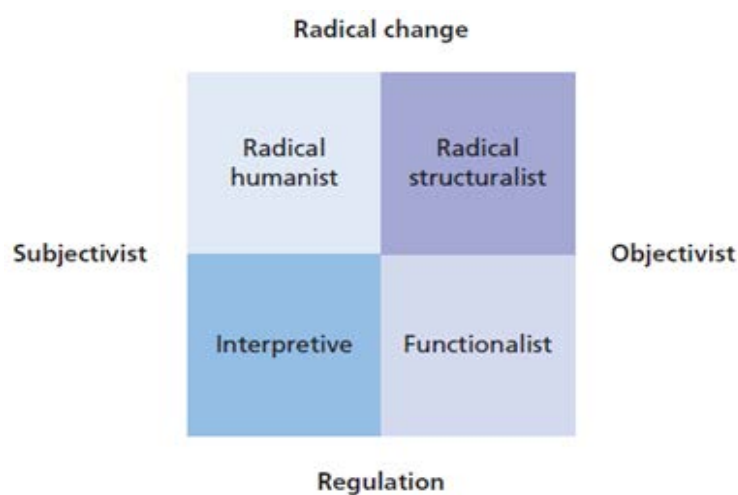
philosophy provides understanding which enables the researcher to decide what particular research design is suitable for a particular study. And the third is that by understanding the philosophical assumptions, the researcher might be able to create a new research design that is appropriate for a specific subject.

4.3.4 Distinguishing Between Paradigm and Philosophy

Several scholars use the words ‘paradigm’ and ‘philosophy’ interchangeably. However, according to Morgan (1978, cited by Collis and Hussey, 2009), the term paradigm may lead to misunderstanding and he suggests the need to clarify this term at three different levels: at the philosophical level, where people’s beliefs about the world are considered, then at the social level, where the researcher’s position in conducting the research, and finally, at the technical level, where the researcher aims to select suitable tools for data collection.

Saunders et al. (2012) use the concept of research paradigms as a way of simplifying research philosophy, and adopt four categories (appearing in Figure 4.1) originally conceived by Burrell and Morgan (1979). These four categories represent approaches to research, which have fundamentally different underpinnings, and thus direct the researcher to tackle the research with a different outlook.

Figure 4.1: Research Paradigms



Source: Burrell and Morgan (1979:22)

In the two-dimensional construct shown in Figure 4.1, the horizontal axis can be seen as a reflection of ontological issues, whilst the vertical axis is concerned with the environment, specifically radical change and the regulatory framework. On both sides of the vertical axis, organisational problems are highlighted which have ontological repercussions since these affect the state of what 'is'; the regulatory dimension is that which attempts to preserve what exists and dictates the confines within which one is able to work. The following is a brief summary of the four paradigms (Saunders et al. 2012):

- **Functionalist paradigm:** Functionalism is situated between objectivism and the regulatory dimensions. Hence, research conducted according to this paradigm must be objective and seek to explain why a particular phenomenon has occurred and how, if it represents a problem, it can be solved.
- **Interpretive paradigm:** Interpretivism appears in the left hand corner wedged between the dimensions of regulation and subjectivism. In this paradigm, the researcher relies on the interpretation of the worlds around to form meaning. The key assumption is that it is possible to identify irrationalities within the meaning system identified.
- **Radical humanist paradigm:** Radical humanism is situated in the top left of the figure, between the dimensions of subjectivism and radical change. When working according to this paradigm, the researcher is concerned primarily with criticising the status quo and attempting to introduce change. Researchers choosing this paradigm should adopt the subjectivist perspective (interpretivism).
- **Radical structuralist paradigm:** Under this paradigm, which is located in the right hand corner between the objectivist and radical change dimensions, the researcher analyses the relationship/conflict between players in the organisation with a view to introducing major change. Researchers choosing this paradigm should adopt the objectivist perspective (positivist).

4.3.5 The Research Philosophy

It is vital to consider the nature of knowledge needed in order to achieve full understanding of the investigation conducted (Quinlan, 2011). As already mentioned, epistemology is the concept concerned here, defined by Saunders et al. (2012) as the acceptable knowledge in a specific subject. Thus, when

determining the overall methodology and methods to be applied in any study, it is essential to have some notion of what knowledge is required.

Many authors (see for example, Jankowicz, 2000; Easterby-Smith et al. 2012) argue that there are no hard and fast sets of rules for researchers to follow when deciding which research philosophy to adopt for each specific investigation. Rather, as Collis and Hussey (2009) and Saunders et al. (2012) suggest, the researcher should consider the various research philosophies as being on a continuum as demonstrated in Table 4.2, and not fall into the trap of searching for what might not exist, i.e., one discreet best approach. However, in the continuum outlined in Table 4.2, a definite distinction is made between the subjective and objective approach to social sciences, with the right side of the table representing positivism and the other side, interpretivism.

According to Easterby-Smith et al. (2012) the positivist approach (also referred to as the deductive approach), and the interpretivist approach (also referred to as the inductive approach) are the two most popular research philosophies in the social sciences. They are in fact, quite distinct, being founded on different and important assumptions regarding the way people view the world around them.

Table 4-2: Approach to Social Sciences Continuum

Approach to Social Sciences					
Interpretivism ←				→ Positivist	
Reality as a projection of human imagination	Reality as a social construction	Reality as a realm of symbolic discourse	Reality as a contextual field of information	Reality as a concrete process	Reality as a concrete structure

Source: Morgan and Smircich (1980:492)

- **Positivism**

According to Remenyi et al. (1998), the positivist approach has existed since researchers took the philosophical stand of the natural scientist. The fundamental assumption of this philosophy is that *“the researcher is independent of and neither affects nor is affected by the subject of the research”* (Remenyi et al. 1998:33). The positivist is convinced that the social world exists externally and is something that can be examined objectively, and not through sensation, inflection, and intuition (Easterby-Smith et al. 2012). Auguste

(1853:27) described this approach in the following words: "*All good intellects have repeated, since Bacon's time, that there can be no real knowledge but that which is based on observed facts*".

Whilst positivism is generally acknowledged as taking a deductive approach, Bryman and Bell (2011) claim that in fact this philosophical position contains both the elements of deductivism and inductivism, since it allows for theory building that in itself promotes hypotheses that can be examined and result in explaining the laws (deductive reasoning), and provides new knowledge through data collection which is necessary to create new laws (inductive reasoning).

In their commentary, Saunders et al. (2012) state that the positivist philosopher initially relies on a quantitative, observational approach which leads to statistical analysis, with the possibility of generalising the outcomes. Consequently, this strategy is referred to as a quantitative method (Easterby-Smith et al. 2012; Saunders et al. 2012).

- **Interpretivism**

In contrast, interpretivism argues that reality is not objective and external but rather is socially constructed, and knowledge is interpretive (Quinlan, 2011; Easterby-Smith et al. 2012). Interpretivism developed because of criticism of the positivist philosophy and its limitations regarding the social sciences. It is defined by Cohen et al. (1987, cited in Remenyi et al. 1998:95) as:

"a theoretical point of view that advocates the study of direct experience taken at face value; and one which sees behaviour as determined by the phenomena of experience rather than by external, objective and physically described reality".

Furthermore, the assumptions underpinning the interpretivist philosophy are that reality is explained by people rather than by objective and external factors, and thus, it is appropriate for researchers to consider the meaning which individuals attach to the social event. Saunders et al. (2012:137) highlight this, commenting that interpretivism refers to "*the way in which we as humans make sense of the world around us*". Additionally, Crotty (1998) and Collis and Hussey (2009) point out that researchers who adopt this philosophical stance

cannot be socially separate from the subject investigated, and hence must in some way, experience the phenomenon concerned.

According to Bryman and Bell (2011), the difference between positivism and interpretivism is that the former explains human behaviour, whereas the latter provides an understanding of the differences between human actions. Since interpretivism aims to study lived experiences this approach is highly popular in business studies (Remenyi et al. 1998).

Scholars suggest that interpretivism characterises a qualitative approach in which the researcher is subjective within the research and the result derives from the meaning and the interpretation rather than from determining relationships through the measurement of data (Remenyi et al. 1998; Collis and Hussey, 2009; Easterby-Smith et al. 2012; Saunders et al. 2012). Table 4.3 compares the epistemology and ontology of the two main philosophies:

Table 4-3: Comparison of Positivism and Interpretivism

	Positivist	Interpretivism
The observer	Must be independent	Is part of what is being observed
Human interest	Should be irrelevant	Are the main drivers of science
Explanations	Must demonstrate causality	Aim to increase general understanding of the situation
Research progress through	Hypotheses and deductions	Gathering rich data from which ideas are induced
Concepts	Need to be operationalised so that they can be measured	Should incorporate stakeholder perspectives
Units of analysis	Should be reduced to simplest terms	May include the complexity of the whole “situation”
Generalisation through	Statistical probability	Theoretical abstraction
Sampling requires	Large numbers selected randomly	Small numbers of cases chosen for specific reasons
Data collection techniques most often used	Highly structured, measurement, quantitative, but can use qualitative	In-depth investigations, qualitative

Source: Easterby-Smith et al. (2008:59)

Whilst Table 4.3 highlights the differences, Table 4.4 summarises the strengths and weaknesses of the two research philosophies, thereby implicitly

incorporating guidance on which methodology and methods to use in particular research situations. Amaratunga et al. (2002) offer this summary as follows:

Table 4-4: Summary of the Strengths and Weaknesses of the Research Philosophies

	Strength	Weakness
Positivist	<p>They can provide wide coverage of the range of situations.</p> <p>They can be fast and economical.</p> <p>Where statistics are aggregated from large samples, they may be of considerable relevance to policy decisions.</p>	<p>The methods used tend to be rather inflexible and artificial.</p> <p>They are not very effective in understanding processes or the significance that people attach to actions.</p> <p>They are not very helpful in generating theories.</p> <p>Because they focus on what is, or what has been recently, they make it hard for policy makers to infer what changes and actions should take place in the future.</p>
Interpretivism	<p>Data-gathering methods are seen as natural rather than artificial.</p> <p>Ability to look at change processes overtime.</p> <p>Ability to understand people's meaning.</p> <p>Ability to adjust to new issues and ideas as they emerge.</p> <p>Contribute to theory generation.</p>	<p>Data collection can be tedious and require more resources.</p> <p>Analysis and interpretation of data may be more difficult.</p> <p>Harder to control the pace, progress and end-points of the research process.</p> <p>Policy makers may give low credibility to results from qualitative approach.</p>

Source: Amaratunga et al. (2002: 20)

4.3.6 The Research Approach

Saunders et al. (2012) emphasise that the decision to adopt one particular research design over another is driven by the researcher's ability to understand the topic investigated, and to know whether a deductive or inductive approach is the most suitably. The deductive approach involves developing a theory and a hypothesis, and then testing this via the evidence collected, whereas the latter concentrates on gathering data through interview and observation and interpreting that data in order to make sense of the results, which are then used either to generate a new theory or to provide support for an existing one. Thus, theory comes subsequent to the data collection in inductive reasoning, and not before it as in the deductive approach. These two approaches are linked with

different research philosophies as already indicated – deduction being aligned with positivism, and induction with interpretivism. Table 4.5 provides a comparison of these two approaches.

Table 4-5: Comparison of Deduction and Induction

Deduction emphasises	Induction emphasises
Scientific principles	Gaining an understanding of the meanings humans attach to events
Moving from theory to data	A close understanding of the research context
The need to explain causal relationships between variables	The collection of qualitative data
The collection of quantitative data	A more flexible structure to permit change of research emphasis as the research progresses
The application of controls to ensure validity of data	A realisation that the researcher is part of the research process
The operationalisation of concepts to ensure clarity of definition	Less concern with the need to generalise
Researcher independence from what is being researched	
The necessity to select samples of sufficient size in order to generalise conclusions	

Source: Saunders et al. (2012:127)

Although these two models of operation are characterised quite differently, it is argued by Saunders et al. (2012) that both strategies can be used in the same research to the benefit of a study. Clearly, each has advantages in particular situations. In this respect, Creswell (2013) offer criteria to consider in the selection process, thus providing the researcher with guidance. Among these are the need to take on board the amount of literature available, the time at the researcher's disposal, the risk associated with the study, and the research participants. The most important factor, however, is the nature of the subject under study, since a topic that is literature-wealthy tends to dictate the use of the deductive approach whereas the investigation of a relatively new field of interest or indeed a topic which has never been explored before is more likely to benefit by the use of the inductive approach.

4.3.7 The Research Strategy (Survey)

Saunders et al. (2012) state that a study's objectives, the underlying philosophy, and time and knowledge available to the researcher play a critical role in shaping the research strategy (i.e. in determining what method(s) to use to gather data). This situational influence means that “[n]o research strategy is inherently superior or inferior to any other” (Saunders et al. 2012:173).

However, the researcher must decide on what data are required before s/he can choose which method is most appropriate. And when that decision is made, there are various options available that will achieve a valid solution to the problem such as experiment, survey, case study, grounded theory, and archive research (Easterby-Smith et al. 2012; Saunders et al. 2012).

In this decision, the researcher must also clarify the purpose of the research, and this involves him/her in determining whether the topic under investigation may be classified as exploratory, explanatory, and/or descriptive (Saunders et al. 2012), and/or predictive, as suggested by Kervin (1992).

An exploratory study is one where all fieldwork, and data gathering might be performed preceding the generation of the research questions. It aims to establish “*what is happening; to seek new insight; to ask questions and to assess phenomena in a new light*” (Robson 2002:59). An explanatory study discusses the relationships between variables in order to draw explanations, and can be used in very difficult and multivariable cases. And descriptive and predictive research draws a conclusion from data collected for a particular study where the hypotheses or the research questions are formed at an earlier stage; this type of research is heavily reliant on past data being available (Kervin, 1992).

Since the research questions created for the present study are in the form of “what” type of questions, it is important to try to secure a large data set to gain the opinions of a sizeable number of individuals, and the most appropriate method in this case is the survey, using a questionnaire and interview exercise as the means of obtaining the data (Saunders et al. 2012). This will yield an explanation of the current situation. However, the study is also exploratory since

in its concentration of the Libyan auditing regulatory framework its aim is to explore the factors that affect the adoption of the International Standards on Auditing in Libya. Hence, the use of the survey technique with a big population is most appropriate, and consistent with the recommendations made by Easterby-Smith et al. (2012) and Saunders et al. (2012).

According to Collis and Hussey (2009), it is useful and beneficial to combine both quantitative and qualitative methods for data collection in the same study. For example, combining quantitative data gathered by questionnaires with qualitative data gathered by in-depth interviews helps to find the best solution for many problems that are being investigated. Moreover, data collected by the researcher from two or more sources that cover the same phenomenon provide the opportunity for triangulation, although the data sources must be independent of each other (Blumberg et al. 2011).

This potential for triangulation is valuable, since as noted by many scholars (see for example, Hussey and Hussey, 1997; Gummesson, 2000; Bryman and Bell, 2011; Denzin, 1970, cited in Collis and Hussey, 2009), the ability to apply more than one independent source of data gathering methods in the same study helps to lend validity to the results, and to greater overall reliability of the study than would otherwise be obtained.

In discussing triangulation, Easterby-Smith et al. (1991) highlighted four different types. The first is identified as data triangulation, which is the bringing together of data that has been collected in a different way, from different sources, and at different times. The second is investigator triangulation which occurs when a separate researcher other than the main investigator of a particular topic is involved. The third is methodological triangulation, which is seen when both quantitative and qualitative methods are implemented in the same study; and the fourth is triangulation of theories, where a theory used in one subject is used in another discipline.

Given the foregoing discussion, and after due consideration, the researcher for the current study adopts a mixed methods approach to collect primary data, which includes both quantitative and qualitative research tools - questionnaires and semi-structured interviews. This has the advantage, as pointed out by

Bryman and Bell (2011) that the validity of a study using postal questionnaires which run the risk of a low response rate, can be enhanced through the use of other methods that ensure face-to-face interaction. Table 4.8 illustrates the difference between questionnaires, personal interviews, and telephone interviews.

Table 4-6: Comparison of Questionnaires, Personal Interviews and Telephone interviews

	Questionnaire	Personal Interview	Telephone Interview
Cost	Lowest	Highest	Intermediate
Time required to gather data	Lowest	Intermediate or greatest	Least
Response rate	Lowest	Highest	Intermediate
Nature of non-response	Mostly refusals, some non-contacts if mailed questionnaires	Two-thirds refusals, one-third non-contacts	Mostly refusals and break-offs
Assessing extent of non-response bias	Poor	Good	Intermediate
Item non-response	Can be high	Low	Low
Control of measurement situation	Poor	Good	Intermediate
Sensitive topics	Best	Intermediate	Worst
Complex topics	Poor	Good	Poor

Source: Kervin (1992:420)

4.3.8 The Research Choice (Quantitative/Qualitative)

A clear way of deciding whether a quantitative or qualitative approach is suitable is to determine what type of data is required, in which connection, data which is numeric falls within the remit of a quantitative study, whilst non-numeric data (words, films, and pictures) are collectible in a qualitative study (Collis and Hussey, 2009; Saunders et al. 2012).

As already mentioned, however, many authors (i.e. Bryman and Bell, 2011; Saunders et al. 2012) argue that it is increasingly acceptable to use mixed methods in a single study, and especially in business and management studies where both types of data are useful. The rationale for mixing methods is also located in the fact that one method overcomes the difficulties of the other. Moreover, combining methods provides the opportunity to use the different approaches simultaneously or consecutively, depending on the benefits this will provide. For example, data gathered via quantitative methods can be analysed

before gathering subsequent data qualitatively. In such a situation, the design of the instrument to acquire the qualitative data may well be informed by the outcome of the quantitative aspect of the study. This point is taken up by Saunders et al. (2012), who discuss the adoption of mixed methods either in one phase of a study when they are used concurrently, or in different phases when they are used sequentially. When used concurrently, for example, both quantitative and qualitative data are collected and presented separately in order to draw a firm conclusion. On the other hand, however, they can be used interactively and iteratively meaning that the methods are used subsequent to each other in order to direct the next stage of data collection and analysis. Table 4.7 provides a comprehensive summary of quantitative, quantitative and mixed methods research.

Table 4-7: Comparison of the Three Research Methods

	Quantitative	Qualitative	Mixed Research
Scientific method	Confirmatory or “top-down”. The researcher tests hypotheses and theory with data	Exploratory or “bottom-up”	Confirmatory and exploratory
Ontology i.e., nature of reality/truth	Objective, material, structural, agreed-upon	Subjective, mental, personal, and Constructed	Pluralism; appreciation of objective, subjective, and intersubjective reality and their interrelations
Epistemology i.e. theory of knowledge	Scientific realism; search for truth; justification by empirical confirmation of hypotheses; universal scientific standards	Relativism; individual and group justification; varying standards	Dialectical pragmatism; pragmatic justification (what works for whom in specific contexts); Mixture of universal (e.g., <i>always</i> be ethical) and community- Specific needs-based standards
View of human thought and behaviour	Regular and predictable	Situational, social, contextual, personal, and unpredictable	Dynamic, complex, and partially predictable Multiple influences include environment/nurture, biology/nature, freewill/agency, and chance/fortuity
Most common research objectives	Quantitative/ numerical description, causal explanation, and prediction	Qualitative/subjective description, empathetic understanding, and Exploration	Multiple objectives; provide complex and fuller explanation and understanding; understand multiple

			perspectives
Interest	Identify general scientific laws; inform national policy	Understand and appreciate particular groups and individuals; inform local policy	Connect theory and practice; understand multiple causation, nomothetic (i.e., general) causation, and idiographic (i.e., particular, individual) causation; connect national and local interests and policy
Focus	Narrow-angle lens, testing specific hypotheses	Wide-angle and “deep-angle” lens, examining the breadth and depth of phenomena to learn more about them	Multi-lens focus
Nature of observation	Study behaviour under controlled conditions; isolate the causal effect of single variables	Study groups and individuals in natural settings; attempt to understand insiders’ views, meanings, and perspectives	Study multiple contexts, perspectives, or conditions; study multiple factors as they operate together.
Form of data collected	Collect quantitative data based on precise measurement using structured and validated data-collection instruments	Collect qualitative data such as in-depth interviews, participant observation, field notes, and open-ended questions. The researcher is the primary data-collection instrument	Collect multiple kinds of data
Nature of data	Variables	Words, images, categories	Mixture of variables, words, categories, and images
Data analysis	Identify statistical relationships among variables	Use descriptive data; search for patterns, themes, and holistic features; and appreciate difference/ variation	Quantitative and qualitative analysis used separately and in combination
Results	Generalizable findings providing representation of objective outsider viewpoint of populations	Particularistic findings; provision of insider viewpoints	Provision of “subjective insider” and “objective outsider” viewpoints; presentation and integration of multiple dimensions and perspectives
Form of final report	Formal statistical report e.g. with correlations, comparisons of means, and reporting of statistical significance of findings	Informal narrative report with contextual description and direct quotations from research participants	Mixture of numbers and narrative

Source: Johnson and Christensen (2013)

Furthermore, Saunders et al. (2012) tabulate the reasons for adopting a mixed methods approach in business and management research. These are presented in Table 4.8.

Table 4-8: Reasons for the Use of Mixed Methods

Reason	Explanation
Triangulation	Use of two or more independent sources of data or data collection methods to corroborate research findings within a study.
Facilitation	Use of one data collection method or research strategy to aid research using another data collection method or research strategy within a study (e.g. qualitative/quantitative providing hypotheses, aiding measurement, quantitative/qualitative participant or case selection)
Complementarity	Use of two or more research strategies in order that different aspects of an investigation can be dovetailed (e.g. qualitative plus quantitative questionnaire to fill in gaps quantitative plus qualitative questionnaire for issues, interview for meaning)
Generality	Use of independent source of data to contextualise main study or use quantitative analysis to provide sense of relative importance (e.g. qualitative plus quantitative to set case in broader context; qualitative and quantitative analysis is to provide sense of relative importance)
Aid interpretation	Use of qualitative data to help explain relationships between quantitative variables (e.g. quantitative/qualitative)
Study different aspects	Quantitative to look at macro aspects and qualitative to look at micro aspects
Solving a puzzle	Use of an alternative data collection method when the initial method reveals unexplainable results or insufficient data

Source: Saunders et al. (2012:169).

4.3.9 Justification for the Choice of Research Methodology

The methodology chosen is a reflection of the discussion of the philosophical approaches presented above, and their applicability to the research aims, objectives, and questions in section 4.2, and the subsequent need to work within a paradigm that is appropriate to achieve these objectives (see Section 4.3.4). Furthermore, considering the need to operationalise a research framework that guides the researcher in obtaining the knowledge required to achieve the main aim, the fact there exists a broad tradition in business and

management studies to adopt the positivist approach (Collis and Hussey, 2009) is a sound rationale for moving in this direction. Indeed, the positivist approach is found to be the best fit for the current study, which in more specific terms can be seen to fall within the functionalist dimension identified in Figure 4.1, as it aims to investigate the Libyan auditing regulatory framework, including the factors influencing the adoption of the International Standards on Auditing in the Libyan auditing practice. Hence, there is a strong objective element to the nature of the research.

In the knowledge that the choice of the methodology is restricted by the underpinning research philosophy (Collis and Hussey, 2009) and the assumptions it contains, and mindful of the aims and objectives of the study and the type of data required, a mixed methods approach is deemed to be the most appropriate as this will create a balance between the quantity and the quality of data collection, whilst simultaneously allowing for triangulation of data. This overall strategy will provide the very important benefit of counteracting the limitations of each individual method used for data collection, and thus reduce the data as complete as possible (Saunders et al. 2012).

4.4 Methods used in Data Analysis

4.4.1 Quantitative Data Analysis

4.4.1.1 Questionnaire

In order to gather numerical data to achieve the research aim and objectives a questionnaire was used as the main method of data collection in this study. Questionnaires can be categorised as self-administered and interview-administered. In the former type, the participants themselves generally complete the instrument, and return it to the researcher by the method indicated. Several possibilities are identified in this respect, for example, a questionnaire can be internet-mediated, posted through the regular mail system, or dropped in an appointed place for the researcher to collect, or indeed the respondent may meet with the researcher to hand over the questionnaire personally. In the latter type, the researcher or an assistant administers the questionnaire in person, asking each individual the questions exactly as they appear on the

instrument, and ticking the boxes or writing answers to open questions as appropriate. In this study, a self-administered questionnaire, collected after the event by the researcher, was chosen as the way forward for two main reasons. The first is that the self-administered questionnaire is considered to be the most popular and common method of primary data collection in management and business research (Saunders et al. 2012), and consequently can be adopted with a high degree of confidence. And the second is the poor penetration of the internet, and the lack of any reliable postal system in Libya, thereby requiring the researcher to be responsible himself for delivery and collection.

There are several advantages to the use of a self-completed questionnaire as noted by many authors (see for example, Easterby-Smith et al. 2008; Blumberg et al. 2011; Saunders et al. 2012; Bernard, 2013). Cost is a significant one, since personally-administered questionnaires incur enormous numbers of person-hours in both completion and travelling, whereas one researcher can manage a questionnaire survey alone. The ability to secure a large sample is also another advantage, especially when the regular mail and/or internet facility is used, and in particular when the participants are unreachable by other means because of their very busy schedules (for example, doctors, CEOs of banks). Yet another advantage is the promise of anonymity associated with a questionnaire which is denied of people participating in interviews; and another benefit is that questionnaire surveys are usually scheduled to take place over a given period of time (maybe weeks or even months) and the fact that respondents have the ability to determine when to complete the questionnaire (at their leisure) is considered as a way of enhancing the overall response rate.

On the other hand, there are disadvantages to this strategy, the main drawback being seen as a reluctance by intended respondents to give the time, and in this respect the problem is mainly seen where the type and amount of information required of participants is complicated and/or too much. Hence, there is a genuine need for the researcher to be skilled in questionnaire design to ensure the task for the respondent is made as clear and as easy as possible. Another disadvantage of mailed/postal questionnaires is that the researcher has little control over the participants, e.g. a CEO might forward the questionnaire to

his/her personal assistant to complete, and that person may not possess the knowledge/information desired by the researcher.

4.4.1.2 Research Population

Sekaran (2003:265) defines the research population as “*the entire group of people, events or things of interest that the researcher wishes to investigate*”. However, it is accepted that there is a difficulty in attempting to gather data from all possible cases due to the costs and time available, and consequently, some kind of sampling technique is generally employed to reduce the data set with a view to generalising the results to the wider population (Saunders et al. 2012). Nonetheless, it is essential to secure a sample that is truly representative, otherwise as noted by Sekaran (2003), the use of the questionnaire method as a means of finding a solution to a research problem, could be detrimental to a study as it may generate data from an inappropriate population.

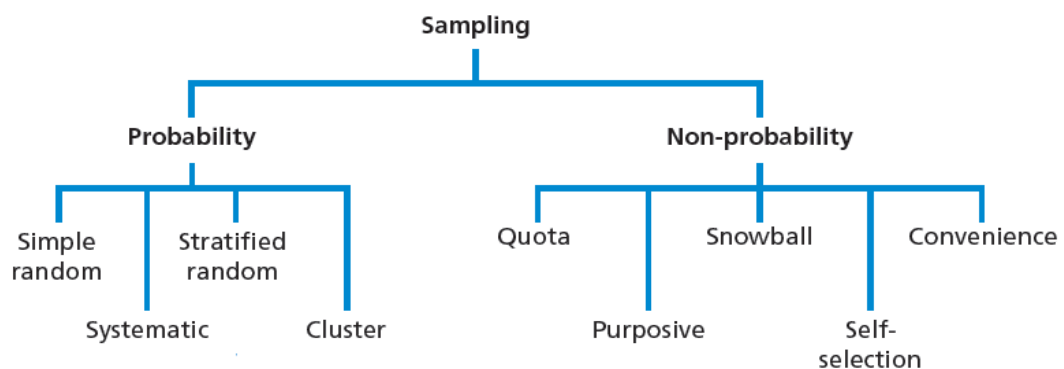
In here discussion of sampling, Sekaran (2003) defined the sample as a limited number selected from the whole population, thus creating a ‘subset’. Likewise, Ghauri and Gronhaug (2010:145) refer to the sample as that “*segment of the population that is selected for investigation, it is a subset of the population*”. Clearly, therefore, the representativeness is crucial, but another important element of sampling is the actual sample size, and the answer to how large a sample should be is not straightforward, according to Bryman and Bell (2011). In this connection much depends upon what the researcher can manage, and the particular statistical techniques s/he wishes to use with the data.

Representativeness and size (representation and precision) are the two main issues that must be considered in determining the sampling design (Easterby-Smith et al. 2012); and in order to create a representative sample, the sample must hold the same characteristics as the main population, and be of sufficient size to ensure a response rate which is sufficient to confirm that representativeness. The higher the response rate, the more likely that the sample is representative and vice versa, and greater confidence in the outcomes will result from a large number of truly representative answers.

According to Collis and Hussey (2009) discuss the idea of a research population and the ability of the eventual sample' drawn from that population to represent an organisation in respect of the examined topic. They note that in some cases the researcher may be able to achieve a complete sampling frame and actually target the entire population (especially where the sum of the population is small) whereas in others it is necessary to adopt some kind of sampling technique.

Saunders et al. (2012) classified sampling techniques into two categories - probability or representative sampling, and non-probability sampling. The first form of sampling design is where the sample chance of being selected is known, whereas, the non-probability sampling chance of selection is not known. Furthermore, the research questions and objectives are influential in the determination of the sampling frame since their achievement are affected by both the sample size and sampling technique, which must represent the entire population. Figure 4.2 presents different sample types available to represent the entire population:

Figure 4.2: Sample Types



Source: Saunders et al. (2012:213)

In the present study, five target groups were identified to represent stakeholders within the Libyan auditing profession, these being: external auditors, state auditors, internal auditors, academics, and regulators. In order to gain the maximum representation possible, the researcher gathered from each stakeholder group, a full list of the individuals comprising the group, and then contacted the entire population in each group. The characteristics of these five representative groups are as follows:

First: External auditors (EA) work in accounting and auditing firms and are recognised and allowed by the government (LAAA and CBL) to practise as such. They are responsible for all external audit functions, and hence, in their certified position, they are the individuals who possess full knowledge of the auditing profession and its activities in Libya. Due to the situation in Libyan after the Arab Spring, the researcher was unable to gather a full and current list of the LAAA membership, and therefore relied on the CBL list of recognised auditing offices/ firms. Moreover, 16 offices were excluded as a result of the same issue. Nevertheless, each of the reachable 107 offices and only 102 offices was handed two questionnaires each by the researcher.

Second: State Auditors (SA) works in the Libyan Audit Bureau (LAB) and are employed by the government to audit all companies that are 25% or more state-owned. The researcher conducted a visit to the Human Resource Department at the LAB Headquarters, and requested a complete list of employees working for the Bureau. Four locations/offices employing a total number of 223 individuals were identified, but the researcher was unable to reach all these people, and in fact, only 157 state auditors could be contacted. These were distributed among the four different offices in Tripoli, Benghazi, Misrata, and Sabha. The researcher handed a copy of the questionnaire to 151 of these people.

Third: Internal Auditors (IA) work in the listed companies and listed national banks, and are employed by those organisations to internally audit their financial information. Therefore, a list of all organisations listed on the Libyan stock market was obtained from the market database. This indicated 31 companies, and a list of the internal auditors employed within each of these companies was subsequently obtained from their HR departments. This activity identified that 62 internal auditors were employed, and each of these was handed a questionnaire.

Fourth: Academics (AC) work in the Accounting Departments of Libyan universities, and form part of the education process of auditors, being required themselves to be involved in research in their fields such that they are knowledgeable and can support the auditing profession and its activities. To enlist their help, a list of all auditing lecturers was created by requesting this

detail from the HR Departments of Libya's two major universities - the University of Tripoli, and the University of Benghazi. In total 82 academics were identified, but the researcher was only able to hand a copy of the questionnaire to 77 of these individuals.

Fifth: Regulators (REG) represent the Libyan Accounting and Auditing Association (LAAA) and those on the Board of the Ministry of Finance. Hence, they hold important roles in decision-making, and the enforcement of rules and regulations. The researcher visited the offices of both the LAAA and the Ministry of Finance, and collected a list of the Board's members which indicated a total of 33 individuals. In the event, the researcher was only able to hand a copy of the questionnaire to 29 of these.

According to Saunders et al. (2012), the response rate for self-administered questionnaires is 30%. In this study, a figure of 38% was achieved, thereby showing a favourable outcome. However, Jankowicz (2000) highlighted that business and management research conducted via questionnaires is considered satisfactory if it attracts a response rate of 10% or above. Consequently, the current study can be deemed to have been extremely successful in the volume of responses obtained. Table 4.9 illustrates the numbers of questionnaires distributed and returned for analysis from the respondent groups:

Table 4-9: Respondents Groups

Questionnaire survey	External Auditors	State Auditors	Internal Auditors	Academics	Regulators	Total
Full population	214	157	62	82	33	548
Distributed	204	151	62	77	29	523
Returned	73	44	30	32	17	196
Response rate	36%	29%	48%	42%	59%	37.5%

4.4.1.3 Questionnaire Design

The design of a questionnaire is considered as a very important step in the data collection process. A good design will maximise the opportunity to obtain data, and for that data to be internally valid and reliable; and as part of that design, some form of pilot test should be undertaken to establish whether any fine tuning is required to improve the chances of the questionnaire being completed effectively (Saunders et al. 2012). Such chances are enhanced if the

questionnaire has been properly designed to keep a focus on the research objectives (Sekaran, 2003), since the chance of collecting irrelevant information is reduced when the right amount of attention has been paid to its construction.

In respect of questionnaire design, Easterby-Smith et al. (2012) highlight five principles that must be upheld as follows: each question must concern one point only (i.e. should have only one, clear focus), the language used should not contain jargon or be colloquial, the language should be as simple as possible, the questions should be formulated to avoid the use of negatives, and questions should not be written in a way such that they lead the respondent to a particular answer.

Furthermore, Sekaran (2003) highlighted some other important aspects of questionnaire design, mentioning the importance of exact wording, which includes the appropriateness and the language of the question, the type and format of the questions, the sequencing of the questions sequence, and the request for participants' personal data. Clearly, the type and format of questions is a major concern in questionnaire design (Easterby-Smith et al. 2012; Sekaran, 2003).

In this matter, it can be seen that two types of questions – open and closed – can be used on such an instrument. The former type requires the respondent to provide an answer which is not prescribed in any way, and essentially this collects qualitative data, whereas the latter asks the respondent to identify one response from a range given, or indeed from a choice of either Yes or No (Oppenheim, 1992). It is the research philosophy which determines the type of question – a positive approach being associated with closed questioning, and interpretivism requiring open questions (Collis and Hussey, 2009).

Concentrating purely on closed questioning, Saunders et al. (2012) highlight six options as follows: 1) list questions, where the participant is offered a list of answers from which to select one or more; 2) category questions where only one item is selected; 3) ranking questions, where the participant is given a list and required to put them in order according to their opinion; 4) rating questions, where the respondent is required to rate answers, usually on five, six, or seven-point rating scale; 5) quality questions, where the applicant is asked to give

the amount of characteristics on behaviour or attribute; and 6) matrix questions, where more than one item can be selected for the purpose of analysis.

For the current study three types of questions were used. Most commonly rating questions were adopted, using a Likert-type scale to gain attitudes towards certain aspects of the auditing profession in Libya (Sekaran 2003; Easterby-Smith et al. 2012; Saunders et al. 2012). These were supported by categorical and ranking questions.

In designing these, the researcher considered the very important aspect of wording, already highlighted, and took steps to ensure that the wording properly reflected the purpose of each question. This is particularly important when cultural differences exist, since there is a need to eliminate response bias (Sekaran, 2003).

The question sequencing was also addressed, and the researcher followed the advice of Sekaran (2003) in adopting the funnel approach which allowed for the questionnaire to start smoothly with easy questions and to proceed to more incisive and difficult ones (Sekaran, 2003).

4.4.1.4 Questionnaire Structure

As indicated previously, the questionnaire length and structure are considered as important factors in attracting a favourable response rate. Dillman (1978) argued that the shorter the questionnaire, the higher the rate of response. That said, a questionnaire must cover all the necessary perspectives to achieve data relating to the full range of research objectives, and intended respondents must be fully briefed on the purpose of the instrument to develop a frame of mind which helps them to complete the questionnaire in a knowledgeable way. Consequently, the questionnaire in the current study was accompanied by a covering letter which gave precise details of the title of the research, the aim of the study, some background information about the topic, and an assurance of confidentiality of the information provided. At the end of the questionnaire respondents were asked to indicate whether they would like to receive a report of the eventual results of the study.

In its detailed structure, the questionnaire was sub-divided into six parts: the first included five questions about the respondent's profile including job description, education level, subject and place of study, and years of experience. The second part included four questions relating to the respondents' professional licencing, which included the licensing requirements, required training period, audit certificate, and the responsible party handling the licensing. Part three comprised two questions about the approach to regulating the profession and the role of the government in regulating the auditing profession in Libya. Part four focused on the Libyan audit profession (covering the role of the LAAA and factors behind the lack of its development. Part five contained five questions pertaining to the auditing standards. And Part six included two open questions which allowed respondents to provide any further information they wished to give.

4.4.1.5 Ethical Considerations

Saunders et al. (2012) emphasise the importance of considering the ethical dimensions of all data collection activities. In this respect, it is deemed essential to secure ethical approval from some overseeing authority prior to any research investigation (Henning et al. 2004) since this provides an assurance that the intentions of the researcher are not to harm any individual in the research process. Consequently, the researcher applied to the LJMU Research Degree Committee (RDC) and was granted approval to proceed in the early stages of the research journey (reference: 12/BLW/011).

The approval is based on the presence of certain criteria that must be met in the letter accompanying the questionnaire as follows: it must clearly state that the participants have the right to refuse to take part or withdraw from the research at any time, and that their responses are considered confidential throughout the process and afterwards; and it must provide information about the nature of the study. Furthermore, the researcher obtained consent (either oral or written) from participations prior to their involvement.

4.4.1.6 Questionnaire Translation

Since English is not the official language in the accounting environment in Libya, it was necessary to translate the questionnaire from the English version into

Arabic which is the language used by all the respondents. However, in order to ensure that the same meaning is conveyed to all participants, the process of translation must be undertaken with great care (Saunders et al. 2012), in which respect Usunier (1998) makes the point that in translating a questionnaire, the translator must consider all lexical, idiomatic and experiential meaning, and grammar and syntax. Four translation techniques that can ensure a clear and unbiased version are identified by Usunier (1998:52) and these appear in Table 4.10, together with their advantages and disadvantages.

Table 4-10: Translation Techniques for Questionnaires

	Direct translation	Back-translation	Parallel translation	Mixed techniques
Approach	Source questionnaire to target questionnaire	Source questionnaire to target questionnaire to source questionnaire; comparison of two new source questionnaires; creation of final version	Source questionnaire to target questionnaire by two or more independent translators; comparison of two target questionnaires; creation of final version	Back-translation undertaken by two or more independent translators; comparison of two new source questionnaires; creation of final version
Advantages	Easy to implement, relatively inexpensive	Likely to discover most problems	Leads to good wording of target questionnaire	Ensures best match between source and target questionnaires
Disadvantages	Can lead to many discrepancies (including those relating to meaning) between source and target questionnaire	Requires two translators, one a native speaker of the source language, the other a native speaker of the target language	Cannot ensure that lexical, idiomatic and experiential meanings are kept in target questionnaire	Costly, requires two or more independent translators. Implies that the source questionnaire can also be changed

Source: Usunier (1998:52)

Considering the pros and cons of each of these techniques, the researcher adopted the back-translation method, thus translating the original version of the questionnaire from English into Arabic, and backwards from Arabic into English version until the final draft was deemed acceptable.

4.4.1.7 Pilot Test

The pilot test stage has been emphasised by many authors (e.g. Saunders et al. 2012) who highlighted that a good questionnaire must be tested prior to its final distribution to the research population. Several benefits of this process are identified, for example: the understandability of the questionnaire can be improved before its final distribution, the face validity and reliability of the data collected can be assessed in advance of its final distribution and enhanced if required, the researcher can gain assurance that the data collected is in fact appropriate to the research objectives and will allow these to be achieved.

In this last respect, the researcher took certain steps to ensure the capability of the questionnaire to address the research objectives. The first was to enlist the help of several accounting and auditing experts, including three PhD candidates in LJMU and other universities in the UK as well as the supervisory team, to examine the questionnaire and determine whether any amendments were necessary. The second was to distribute 45 questionnaires to a pilot group of individuals in the Libyan auditing field, and to ask for specific feedback as recommended by Saunders et al. (2012) regarding how long the questionnaire had taken them to complete, which (if any) questions had been unclear/difficult to answer, and whether they considered (from their professional viewpoint) that there were any noticeable omissions. This pilot exercise took place in Libya during September and October 2012.

Feedback from the pilot process resulted in certain amendments to the final version of the instrument. Specifically, the three-point Likert scale which had been used in the original was changed to a five-point scale, and certain open questions revealed a reluctance on the part of respondents to complete, so these were eliminated and only one open question was left for those who were willing to provide additional information. Moreover, the researcher had to revise the follow-up strategy in order to increase the response rate.

4.4.1.8 Questionnaire Administration

Due to the situation of civil unrest in Libya after February 2011, the researcher was unable to rely on either internet or postal questionnaire methods. Therefore, he distributed all questionnaires by hand and telephone calls were made to

confirm completion in order to arrange the time and location of the collection. Blumberg et al. (2011) highlighted that a preliminary notification provides an increase in the response rate. However, the follow-up technique is deemed better in enhancing this.

In fact, several authors have highlighted a number of points to be considered in attempts to maximise the response rate (see for example, Oppenheim, 1992; Sekaran, 2003; Blumberg et al. 2011; Saunders et al. 2012). Bearing these various recommendations in mind, the following steps were followed by the researcher to ensure a high response: the questionnaire was testing via the process described earlier prior to the final distribution, both the cover and sponsorship letters were included with the questionnaire to create a very clear view of the research aims and objectives, the researcher personally handed all questionnaires to the intended recipients or their direct managers (this ensured that questionnaires reached their destinations and conveyed the message to respondents that their participation was very much desired as the researcher had gone to the trouble of presenting himself in person to their offices in what were very difficult circumstances occasioned by the political situation)

4.4.1.9 Reliability and Validity

Many authors such as Clark-Carter (2004) and Cozby (2007), argue that high quality research must go through reliability and validity processes in order to be validated and to measure the reliability of the instruments used to collect the data. These processes are very much linked with the quality of the research results, as they testify to the accuracy of the outcomes (Hussey and Hussey, 1997).

4.4.1.9.1 Reliability

A reliability test is required in all research in order to ensure that the results achieved are indeed reliable. To test for reliability, the researcher first conducted the pilot study to assess the validity and reliability of the data collected via the research instrument. Walliman (2011) argues that in the social sciences, the research tools cannot guarantee 100% accuracy, a point which Sekaran (2003) makes when arguing that the instrument used in the research must be totally free from bias, and be able to generate firm and consistent

results over time in order to increase the confidence of the goodness of a measure. In these respects, the researcher implemented test retest during the pilot study and the main data collection process to assess the stability of a measure. Furthermore, in order to confirm the internal consistency of measures, the researcher implemented the Cronbach Alpha test, which is considered the most effective way to assess the reliability of construct measures (Sekaran, 2003).

According to Hair et al. (2010), reliability refers to the consistency with which a measure is able to measure what it is intended to measure. In the social sciences, Cronbach's Alpha is the most common way of assessing whether a measure can do this, and hence, confirm that measure's reliability (Field, 2013). The ability of a measure is considered to be poor if the outcome is 0.6 or less, and good if it is 0.7 or over. In the present study, all the scale questions achieved Cronbach's Alphas in excess of the 'good' point, resulting in an overall Alpha of 0.709, which is considered good. Table 4.11 illustrates the overall reliability and the reliability for all constructs individually.

Table 4-11: Cronbach's Alpha for all Constructs

constructs	No of items	Cronbach's Alpha
Overall	37	0.709
1	6	0.920
2	6	0.933
3	6	0.879
4	5	0.812
5	4	0.873
6	4	0.811
7	4	0.953
8	2	0.893

4.4.1.9.2 Validity

The validity of an instrument is also another important consideration in empirical studies, since for any research study to be of high quality, the tools used to gather data must be valid. Frankfort-Nachmias and Nachmias (1996) and Aaker et al. (1998) defined validity as the degree of assurance that an instrument is able to measure what is meant to be measured, and specifically, Sarantakos (1998:78) says that "*validity is the ability to produce findings that are in agreement with theoretical and conceptual values*".

Leedy and Ormrod (2005) point out that the researcher must gather data through a valid method if s/he wishes to determine whether any statistical significance exists in those data. In this respect the method must relate to the type of validity concerned, and several types are identified, which can be categorised as: internal and external validity, content validity, construct validity, and face validity (Cohen et al. 2003; Sekaran, 2003).

In this study, in order to obtain data that reflects the reality of the auditing profession regulatory framework and the factors influencing the ISAs adoption in Libya, the following steps were taken: a comprehensive literature review to provide a theoretical framework was undertaken, a research methodology and set of methods were established after careful consideration of all the recommendations in this respect, an appropriate sample was identified, and attempts made to ensure internal, external, content and face validity, in the construction of the instrument prior and subsequent to conducting the piloting study. Finally, factor analysis was employed to strengthen the findings, showing that a factor loading above 0.7 in respect of each construct was achieved.

4.4.1.10 Statistical Tests Employed

With any large set of quantitative data, it is possible and indeed desirable to conduct some kind of statistical analysis, and this study followed this recommendation. A summary of the statistical analysis tests performed in the current study, with the aim of measuring the similarities and differences among the research participant groups as well as their perceptions of various aspects of the Libyan audit profession regulations, is now given.

Generally, there are two categorical tests, these being descriptive and inferential statistics. Given the fact that different groups of respondent feature in this study, both descriptive and inferential statistics are used since this strategy will enable a conclusion to be drawn from the data.

Statistical tests are divided into two types - parametric and non-parametric tests – and each is believed to be appropriate to certain types of questions where certain conditions have to be achieved. According to Field (2013), parametric tests are considered more powerful tools than non-parametric tests.

Nevertheless, non-parametric tests are as important as their parametric counterparts, according to Siegel and Castellan (1988), since in social science research it is hard to gather data that meets the conditions for parametric tests. In the current study, several techniques of analysis are used to analyse the data collected, these being: descriptive analyses, means frequencies. These enable the respondent groups' demographic data to be properly analysed, and thus generate meaningful and simple conclusions for the reader. Furthermore, both parametric and non-parametric tests are utilised as appropriate in the current study. The parametric tests employed are: the one-sample t-test, one-way ANOVA, while the non-parametric tests are the Chi square for independence, the Chi square for goodness of fit, and the Kruskal-Wallis test. All these are performed using the Statistical Package for Social Sciences (SPSS) software to code and analyse the data gathered by the questionnaires.

4.4.1.11 Factor Analysis

According to Field (2013), factor analysis is a technique used to categorise the data into sets of groups, which are intended to be used to increase the understandability of the data. Additionally, it has the function of reducing the data into smaller sets so that it becomes manageable, and in the process, helps to confirm the dimensions (constructs) of the questionnaire and the fact that these are measuring what they intended to measure. Pallant (2008) reiterates this outcome, stating that factor analysis allows the researcher to condense a large set of data into smaller groups or factors, which emerge as clusters that embrace related sets of variables. These comments all echo those made earlier by Fabrigar et al. (1999), who observe factor analysis to be a set of multivariate statistical techniques that enhance the understandability of the examined variables through reducing data into a determined number of dimensions that correlate together.

Therefore, factor analysis examines items and divides them into groups, such that variables are identified and allocated to appropriate dimensions based on their inter-correlation. This allocation/connection is decided upon according to the factor loading. In this section, the findings of the factor analysis performed for all the variables associated with the auditing profession regulatory framework in Libya, are presented.

4.4.1.11.1 Cronbach's Alpha

There are two types of reliability test that can be used - test-retest reliability, and internal consistency reliability (Pallant, 2008). These determine whether the data generated by a research tool can be interpreted consistently on two subsequent occasions (Field, 2013). Additionally, the data goodness can be measured through the two tests for validity and reliability (Sekaran, 2003). Furthermore, Sekaran (2003) states that Cronbach's alpha is a reliability coefficient that shows the positive relationships among variables within a set of data. Hence, a reliability analysis must be performed and Cronbach's Alpha is used to measure the reliability of the scale items, the accepted value of Cronbach's Alpha being 0.7 (Field, 2013). However, Sekaran (2003) argues that the minimum accepted level of Cronbach's Alpha is 0.6, and Pallant (2008) has suggested that Cronbach's Alpha could be even smaller if the variables measured are less than 10 items. Given these opinions, it is clear that in the present study, where all 37 items generate an Alpha of 0.709, reliability is high.

Table 4-12: Overall Cronbach's Alpha

Total no of Cases	Cronbach's Alpha	No. of Items
196	0.709	37

4.4.1.11.2 Kaiser-Meyer-Olkin (KMO) and Bartlett Test of Sphericity

Before performing factor analysis it is necessary to ensure that the data is suitable for such analysis, and in this respect two statistical tests should be undertaken (Pallant, 2008), which are respectively the Kaiser-Meyer-Olkin Test, and Bartlett's Test of Sphericity.

In terms of the KMO test, Field (2013) highlights that the value varies between 0 and 1, indicating that the closer the KMO value is to zero, the less appropriate the use of Factor Analysis and vice versa. Hutcheson and Sofroniou (1999, cited in Field, 2013) describe the values of KMO as follows: 0.50 as "unacceptable", 0.60 as "Mediocre", 0.70 as "middling", 0.80 as "Meritorious" and 0.90 as "Marvellous". Principal component analysis was conducted on the 37 variables with oblique rotations (Direct Oblimin), and a KMO value of 0.783 measuring the data sample adequacy for factor analysis was achieved, which is considered as 'meritorious', thus confirming the suitability of the data for Factor Analysis.

Additionally, the data was subjected to Bartlett's Test of Sphericity, which shows the data to be suitable if the P-value is ($p < 0.05$) (Pallant, 2008). The outcome with the present data set showed this to be: $\chi^2(666) = 5258.725$, $p < 0.00$, thus demonstrating that according to Bartlett's Test of Sphericity, the correlations among the variables are indeed significant and, therefore, principal component analysis is deemed suitable (Field, 2013).

Table 4-13: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.783
Bartlett's Test of Sphericity	Approx. Chi-Square	5258.725
	Df	666
	Sig.	.000

4.4.1.11.3 Total Variance Explained

In respect of finding explanations for the variance identified when subjecting data to different statistical tests, Hair et al. (2010:92) refer to the 'eigenvalue', as the "sum of squared loading for a factor, also referred to as latent root. It represents the amount of variance accounted for by a factor". The value of the eigenvalue should be 1.0 or more to be considered significant for Factor Analysis and any component less than 1.0 should be rejected (Pallant, 2008). In the present study, eight eigenvalues were equal to 1.0 or more (6.173, 5.125, 3.981, 3.752, 2.772, 2.020, 1.538 and 1.372). The highest eigenvalue explains 16.7% of the variance and the lowest eigenvalue explains 3.7% of the variance. The total cumulative variance explained was 72.3%. Table 4.14 provides the details.

Table 4-14: Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings ^a
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total
1	6.173	16.685	16.685	6.173	16.685	16.685	4.940
2	5.125	13.850	30.535	5.125	13.850	30.535	4.792
3	3.981	10.760	41.296	3.981	10.760	41.296	4.066
4	3.752	10.141	51.437	3.752	10.141	51.437	3.291
5	2.772	7.492	58.928	2.772	7.492	58.928	3.584
6	2.020	5.459	64.387	2.020	5.459	64.387	2.331
7	1.538	4.158	68.545	1.538	4.158	68.545	4.714
8	1.372	3.708	72.253	1.372	3.708	72.253	2.414

Extraction Method: Principal Component Analysis.

a. When components are correlated, sums of squared loadings cannot be added to obtain a total variance.

4.4.1.11.4 Communalities

According to Hair et al. (2010), the communality is the “total amount of variance an original variable shares with the all other variables included in the analysis”. Field (2013) states that variables have three types of variance (common, unique and error “random” variance), where the first is shared with other variables and the second is specific and reliable to the measured variable, and the random variance cannot be explained by the relationships with the other variables as a result of the unreliability of the data. However, a proportion of the common variance is known as the communality. Therefore, the principal factor analysis assumed that the all variable variance is common variance and initially equal to one.

Hair et al. (2010) suggested that if the sample size is the minimum sample of 100 then the communality is equal to 0.60, and if the minimum sample is equal to 150 then the communality is equal to 0.50, whereas, if the sample is no less than 300 then the communality is equal to 0.45. Therefore, after extraction the commonality of the data was found to range from 0.46 to 0.963 as shown in Table 4.15. Hence, there is high variance between variables, which indicates that the highest and the lowest variance of 96%, 52% are common variances or explained by the underlying factor respectively.

Table 4-15: Communalities

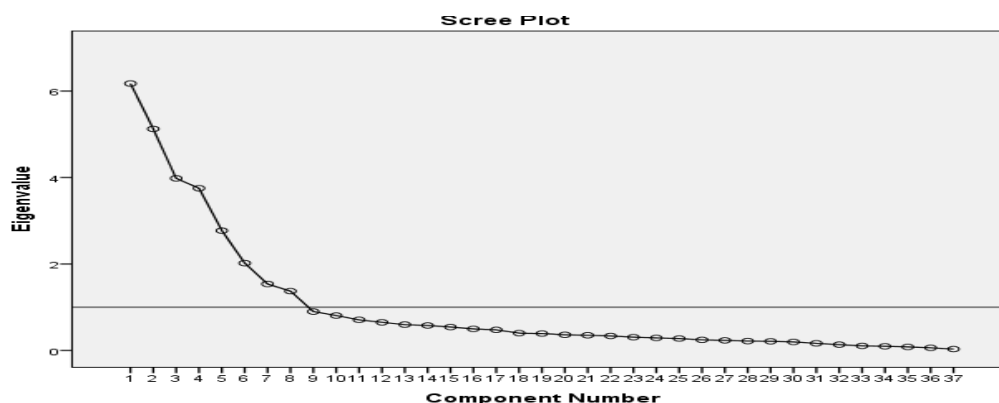
	Initial	Extract
The quality is less than it should be.	1.000	.666
Licensing requirements are relatively simple	1.000	.776
Licensing requirements do not take into consideration the contemporary needs of audit practice in the country.	1.000	.779
Licensing requirements are not up to international standards	1.000	.747
The current periods required are suitable.	1.000	.821
The training periods need to be increased.	1.000	.862
The training periods need to be decreased.	1.000	.927
It should be similar for all candidates regardless of their qualifications.	1.000	.899
Lack of effective Government laws and regulations	1.000	.553
Low quality level of Accounting education	1.000	.557
Neglect by the LAAA of its responsibilities	1.000	.553
Weakness of the role of the Libyan Stock Market (LSM)	1.000	.528
Developing auditing standards.	1.000	.632
Providing local training programmes.	1.000	.659
Involved in guiding the government in drafting laws and regulations that are related to the auditing profession.	1.000	.696
Providing Auditing training that focuses on multinational needs.	1.000	.689

Providing recommendations on matters where auditing regulations are deficient.	1.000	.925
Organising the Libyan Accountants and Auditors Association	1.000	.927
Monitoring the auditing practice	1.000	.559
The use of harmonised auditing standards will create a public confident in the auditing profession and auditors' work.	1.000	.732
The use of harmonised auditing standards provides auditors with useful rules that greatly help in carrying out their jobs more efficiently.	1.000	.661
The use of various set of standards in the same sector will affect the business decision by the investors.	1.000	.702
Applying harmonised auditing standards will contribute to the expansion of the financial markets.	1.000	.674
The use of harmonised auditing standards will make movement of staff across national boundaries easier.	1.000	.541
The use of harmonised auditing standards will enhance the credibility of the financial statements.	1.000	.662
Level of Libyan auditing education.	1.000	.793
Level of quality of Libyan auditors.	1.000	.806
The presence of international accounting firms.	1.000	.964
The Libyan laws and regulations.	1.000	.807
The Libyan culture.	1.000	.715
The status of the Libyan economy.	1.000	.818
The existence of foreign corporations.	1.000	.756
The strong Stock Exchange	1.000	.673
The lack of legislation imposed by international financial institutions (e.g. IMF)	1.000	.742
The complexity of ISAs that affect their understandability.	1.000	.655
Difficulty of translating the ISAs	1.000	.625
The high cost of implementation of the ISAs	1.000	.653
Extraction Method: Principal Component Analysis.		

4.4.1.11.5 Scree Test

According to Pallant (2008), the scree test involves plotting the eigenvalues in a graph, checking the change in the slope to find the inflexion, and retaining any eigenvalues above the curve. On checking the graph, a few factors with high eigenvalues, and many factors with low eigenvalues are seen (Field, 2013). Hence, the graph shows that eight factors can be retained, which confirms the KMO criterion of eigenvalues of 1.0 or above.

Figure 4.3: Scree Plot



4.4.1.11.6 Factor Loading Based on Rotated Component Matrix

4.4.1.11.6.1 Pattern Matrix

PCA is used to conduct the factor analysis for this research using the Direct Oblimin method with a factor loading of more than 0.60. The Direct Oblimin method is based on the assumption that there are correlations among variables, and as noted by Pallant (2008), it is the most common use of the oblique approach. According to Hair et al. (2010), a factor loading at positive or negative 0.5 is considered great and can be carried forward for further analysis. Table 4.16 presents the results of the study, showing that all 37 items have a factor loading of more than 0.6 and that eight components were generated.

Table 4-16: Pattern Matrix^a

	Components							
	1	2	3	4	5	6	7	8
The status of the Libyan economy.	.857							
Level of Libyan auditing education.	.853							
Level of quality of Libyan auditors.	.848							
The Libyan culture.	.827							
The complexity of ISAs that affect its understandability.	.805							
The high cost of implementation of the international standards (ISAs)	.798							
The presence of international accounting firms.		.972						
The Libyan laws and regulations.		.892						
The existence of foreign corporations.		.854						
The lack of legislation imposed by international financial institutions (e.g. IMF).		.837						
The strong stock exchange.		.820						
Difficulty of translating the ISAs.		.804						

The use of harmonised auditing standards will create public confidence in the auditing profession and auditors' work.			.854				
The use of various sets of standards in the same sector will affect the business decision by the investors.			.838				
The use of harmonised auditing standards will enhance the credibility of the financial statements.			.822				
The use of harmonised auditing standards provides auditors with useful rules that greatly help in carrying out their jobs more efficiently.			.789				
Applying harmonised auditing standards will contribute to the expansion of the financial markets.			.779				
The use of harmonised auditing standards will make movement of staff across national boundaries easier.			.637				
Involved in guiding the government in drafting laws and regulations, which are related to the auditing profession.				.796			
Providing Auditing training focuses on multinational needs.				.747			
Developing auditing standards.				.722			
Providing local training programmes.				.705			
Monitoring auditing practice.				.667			
Licensing requirements are relatively simple.					.883		
Licensing requirements do not take into consideration the contemporary needs of audit practice in the country.					.839		
Licensing requirements are not up to international standards.					.803		
The quality is less than it should be.					.704		
Abandonment by the LAAA of its responsibilities.						.735	
Lack of effective Government laws and regulations.						.731	
Low quality of Accounting education.						.722	
Weakness of the role of the Libyan Stock Market (LSM).						.696	
The training periods need to be decreased.							.921
It should be similar for all candidates regardless of their qualifications.							.914
The training periods need to be increased.							.875
The current periods required are suitable.							.873

Providing recommendations on matters where auditing regulations are deficient.									.944
Organising the LAAA.									.927
Extraction Method: Principal Component Analysis.									
Rotation Method: Oblimin with Kaiser Normalisation.									
a. Rotation converged in 8 iterations.									

4.4.1.11.6.2 Structure Matrix

It is important to properly interpret the outcomes of the Oblique rotation in both the pattern matrix and structure matrix, as these are different when using Oblique rotation (Field, 2013). Moreover, the differences caused by the relationships between factors in the structure matrix due to the variance shared are not ignored. Henson et al. (2004), emphasise this point, noting that the correct interpretation of structure matrix coefficients is critical in the use of Oblique rotation. Table 4.17 illustrates the structure matrix of the data gathered in the current study, which shows the simple correlation between factors and variables, the structure matrix as it provides coefficients made by each component, and confirming of the factor loading of the pattern matrix presented above.

Table 4-17: Structure Matrix

	Components							
	1	2	3	4	5	6	7	8
The status of the Libyan economy.	.890							
Level of Libyan auditing education.	.881							
Level of quality of Libyan auditors.	.878							
The Libyan culture.	.828							
The complexity of ISAs that affect their understandability.	.797							
The high cost of implementation of the ISAs.	.794							
The presence of international accounting firms.		.979						
The Libyan laws and regulations.		.896						
The existence of foreign corporations.		.864						
The lack of legislation imposed by international financial institutions (e.g. IMF)		.856						
The strong stock exchange		.814						
Difficulty of translating the ISAs		.786						
The use of harmonised auditing standards will create public confidence in the auditing profession and auditors' work.			.842					

The use of various sets of standards in the same sector will affect the business decision by the investors.			.831					
The use of harmonised auditing standards will enhance the credibility of financial statements.			.808					
The use of harmonised auditing standards provide auditors with useful rules that greatly help in carrying out their jobs more efficiently.			.805					
Applying harmonised auditing standards will contribute to the expansion of the financial markets.			.792					
The use of harmonised auditing standards will make movement of staff across national boundaries easier.			.669					
Involved in guiding the government in drafting laws and regulations, which are related to the auditing profession.				.790				
Providing Auditing training focuses on multinational needs.				.783				
Developing auditing standards.				.740				
Providing local training programmes.				.737				
Monitoring auditing practice				.719				
Licensing requirements are relatively simple					.872			
Licensing requirements do not take into consideration the contemporary needs of audit practice in the country.					.859			
Licensing requirements are not up to international standards.					.853			
The quality is less than it should be.					.776			
Abandonment by the LAAA of its responsibilities.						.736		
Lack of effective Government laws and regulations.						.736		
Low quality of Accounting education.						.716		
Weakness of the role of the Libyan Stock Market (LSM).						.706		
The training periods need to be decreased.							.957	
It should be similar for all candidates regardless of their qualifications.							.939	
The training periods need to be increased.							.919	
The current periods required are suitable.							.896	
Providing recommendations on matters where auditing regulations are deficient.								.959
Organising the LAAA								.954
Extraction Method: Principal Component Analysis. Rotation Method: Oblimin with Kaiser Normalisation.								

4.4.1.11.7 Factors with Cronbach's Alpha, KMO, BTOS, Eigenvalue and Percentage of Variance

Table 4.18 which follows presents the Cronbach's alphas for every factor, which are all shown to be greater than 0.7. Moreover, the results from both the KMO and BTOS show the data to be suitable for Factor Analysis. Furthermore, the eigenvalue for all factors is more than 1, thus the percentage of variance explained ranges from 52.99% to 95.14%

Table 4-18: Cronbach's Alphas, KMO, BTOS, Eigenvalue and Percentage of variance explained

Factors	No of items	Cronbach's Alpha	KMO	BTOS	Eigenvalue	% of Variance
1	6	0.92	0.899	0.00	4.318	71.967
2	6	0.933	0.812	0.00	4.53	75.496
3	6	0.879	0.894	0.00	3.785	63.087
4	5	0.812	0.744	0.00	2.917	58.335
5	4	0.873	0.732	0.00	2.194	72.849
6	4	0.811	0.693	0.00	2.62	65.505
7	4	0.953	0.744	0.00	3.507	87.668
8	2	0.893	0.500	0.00	1.903	95.14

KMO= Kaiser-Meyer-Olkin, BTOS= Bartlett test of sphericity ($p < 0.05$)

4.4.2 Qualitative Data Analysis

4.4.2.1 Semi-structured Interviews

Many authors such (see for example, Ghauri and Gronhaug, 2010; Saunders et al. 2012) have highlighted the interview as a useful method to gather in-depth, reliable, and valid data regarding a specific topic to answer research questions and meet research objectives.

Generally, interviews fall into one of three categories, and are described as structured, semi-structured or unstructured (in-depth), depending upon the amount of researcher interaction in the interview process (Blumberg et al. 2011). Structured interviews incorporate the use of standardised, pre-determined questions in much the same way as does a questionnaire, but with the difference that the researcher is present to ask the questions and note the responses on a questionnaire; semi-structured and unstructured interviews are non-standardised processes and offer the opportunity for much greater interviewee participation (Easterby-Smith et al. 2012; Saunders et al. 2012).

Most qualitative studies use semi-structured or unstructured interviews, which begin with the researcher asking some preliminary questions, and then proceed to allow the interviewees to engage in conversation which may drift to incorporate new ideas as introduced by the interviewees; indeed the unstructured interview may not even begin with any specific questions or topics but rather allow the interviewee to control the discussion as much as possible (Blumberg et al. 2011).

The difference between semi-structured and unstructured interviews, according to Blumberg et al. (2011), is that in the former there is greater initiation of discussion by the researcher in the former. Usually in semi-structured interviews the researcher has a schedule of questions/topics which s/he attempts to follow whilst allowing the interviewee to go off at a tangent if necessary, whereas in the unstructured interview, the interviewee is much more in control and the researcher may simply start the process with a general conversation about a theme that's/he wishes to pursue, and then allow the conversation to take its course. Table 4.19 illustrates the differences between these two types of interview.

Table 4-19: Comparison between Structured and Semi-structured or Unstructured Interviews

	Structured	Semi-structured or unstructured
Type of study	Explanatory or descriptive	Exploratory and explanatory (semi-structured)
Purpose	Providing valid and reliable measurements of theoretical concepts	Learning the respondents' viewpoints regarding situations relevant to the broader research problems
Instrument	Questionnaire (specific set of predefined questions)	Memory of list interview guide
Format	Fixed to the initial questionnaire	Flexible depending on the course of the conversation, follow-up and new questions raised

Source: Blumberg et al. (2011: 265)

Interviews can also be categorised according to the participants, and the means used to conduct them. For example, they can be described as 'one-to-one', 'one-to-many', face-to-face, telephone, internet-and intranet-mediated, and focus group (Bryman and Bell, 2011; Saunders et al. 2012). Sekaran (2003) provides a summary of the advantages and shortcomings of these various kinds, as shown in Table 4.20.

Table 4-20: Summary of Interview Advantages and Disadvantages

	Advantages	Disadvantages
Personal or face-to-face interviews	<ul style="list-style-type: none"> Can establish rapport and motivate respondents. Can clarify the questions, clear doubts, add new questions. Can read non-verbal cues. Can use visual aids to clarify points. Rich data can be obtained. CAPI can be used and responses entered in a portable computer. 	<ul style="list-style-type: none"> Take personal time. Costs more when a wide geographic region is covered. Respondents may be concerned about confidentiality of information given. Interviewees need to be trained. Can introduce interview biases. Respondents can terminate the interview at any time.
Telephone interviews	<ul style="list-style-type: none"> Less costly and speedier than personal interviews. Can reach a wide geographic area. Greater anonymity than personal interviews. Can be done using CATI. 	<ul style="list-style-type: none"> Non-verbal cues cannot be read. Interviews will have to be kept short. Obsolete telephone numbers could be contacted, and unlisted ones omitted from the sample.

Source: (Sekaran, 2003: 251)

In the current study, the semi-structured interview is adopted as a means of gaining insight into the Libyan audit profession in general, the audit profession regulations, and the factors influencing the adoption of the ISAs in Libya in particular. The rationale for using this approach is provided by several researchers (see for example, Blumberg et al. 2011; Bernard, 2013), who note that researchers are generally unable to interview participants more than once when they are important people (i.e. elites, executives, or high profile individuals) and therefore, as much information as possible must be gained during that one encounter. Moreover, if the researcher follows a clear interview schedule, this signals to the interviewee that s/he is familiar with the topic and knows what is required from interview. Essentially, this indicates a professional approach with which most interviewees will be pleased, since it also gives them the opportunity to contribute as they see fit as a means of enhancing the researcher's understanding of the topic, about which they are considered to be experts (Blumberg et al. 2011).

More particularly, the study uses telephone interviews for reasons associated with the political situation in Libya, and the geographical dispersion of participants. Quite simply, the atmosphere in Libya, and especially during the period of data collection, was (and remains) one of civil unrest, and travel within

the country was extremely dangerous. This precluded the use of face-to-face interviews. A further reason for using the telephone, however, is the fact that face-to-face interviews can generate stress for people, especially in war-torn environments where people are afraid, and can feel as though they are being put on the spot for an answer. An interview mediated by the telephone was thought to allow more opportunity for interviewees to provide information in a more secure setting (see Bryman and Bell, 2011). Nevertheless, it is acknowledged that telephone interviews have the limitation that they are generally shorter than personal interviews, and it is known that the participation rate is lower in telephone interviews (Bryman and Bell, 2011).

4.4.2.2 Sample Selection and Profile of Interviewees

In qualitative research the sampling technique is considered as important as in quantitative research, and questions such as “who” should be interviewed, and “how many” interviews should be conducted must be asked (Ghauri and Gronhaug, 2010). Indeed, the way in which the sample is selected is associated with the credibility and validity of a study (Bernard, 2013). As already indicated, in this study, five participant groups were targeted to represent the range of stakeholders involved in the topic area. Table 4.21 illustrates these groups, the number of interviews conducted for each group, and the percentage responses.

Table 4-21: Sample and Participants’ Groups

Descriptive	External auditors	State auditors	Internal auditors	Academics	Regulators	Total
Sample selected	5	5	5	5	5	25
No of responses	2	2	2	2	1	9
% of response	40%	40%	40%	40%	20%	36%

A non-probability sampling technique was adopted for the interview exercise; more specifically, the researcher used the purposive sample method to select the sample size. The purposive sample refers to the approach where the investigator targets the participants on the basis that they have the ability to understand the purpose of the questioning and can answer with expertise (Easterby-Smith et al. 2012). In the study, the target (purposive) groups were selected according to their qualitative characteristics rather than their quantity (number of potential participants) – i.e. according to their knowledge in relation

to the auditing profession in general, audit profession regulations, and the factors affecting the adoption of the ISAs in Libya in particular. According to Morse (1994, cited in Bernard, 2013), the minimum sample size for interview is six. In this study, the total number of interviewees targeted was 25 interviewees (this to give an even representation from each of the five participant groups) but in the event, only nine individuals agreed to participate. The five groups were still represented.

4.4.2.3 Conducting the Interviews

In this section, the procedure followed by the researcher in the interview process is reported. Prior to commencing the interviews, the researcher reviewed the Libyan audit profession regulations and environment as a means of underpinning the interview guide and ensuring that this was as clear as possible since it had to be borne in mind that the telephone was being used to conduct the interviews. Having prepared the interview guide, the researcher obtained all the contact details of the selected sample and contacted all the individuals identified with a request for their participation in a recorded telephone interview, and to arrange a convenient time for that to take place. From the group of 25 individuals, only nine were willing to participate, and consequently those nine interviews were held during the period between November 2014 and January 2015. The interviews took approximately one hour each, however, not all were recorded but rather the researcher had to take intensive notes to assist the subsequent transcription, and as a means of retaining the data.

The interview was structured into five main areas as following: a welcome and brief introduction to the research and the precise topic; a request for interviewees' demographic data; a discussion of broad themes regarding the Libyan audit profession; a discussion of the main themes and points in relation to the Libyan audit profession regulations and the adoption of the ISAs in Libya; and finally, a conclusion. The rationale for adopting this format was basically to ensure that from the start, the interviewees were fully aware of the nature of the research and the fact that the information they offered would be kept safe and confidential, and that the interview could then unfold logically and in a sequence that could be anticipated by interviewees and that would help their responses.

Subsequent to the welcome, it was necessary to gain knowledge about the participants' background, to set the mood of the conversation, to obtain information about the audit profession in Libya, and to specifically identify the situation concerning the adoption of the ISAs in the Libyan auditing context.

All interviews were conducted in Arabic which was the mother tongue of all interviewees. Hence, the recorded interviews were transcribed and then translated into English. A hard copy of all transcriptions/translations was also kept secure.

Whilst it is acknowledged that the nine interviews conducted were much less than desired, it is also recognised that the political situation and the unrest in the research context after the 2011 revolution served as an enormous barrier to the researcher's intention to conduct more interviews. Furthermore, it is believed that the quality of the nine interviews that were performed is good and can be accepted as representative, especially given the ability to triangulate the data with that obtained from the questionnaire survey.

4.4.2.4 Interview Data Analysis

The rationale for the use of semi-structured interviews as discussed earlier was to gain information from the selected groups of individuals, each of whom was believed to be knowledgeable about the Libyan auditing environment. And the opportunity to support/confirm/reject the results obtained by the main data gathering method (questionnaire) (Blumberg et al. 2011).

Scholars (see for example, Bryman and Bell, 2011; Easterby-Smith et al. 2012), indicate that there is no one technique to analyse the data derived from transcribed interviews, and that several means exist by which this can be done. Specifically, these techniques are: analysing transcripts via content analysis or grounded analysis, discourse analysis by narrative, conversation and argument analysis, and/or by using computer software such as NVivo. In the present study it was decided to use content analysis since this has several benefits, noted by Bryman and Bell (2011) as being: its transparency, its ability to allow expansion of analysis, its unobtrusiveness and flexibility, its ability to allow the extraction of knowledge. Nevertheless, content analysis has some limitations,

such as it is difficult to code themes, it is difficult to find the solutions for 'why' questions, and it is claimed as being too theoretical (Bryman and Bell, 2011).

The process of analysing the qualitative data gathered by the researcher for the current study began when the interviews had been conducted. In the analysis, a number of issues were taken into consideration as follows: the information available from the interviewees, the transcription of data gathered by the researcher, the translation of those transcriptions, the hand-written notes taken during the interview process by the researcher as a means of recording his own thoughts as the process unfolded. Subsequent to the data transcription, the researcher categorised the responses from each question in order to visualise the results and conclude the common main themes and patterns that emerged for each single question or point.

The researcher adopted the five-step approach highlighted by Taylor-Powell and Renner (2003), as follows: Get to know your data – read and re-read to become familiar with the topic: Focus the analysis - review the core of the analysis; Categorise the information – this can be done in several ways (with or without pre-set categories); Identify any connection among the patterns or categories; and finally, Interpret the data to draw a final logical conclusion.

4.5 Summary

As can be seen this chapter provided, a detailed discussion of the methodology and methods used within the current study in order to achieve the aim and objectives of the research. This began with a discussion of research philosophy to make the assumptions of positivism and interpretivism quite clear. From this discussion it was possible to consider the alternative research approaches, and the potential strategies, and particular methods available, and to arrive at the best way forward for the present study.

The chapter then proceeded to discuss the analysis processes in respect of both the quantitative and qualitative data gathered. In terms of the quantitative data, consideration has been given to issues relating to the research population, questionnaire design and structure, the ethical considerations, questionnaire design, translation and administration, pilot testing, reliability and validity, and finally the statistical analysis undertaken in the current study. In terms of the

qualitative data, the chapter has discussed the use of the interview and how the data generated via this technique has been analysed. The following chapter will provide the analysis of the quantitative results obtain from the questionnaires.

Chapter 5 : Quantitative Data - Questionnaire Analysis

5.1 Introduction

This chapter presents the findings from the questionnaire survey. It concentrates on the perceptions of the participants' groups regarding the auditing profession regulations in Libya in general, and in particular it analyses the perspectives of the target sample groups in relation to four sections outlined below. This chapter is divided into two parts: the first part reports the respondents' demography, whereas, the second part covers the statistical analysis using the Statistical Package for the Social Sciences (SPSS), which analyses the perceptions of the respondents' groups towards the following sections; professional licencing, regulating the auditing profession, Libyan auditing profession, auditing standards. Finally there is a summary of this chapter.

5.2 Respondents' Demography

This section aims to provide a general background about the participants' groups in the questionnaire survey. Five main respondents' groups have been involved in this investigation, which are: external auditors, state auditors, internal auditors, academics and regulators. Out of 523 questionnaires distributed, only 214 were returned. In order to increase the robustness of the analysis, 18 questionnaires were found unusable due to reasons related to incompleteness or obvious bias in filling it. Hence, the final valid number used for final analysis was 196 responses, implying a response rate of approximately 37.5%. Further, the section presents details about demographic profiles of these five groups according to four characteristics, namely educational level, subject of study, place of study and work experience.

5.2.1 Respondents' Groups

Table 5.1 provides a summary about the frequencies and percentages of main participant groups in the study. Due to the lack of accurate information about the real size of each participant group, the researcher utilised the convenience sampling technique based on directions of certain participants from each group. The study primarily targets five respondent groups, namely external auditors, state auditors, internal auditors, academics and regulators. The involvement of

these groups in this investigation is based on their potential “expertise” and work experience of the subject under examination.

As illustrated in Table 5.1 below, after follow up efforts, the response rate fluctuated between 29% for state auditors and 59% for regulators. However, the overall rate, of 37.5%, is considered reasonable to make reliable and generalisable findings (Sekaran, 2003).

Table 5-1: Respondents’ Groups

Questionnaire survey	External Auditors	State Auditors	Internal Auditors	Academics	Regulators	Total
Distributed	204	151	62	77	29	523
Returned	73	44	30	32	17	196
Response rate	36%	29%	48%	42%	59%	37.5%
Percentage	37%	22%	15%	16%	9%	100%

It can be noticed from the Table 5.1 that external auditors constitute the largest group in the study by 37% of the whole sample, followed by state auditors by 22%. On the other hand, regulators are the smallest group represented in this study, forming only 9% of the sample. In between, with slight difference, 16% and 15% of the sample were academics and internal auditors respectively. However, these summaries about participants’ proportions are not surprising, because it is reflected in the original population’s percentages. The subsequent part describes the general information about the demography of the five respondents groups that participated in the survey in order to provide an in-depth understanding of the state of the auditing regulation in Libya.

5.2.2 Educational Level

This part gives statistics about the qualifications of the participants in the study. More than half (53%, 104) of the respondents are bachelor degree holders; around half of these (50 respondents) belong to the external auditors group. The remaining half of the sample was spread over other educational qualifications. Particularly, 20%, (31) respondents hold a masters’ degree followed by doctorate holders who represent 16% of the final sample and eventually only 11% of study participants were diploma holders. The above descriptive statistics suggest that the participants have the sufficient

qualifications to understand the purposes and importance of the subject under investigation.

Table 5-2: Educational Level

Respondents groups	Highest education level achieved								Total	
	Diploma		BA		MSc		Doctorate			
	F	%	F	%	F	%	F	%	F	%
External Auditors	4	2%	50	25.5%	13	6.6%	6	3%	73	37%
State Auditors	10	5%	29	14.8%	2	1.0%	3	2%	44	22%
Internal Auditors	4	2%	21	10.7%	5	2.6%	0	0%	30	15%
Academics	0	0%	0	0.0%	14	7.1%	18	9%	32	16%
Regulators	3	2%	4	2.0%	6	3.1%	4	2%	17	9%
Total	21	11%	104	53%	40	20%	31	16%	196	100%

As can be seen from Table 5.2 above that, slightly greater than two thirds of external, state and internal auditors' subgroups hold a bachelor degree holder. In addition, the state auditors are the most represented out of diploma degree holders. On the other hand, it is expected that postgraduate degrees are mostly held by academics, where above half of academics (18) possess a doctorate, and 14 members have a masters' degree.

5.2.3 Subject of the Study

Table 5.3 below represents a cross-tabulation of the main survey groups with their major subject of study. Around two thirds of the participants have studied accounting and auditing subjects, specifically 46% and 20% for each subject respectively. The other third of the participants have completed their studies in management, finance and other subject areas. This summary indicates that the majority of target groups that are involved in this study are most likely to have relevant expertise and knowledge of the current research topic.

Table 5-3: Subject of Study

Respondents groups	Subject of study at the highest level										Total	
	Accounting		Management		Auditing		Finance		Other			
	F	%	F	%	F	%	F	%	F	%	F	%
External auditors	32	16.3%	8	4.1%	14	7%	12	6%	7	4%	73	37%
State auditors	20	10.2%	11	5.6%	11	6%	2	1%	0	0%	44	22%
Internal auditors	16	8.2%	6	3.1%	7	4%	1	1%	0	0%	30	15%
Academics	14	7.1%	7	3.6%	4	2%	5	3%	2	1%	32	16%
Regulators	8	4.1%	3	1.5%	4	2%	1	1%	1	1%	17	9%
Total	90	46%	35	18%	40	20%	21	11%	10	5%	196	100%

5.2.4 Participants' Place of Study

Five main areas and countries were specified in this study. It is important to note from figures in Table 5.4 shows that the majority of participants (56%) have studied either in Libya or in Arab countries, quoting exactly 33% and 23% respectively. The second destinations for respondents to study were English speaking countries, 20% in the USA and 16% in the UK. The remainder were less than ten per cent of participants who have studied in other countries (8%) such as Australia and Canada.

Table 5-4: Place of Study

Respondents groups	Place of Study										Total	
	Libya		Arab countries		United States		United Kingdom		Others			
	F	%	F	%	F	%	F	%	F	%	F	%
External auditors	28	14%	16	8%	7	4%	11	6%	11	6%	73	37%
State auditors	16	8%	7	4%	11	6%	9	5%	1	1%	44	22%
Internal auditors	6	3%	14	7%	8	4%	0	0%	2	1%	30	15%
Academics	9	5%	6	3%	8	4%	7	4%	2	1%	32	16%
Regulators	5	3%	3	2%	5	3%	4	2%	0	0%	17	9%
Total	64	33%	46	23%	39	20%	31	16%	16	8%	196	100%

5.2.5 Work Experience

Table 5.5 below illustrates the length of work experience of the research participants in their current occupation. The results demonstrate that a considerable proportion of the participants, approximately 40%, possess extensive experience, where they have been working 15 years or more in their current jobs. Likewise, a similar large proportion, approximately 40%, of research participants have experience ranging from 5 to 14 years, which proves their seniority in the current job. Finally, only a minority of the sample can be classified as junior workers. These group members have worked for less than five years in their present post, and only constitute 18% of the total participants. However, this figure indicates that the majority of respondents have reasonable and sufficient experience in their current jobs. This would enable them to absorb and comprehend the research objectives, participating effectively in the study.

Table 5-5: Length of Participants' Work Experience in the Current Job

Respondents groups	Experience in years												Total	
	Under 5		5 to 9		10 to 14		15 to 19		20 to 24		25 or over			
	F	%	F	%	F	%	F	%	F	%	F	%	F	%
External auditors	25	13%	11	6%	11	6%	7	4%	11	6%	8	4%	73	37%
State auditors	6	3%	14	7%	12	6%	9	5%	3	2%	0	0%	44	22%
Internal auditors	1	1%	1	1%	10	5%	12	6%	4	2%	2	1%	30	15%
Academics	4	2%	7	4%	11	6%	8	4%	2	1%	0	0%	32	16%
Regulators	0	0%	0	0%	4	2%	9	5%	3	2%	1	1%	17	9%
Total	36	18%	33	17%	48	24%	45	23%	23	12%	11	6%	196	100%

5.3 Statistical Analysis

After presenting demographic profiles of respondents, this section aims to provide statistical analyses of the remaining parts of the questionnaire, achieving the research objectives. This part provides descriptive and inferential statistics to achieve the research questions. The statistical tests used (such as One-sample t-test, One-way ANOVA, Chi square for independence, Chi square for goodness of fit and Kruskal-Wallis) were chosen depending on their suitability for the study variables and ability to achieve the research objectives. This part is structured as follows. The section comprises the following themes: the professional licencing, regulating the auditing profession, auditing profession and auditing standards.

5.3.1 Professional Licencing

The current section deals with the four main topics, namely assessment of the current status of the Libyan licencing requirements, auditors' training period, professional qualification and the institution responsible for setting the licencing requirements. These will be discussed consecutively. One-Sample t-test will be employed to examine the first two topics (licencing requirements and auditors training period) as they are reflected using the Likert scale questions. While giving the dichotomous nature of the latter two variables suggests using Chi-Square for goodness of fit: professional qualification and the party responsible for setting the licencing requirements.

5.3.1.1 Licencing requirements

Table 5.6 highlights the findings of investigating the opinions of respondents about their evaluation of the licencing requirements for auditing profession in Libya. Four statements were designed to test these variables using Likert scale ranging from one strongly disagree to five strongly agree. Mean scores exhibited in Table 5.6 fluctuate around four, indicating that research respondents, on average, shows a consensus that licencing requirements in Libya with less quality, simple, not up to international standards and do not take into consideration the needs of contemporary auditing practice. The results of One-Sample t-test, reported in Table 5.6, confirm that the mean scores significantly (p -value < 0.00001) differ from the test value (2.5).

Table 5-6: Licencing Requirements

	Mean	Std. Dev	Mean Diff	t-value	p-value
The quality is less than it should be	4.12	1.093	1.622	20.78	0.000
Licensing requirements are relatively simple	4.03	1.102	1.526	19.39	0.000
Licensing requirements do not take into consideration the contemporary needs of audit practice in the country	3.96	0.963	1.464	21.29	0.000
Licensing requirements are not up to international standards	3.94	0.99	1.439	20.34	0.000
Results of One-Sample t-test, Test Value = 2.5					
Likert scale: 1= Strongly disagree, 2= Disagree, 3= Neutral, 4= Agree, 5= Strongly agree					

To compare the perspectives of main research participants groups regarding the quality of licencing requirements in Libya, One-way ANOVA was conducted. Respondents were divided in to five groups: external auditors, internal auditors, state auditors, academics and accountants. Results of One-way ANOVA is shown in Appendix 2, and indicated that there are no statistically significant differences in opinions of main research participants groups relating to all statements measuring the quality of licencing requirements in Libya, where the $P > 0.05$ [$F, (4, 191) =$ between 1.064 and 0.509 $p > 0.05$]. Post-hoc comparisons using Tukey HSD test tabulated in the same Appendix 2 confirm such results.

5.3.1.2 Training Period

One-Sample t-test was also run to examine the perceptions of participants about the requirements of training periods for practicing in the audit profession in Libya, knowing that it is currently not equal for all candidates according to their qualifications (Bachelor, Masters, Doctorate, etc.). Table 5.7, shows a general agreement among respondents regarding the required training periods suitability which is considered to be natural, with high concerns about the training period reduction with (mean score = 2.99 - 2.96, $p < 0.000$ respectively). However, the question pertains to the training period to being increased is meant to be a checking question, where the respondents believe to be natural in considering the period length (mean score = 3.02, $p < 0.000$). In addition, participants view the necessity of uniting the period of training regardless of the educational level of the candidate.

Table 5-7: Training Period

	Mean	Std. Dev	Mean Difference	t-value	p-value
The current periods required are suitable	2.99	1.139	.495	6.083	0.000
The training periods needs to be increased	3.02	1.102	.515	6.545	0.000
The training periods needs to be decreased	2.96	1.223	.459	5.256	0.000
It should be similar for all candidates regardless of their qualifications	2.98	1.232	.480	5.450	0.000
Results of One-Sample t-test, Test Value = 2.5					
Likert scale: 1= Strongly disagree, 2= Disagree, 3= Neutral, 4= Agree, 5= Strongly agree					

To identify if there are any differences in the perspectives of audit stakeholders in Libya in evaluating the requirements of current training periods for the chartered auditors, One-way ANOVA was run. Outcomes of One-way ANOVA are shown in Appendix 3, and they highlight that there are no statistically significant differences in regard to the participants groups pertaining to the Libyan auditing profession membership training period is a prerequisite, where the $P > 0.05$ [$F, (4, 191) =$ between 2.390 and 2.022 $p > 0.05$]. Post-hoc

comparisons using Tukey HSD test tabulated in the same Appendix 3 concluded with such results.

5.3.1.3 Professional Qualification

Respondents were asked to indicate their views about the type of professional qualification that an auditor should hold before undertaking auditing practice, international (such as ACCA, ICAEW or CPA), local qualification or both. Figures shown in Table 5.8 illustrate 95.5% of respondents said 'Yes' on to have a local audit qualification; versus 83.7% and 84.7% said 'No' on possessing an international qualification or both of them respectively. Chi square test for goodness of fit was implemented to test hypothesis equality of the proportions within tested groups (Yes and No answers) for each question. Statistics of Chi square test for goodness of fit are: $\chi^2 (1) =$ between 88.9 and 161.95, $p < 0.0001$ for the three questions. This means that the observed is unequal expected observations for each group. Therefore, it can be concluded that differences among proportions are statistically significant and the stockholders of Libyan auditing profession see that auditing professional qualification should be locally granted.

Table 5-8: Professional Certificate

An international audit qualification such as ACCA, ICAEW or CPA	Outcome	Frequency	Percent	Chi ²	Asymp. Sig
	Yes	32	16.3 %		
	No	164	83.7%		
	Total	196	100%		
A local audit qualification	Outcome	Frequency	Percent	Chi ²	Asymp. Sig
	Yes	187	95.5%		
	No	9	4.5%		
	Total	196	100%		
Both: international and local qualification	Outcome	Frequency	Percent	Chi ²	Asymp. Sig
	Yes	30	15.3%		
	No	166	84.7%		
	Total	196	100%		
Chi square test for goodness of fit					

For a more detailed analysis, the cross-tabulation was carried out for each respondent group independently. From frequencies in Table 5.9, it can be noticed that, in general, the direction of responses of the research participants groups are highly consistent with the general view of the participants presented in the previous Table 5.8.

Table 5-9: Professional Qualification: Research Groups Analysis

		An International audit qualification such as ACCA, ICAEW or CPA			A Local audit qualification			Both		
		No	Yes	Total	No	Yes	Total	No	Yes	Total
External Auditors	F	59	14	73	5	68	73	61	12	73
	%	81%	19%	100%	7%	93%	100%	84%	16%	100%
State Auditors	F	40	4	44	4	40	44	34	10	44
	%	91%	9%	100%	9%	91%	100%	77%	23%	100%
Internal Auditors	F	25	5	30	0	30	30	24	6	30
	%	83%	17%	100%	0%	100%	100%	80%	20%	100%
Academics	F	28	4	32	0	32	32	30	2	32
	%	88%	13%	100%	0%	100%	100%	94%	6%	100%
Regulators	F	12	5	17	0	17	17	17	0	17
	%	71%	29%	100%	0%	100%	100%	100%	0%	100%
Total	F	164	32	196	9	187	196	166	30	196
	%	84%	16%	100%	5%	95%	100%	85%	15%	100%

5.3.1.4 Responsibility for Setting the Licencing Requirements

With regards to which party is competent to set licencing requirements in Libya, the respondents prefer either a separate independent agency (74.5%) or The Ministry of Finance (71.9%). On the other hand, as indicated in Table 5.10, 68.9% and 63.8% of the participants oppose involving all stockholders or setting them exclusively by The Libyan Accountants and Auditors Association (LAAA). Results of Chi square test for goodness of fit, with significant functions ($\chi^2(1) =$ between 14.88 and 47.02, $p < 0.0001$) for all questions, assuming inequality between observed and expected observations within 'Yes and No' groups of answers. Thus, this result suggests that either government as represented by the Ministry of Finance or an independent agency should handle setting licencing requirements in Libya. However, participants indicated clearly avoiding self-licencing through LAAA and/or widening the scope of stockholders participating in requirements set out.

Table 5-10: The Party Responsible for Setting out Licencing Requirements

The Libyan Accountants and Auditors Association	Outcome	Frequency	Percent	Chi ²	Asymp. Sig
	Yes	71	36.2 %		
	No	125	63.8%		
	Total	196	100%		
The Ministry of Finance	Outcome	Frequency	Percent	Chi ²	Asymp. Sig
	Yes	141	71.9%		
	No	55	28.1%		
	Total	196	100%		
A separate independent agency	Outcome	Frequency	Percent	Chi ²	Asymp. Sig
	Yes	146	74.5%		
	No	50	25.5%		
	Total	196	100%		
A committee includes representatives of all stakeholders	Outcome	Frequency	Percent	Chi ²	Asymp. Sig
	Yes	61	31.1%		
	No	135	68.9%		
	Total	196	100%		
Chi square test for goodness of fit					

To make a disaggregate analysis based on the main research groups of participants regarding which party should handle establishing licencing requirements in Libya, frequencies and percentages of 'Yes and No' answers for each choice were done. As shown in Table 5.11, the majority of external, state auditors and academics do not support using the Libyan Accountants and Auditors Association to undertake such a role. Just above half of internal auditors believe it should. In contrast, 59% of regulators prefer assigning LAAA to hold this responsibility. Except regulators, around two thirds of other groups view is to leave the task to either the Ministry of Finance or a separate independent agency. Opinions of regulators were approximately equally divided on the Ministry of Finance, while they totally supported founding a separate independent agency to craft the licencing requirements. Finally, the notion of empowering a committee includes all stakeholders was rejected by the majority of all respondents' groups. However, state auditors were fairly distributed into pros and cons groups.

Table 5-11: The Party Responsible for Setting out Licencing Requirements: Research Groups Analysis

		External Auditors		State Auditors		Internal Auditors		Academics		Regulators		Total	
		F	%	F	%	F	%	F	%	F	%	F	%
The Libyan Accountants and Auditors Association	No	52	71%	30	68%	16	53%	20	63%	7	41%	125	64%
	Yes	21	29%	14	32%	14	47%	12	38%	10	59%	71	36%
	Total	73	100%	44	100%	30	100%	32	100%	17	100%	196	100%
The Ministry of Finance	No	13	18%	10	23%	12	40%	12	38%	8	47%	55	28%
	Yes	60	82%	34	77%	18	60%	20	63%	9	53%	141	72%
	Total	73	100%	44	100%	30	100%	32	100%	17	100%	196	100%
A separate independent agency	No	17	23%	12	27%	12	40%	9	28%	0	0%	50	26%
	Yes	56	77%	32	73%	18	60%	23	72%	17	100%	146	75%
	Total	73	100%	44	100%	30	100%	32	100%	17	100%	196	100%
A committee includes members of all stakeholders	No	51	70%	23	52%	23	77%	27	84%	11	65%	135	69%
	Yes	22	30%	21	48%	7	23%	5	16%	6	35%	61	31%
	Total	73	100%	44	100%	30	100%	32	100%	17	100%	196	100%

5.3.2 Regulating the Profession

The second objective of the current study seeks to identify the appropriate approach to regulate the auditing profession in Libya, providing high focus on the government role. Amongst the four common approaches in developing audit regulations, a high number of respondents stressed that using an independent

regulator or regulating the profession by government (statutory regulation), stated by 72.4% and 64.3% of respondents' support respectively, as outlined in Table 5.12. In contrast, neither self-regulation nor co-regulation were seen by large number of respondents (58.2% and 69.4% respectively) as suitable approaches for regulating audit profession in Libya. The above results are consistent with the results about which party should handle establishing licencing requirements in the previous section. To test the hypotheses of equality of proportions of 'Yes and No' respondent, Chi square test for goodness of fit was run. Statistics of Chi square functions were significant for all groups, $\chi^2 (1) =$ between 5.2 and 39.5, $p < 0.05$ for the three questions. This confirms that the proportions between 'Yes and No' groups are unequal and the differences are significant.

Table 5-12: Regulatory Approach

Self-regulation	Outcome	Frequency	Percent	Chi ²	Asymp. Sig.
	Yes	82	41.8 %		
	No	114	58.2%		
	Total	196	100%		
Direct regulation	Outcome	Frequency	Percent	Chi ²	Asymp. Sig.
	Yes	126	64.3%		
	No	70	35.7%		
	Total	196	100%		
Co-regulation	Outcome	Frequency	Percent	Chi ²	Asymp. Sig.
	Yes	60	30.6%		
	No	136	69.4%		
	Total	196	100%		
Independent regulator	Outcome	Frequency	Percent	Chi ²	Asymp. Sig.
	Yes	142	72.4%		
	No	54	27.6%		
	Total	196	100%		
Chi square test for goodness of fit					

A look at each respondents' group separately in Table 5.13, it can be found that around two thirds of external and state auditors are standing at the opposite of using self-regulation or/and co-regulation in regulating the audit profession in Libya. While slightly over half of internal auditors and academics object to depending on self-regulation, the majority of them do not support depending on co-regulation. On the other hand, 59% of regulators prefer regulating the audit profession through self-regulation, while 65% of them do not like using co-regulation.

On the other hand, there is a general agreement among all respondent groups, supporting using either direct regulation or an independent regulator in the course of the audit profession regulation. However, the latter is seen as more suitable than the former, where between 63% and 82% of all groups support employing an independent regulator, versus only from 59% to 68% with the direct regulation.

Table 5-13: Regulatory Approach: Research Groups Analysis

		External Auditors		State Auditors		Internal Auditors		Academics		Regulators		Total	
		F	%	F	%	F	%	F	%	F	%	F	%
Self-regulation	No	44	60%	28	64%	16	53%	19	59%	7	41%	114	58%
	Yes	29	40%	16	36%	14	47%	13	41%	10	59%	82	42%
	Total	73	100%	44	100%	30	100%	32	100%	17	100%	196	100%
Direct regulation	No	25	34%	14	32%	11	37%	13	41%	7	41%	70	36%
	Yes	48	66%	30	68%	19	63%	19	59%	10	59%	126	64%
	Total	73	100%	44	100%	30	100%	32	100%	17	100%	196	100%
Co-regulation	No	43	59%	30	68%	23	77%	29	91%	11	65%	136	69%
	Yes	30	41%	14	32%	7	23%	3	9%	6	35%	60	31%
	Total	73	100%	44	100%	30	100%	32	100%	17	100%	196	100%
Independent regulator	No	20	27%	10	23%	11	37%	10	31%	3	18%	54	28%
	Yes	53	73%	34	77%	19	63%	22	69%	14	82%	142	72%
	Total	73	100%	44	100%	30	100%	32	100%	17	100%	196	100%

Participants were asked to indicate their views regarding the expected role of the government in regulating the audit profession in the country. From Table 5.14 it can be seen that respondents, on average, appreciate government

involvement in many aspects, particularly providing effective auditing legislation, establishing an independent agency or/and a governmental department to regulate the audit profession and develop its practices. However, they disagree with the point that the role of the government is limited in providing financial support to regulate the audit profession. These results, that are concluded are based on proportions of Yes and No answers pertaining to each theme, are significantly emphasised using Chi Square statistics appeared in Table 5.14 below ($\chi^2 (1) =$ between 16 and 45.8, $p < 0.000$).

Table 5-14: Government Involvement in Regulating the Audit Profession

	Outcome	Frequency	Percent	Chi ²	Asymp. Sig.
By providing financial support only	Yes	56	28.6 %	36	0.000
	No	140	71.4%		
	Total	196	100%		
	Outcome	Frequency	Percent		
By providing effective auditing legislation	Yes	138	70.4%	32.6	0.000
	No	58	29.6%		
	Total	196	100%		
	Outcome	Frequency	Percent		
By establishing collaboration with an independent agency responsible for developing auditing practice.	Yes	145	74%	45.08	0.000
	No	51	26%		
	Total	196	100%		
	Outcome	Frequency	Percent		
Direct involvement through governmental department in regulating the profession.	Yes	126	64.3%	16	0.000
	No	70	35.7%		
	Total	196	100%		
	Chi square test for goodness of fit				

Table 5.15 provides more detail of the trends of responses of the research participants groups. From the following Table, it can be realised that the opinions of respondent sub-groups correspond with the general trends of the whole sample with varying degrees, as shown below. This means that all stakeholders of audit profession in Libya commonly agree on the ways for the government to be involved in the process of regulating the audit profession in the country.

Table 5-15: Government Involvement in Regulating the Audit Profession: Research Groups Analysis

		External Auditor		State Auditor		Internal Auditor		Academic		Regulator		Total	
		F	%	F	%	F	%	F	%	F	%	F	%
By providing financial support only	No	51	70%	34	77%	19	63%	22	69%	14	82%	140	71%
	Yes	22	30%	10	23%	11	37%	10	31%	3	18%	56	29%
	Total	73	100%	44	100%	30	100%	32	100%	17	100%	196	100%
By providing effective auditing legislation	No	20	27%	13	30%	9	30%	12	38%	4	24%	58	30%
	Yes	53	73%	31	70%	21	70%	20	63%	13	76%	138	70%
	Total	73	100%	44	100%	30	100%	32	100%	17	100%	196	100%
By establishing collaboration with an independent agency responsible for developing auditing practice	No	17	23%	8	18%	10	33%	12	38%	4	24%	51	26%
	Yes	56	77%	36	82%	20	67%	20	63%	13	76%	145	74%
	Total	73	100%	44	100%	30	100%	32	100%	17	100%	196	100%
Direct involvement through governmental department in regulating the profession	No	25	34%	14	32%	11	37%	13	41%	7	41%	70	36%
	Yes	48	66%	30	68%	19	63%	19	59%	10	59%	126	64%
	Total	73	100%	44	100%	30	100%	32	100%	17	100%	196	100%

5.3.3 Libyan Audit Profession

The third objective of the study aims to clarify the factors contributing to the stages of development of the Libyan auditing profession, with an assessment of the functionality of the LAAA role. The measure includes four questions, represented by a five-point Likert scale varying from 1 very insignificant to 5 very significant. From mean scores displayed in Table 5.16, which were around 4.4, the results show that the lack of development of the audit profession can be attributed to the lack of effective laws and regulations, the low level of

accounting education, the weakness of roles of LAAA and Libyan Stock Market (LSM). Statistics of One-Sample t-test, summarised in Table 5.16, indicates the significance of the differences of mean scores of the identified factors, at less than (p -value < 0.000).

Table 5-16: Factors that Contribute to the Stage of Development of the Audit Profession

	Mean	Std. Dev	Mean Diff	t-value	p-value
Lack of the effective Government laws and regulations	4.37	0.505	1.872	51.867	0.000
The Low of the level of accounting education	4.4	0.501	1.898	53.029	0.000
Neglect of the LAAA from its responsibilities	4.39	0.52	1.893	50.951	0.000
Weakness of the role of the Libyan Stock Market (LSM)	4.39	0.51	1.893	51.945	0.000
Results of One-Sample t-test, Test Value = 2.5, Likert scale: 1 =Very insignificant, 2 =Insignificant, 3 =Neutral, 4 =Significant, 5 =Very significant					

To compare views of the main research participants groups on the reasons of the lag of audit profession, One-way ANOVA was conducted as summarised in Appendix 4. The results show that there are no significant differences among mean scores of all respondents groups, which were about 4.5 [F, (4, 191) = between 0.353 and 0.966 $p > 0.05$]. Post-hoc comparisons using Tukey HSD test tabulated in the same Appendix 4 confirm such results. This indicates that all groups of respondents are agreed that all of the above factors contribute to the stage of development of the level of audit profession in Libya.

An assessment of the effectiveness of the LAAA in carrying out its responsibilities was further investigated with the respondents, using five-point Likert scale varying from 1 very insignificant to 5 very significant. The mean scores of five out of seven functions of LAAA was relatively low (below 2.26), indicating that respondents perceived that LAAA is inefficient in these aspects. These aspects are: audit standards development, auditors training for local and multinational company needs, cooperation with government in drafting audit regulations, finally, monitoring audit practice. Nevertheless, research participants evaluate LAAA positively regarding filling the gap in audit regulation deficiency by providing recommendations and organising and managing members' affairs. Overall, p -values extracted from One-Sample t-test confirm

the significance of the mean difference for all tested elements as it shown in Table 5.17.

Table 5-17: An Assessment of LAAA Effectiveness

	Mean	Std. Deviation	Mean Difference	t-value	p-value
Developing auditing standards	1.96	0.655	-0.541	-11.558	0.000
Providing local training programmes	2.26	1.012	-0.24	-3.317	0.000
Involved in guiding the government in drafting laws and regulations which are related to the auditing profession	2.15	0.986	-0.347	-4.928	0.000
Providing Auditing training focuses on multinational needs	2.09	0.929	-0.408	-6.15	0.000
Providing recommendations on matters where auditing regulations are deficient	3.74	1.214	1.245	14.36	0.000
Organising the membership of the Libyan Accountants and Auditors Association	3.49	0.748	0.995	18.63	0.000
Monitoring auditing practice	2.15	0.915	-0.347	-5.306	0.000
Results of One-Sample t-test, Test Value = 2.5					
Likert scale: 1 =Very insignificant, 2 =Insignificant, 3 =Neutral, 4 =Significant, 5 =Very significant					

Furthermore, One-way ANOVA was run to identify the differences among the perspectives of the main stakeholders of the audit profession in evaluating the status of LAAA in undertaking its common responsibilities towards the Libyan audit profession. F statistics reveal that the differences among mean scores of all respondents regarding the LAAA responsibilities are insignificant [$F(4, 191) = 0.242$ and 1.601 $p > 0.05$], as shown in Appendix 5. This means that research participants have the same view in assessing the role of LAAA in carrying its missions. Post-hoc comparisons using Tukey HSD test in the same Appendix 5 emphasise such results.

5.3.4 Audit Standards

The four objective of this study, aimed at determining which set of standards are appropriate for the Libyan context; ISA's, UK-GAAS, US-GAAS, or should it be prepared locally? First of all, external auditors were asked to specify which set of standards they apply in reality, to ensure the extent of homogeneity

(heterogeneity) of audit practice in Libya. From Table 5.18, it can be seen that a large number of auditors (34.2%) in the sample do not follow any standards when they are doing their job. This indicates the extent of randomness in practice in the audit profession in Libya. The remaining auditors said that they are using one of three common known sets of standards. US-GAAS had the lead by 31.5%, followed by ISAs by 24.7%, while the UK-GAAS was only applied by less than 10% of the total auditors in the sample.

Table 5-18: Applied Audit Standards in Libya

	Frequency	Percent
ISA's	18	24.7%
UK- GAAS	7	9.6%
US-GAAS	23	31.5%
None	25	34.2%
Total	73	100%

To examine the relationship between the place of study and the set of standards that an auditor applies when practising his/her work, the Chi square test for independence was implemented. This is due to the fact that the two underlying variables are categorical. Chi square for independence compares the frequencies actually observed in a specific category with frequencies which might be obtained by chance (Field, 2013). In this case, this study seeks to establish how many external auditors may follow a certain set of standards, which is linked to their place of study.

Statistics from the Pearson Chi-Square test [$\chi^2 (12) = 105.181, p < 0.000$], appear in Table 5.19, whether the place of study and the set of standards used in the work are independent. Conversely, where the p-value is less than (0.000), they are not independent but rather related. Cramer's V value is 0.693, as shown in Table 5.19, indicating a strong association between the place of study and the applied set of standards by auditors.

Table 5-19: Applied Audit Standards in Libya: Chi² Test and Symmetric Measures

Chi-Square Tests				Symmetric Measures			
	Value	df	Sig. (2-sided)		Value	Approx. Sig.	
Pearson Chi-Square	105.181 ^a	12	0.000	Nominal by Nominal	Phi	1.2	0.000
Likelihood Ratio	112.423	12	0.000		Cramer's V	0.693	0.000
Linear-by-Linear Association	34.612	1	0.000		Contingency Coefficient	0.768	0.000
N of Valid Cases	73						

Table 5.20 shows the frequencies of a total of 73 auditors according to place of study under which the set of standards they adhere to. For those who studied in Libya, out of 28 auditors, only six follow US-GAAS and the rest do not follow any of the given auditing standards. Auditors who studied in the Arab countries are divided among applying UK-GAAS (8 auditors), ISAs (6 auditors), and only two auditors use US-GAAS. While US-GAAS is an exclusive guide for those seven auditors who studied in the US, four out of eleven auditors who studied in the UK not surprisingly complied with the ISAs rather than the UK-GAAS. Finally, ISAs was the preferable set of standards for group of auditors who have had their studies in the other countries (Australia, Italy, Canada, and Malaysia), where 9 out of 11 auditors were found to utilise it in practising their work.

Table 5-20: The Relationship between the Place of Study and the Applied Set of Standards

				Sets of standards				Total
				ISA's	UK-GAAS	US-GAAS	None of above	
Place of Study	Libya	Count % within Study	Place of	0 0.0%	0 0.0%	6 21.4%	22 78.6%	28 100.0%
	Arab country	Count % within Study	Place of	6 37.5%	8 50.0%	2 12.5%	0 0.0%	16 100.0%
	United States	Count % within Study	Place of	0 0.0%	0 0.0%	7 100.0%	0 0.0%	7 100.0%
	United Kingdom	Count % within Study	Place of	4 36.4%	7 63.6%	0 0.0%	0 0.0%	11 100.0%
	Others	Count % within Study	Place of	9 81.8%	0 0.0%	1 9.1%	1 9.1%	11 100.0%
	Total	Count % within Study	Place of	19 26.0%	15 20.5%	16 21.9%	23 31.5%	73 100.0%

After acknowledging the real pattern of applied standards of auditing, stakeholders of audit profession were further asked to rank these sets of standards according to their appropriateness to the Libyan context. The scale varies between one most appropriate and four least appropriate. Results summarised in Table 5.21 reveals that Libya either should set its own standards or adopt ISA's, where the respondents ranked them as the first and second most appropriate choices for the country, achieving 74% and 73% of total sample respectively. In contrast, the UK-GAAS and the US-GAAS were seen as less appropriate sets of audit standards for the Libyan context by 79% and 67% of respondents respectively.

Table 5-21: Appropriateness of Auditing Standards

	Ranking ----->								Total	
	Most appropriate		2 nd rank		3 rd rank		Least appropriate			
	F	%	F	%	F	%	F	%	F	%
ISA's	61	31%	83	42%	17	9%	35	18%	196	100%
UK-GAAS	26	13%	14	7%	71	36%	85	43%	196	100%
US-GAAS	33	17%	31	16%	85	43%	47	24%	196	100%
Libyan Self-Standards	76	39%	68	35%	23	12%	29	15%	196	100%
Total	196	100%	196	100%	196	100%	196	100%		

F stands for frequency and % stands for percentage

This study is further interested in identifying the association between the participants place of the study on level of appropriateness that they give for a specific set of standards. The fact the dependent variable (ranking of auditing standards) is ordinal and the independent variable (place of study) categorical, Kruskal-Wallis test is considered a convenient test (Field, 2013). It is a rank based test and assesses whether the ranking scores come from different independent groups are significantly different.

From H-statistics appearing in Table 5.22 below it can be concluded that there are significant differences in mean ranks among place of study groups only in regard to Libya setting its own standards [$H(4) = 10.369, P = 0.035$]. Therefore, this result suggests rejecting the null hypothesis. In contrast, with regard to the other sets of standards the null hypotheses were accepted, where no significant differences in mean ranks occurred among study participants, based on place of study grouping.

Table 5-22: Results of Kruskal-Wallis Rest

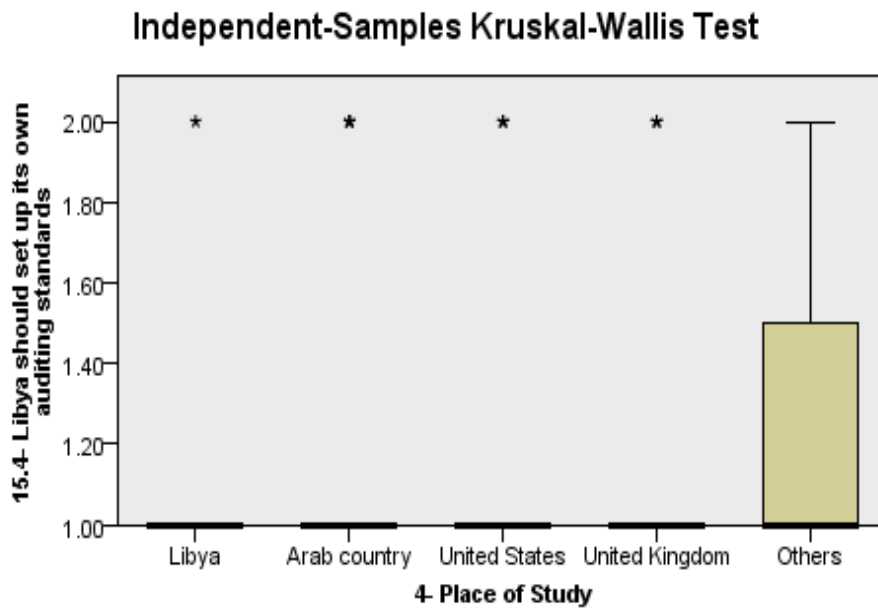
	H-statistic	df	p-value	Decision
ISA's	3.191	4	0.526	Retain the null hypothesis
UK-GAAS	3.924	4	0.416	Retain the null hypothesis
US-GAAS	3.723	4	0.445	Retain the null hypothesis
Libyan Standards	10.369	4	0.035	reject the null hypothesis

F stands for frequency and % stands for percentage

To specify the source of differences in mean ranks the boxplot was inspected. As it is visually presented below, it is clear that the candidates who studied in

other countries (Australia, Italy, Canada, and Malaysia) recommend that Libya should develop its own standards for auditing.

Figure 5.1: Independent-Samples Kurskal-Wallis Test



5.3.4.1 Harmonisation of Audit Standards

The Fifth objective of this study is to identify to what extent the stakeholders of audit profession in Libya perceive the common advantages of uniting audit practices through harmonising the audit standards. This is to determine the expected acceptance towards adoption of ISAs as the next step. On a five point Likert scale ranging from 1 strongly disagree to 5 strongly agree, the participants were requested to indicate the level of their agreement regarding six common advantages of standards harmonisation, as indicated in Table 5.23.

From mean values that appear in Table 5.23, which are above 4.47 and parallel with high significant levels ($p < 0.0001$), it can be concluded that audit profession stakeholders in Libya largely understand the advantages of harmonising audit standards and hence its importance in uniting the audit practice in the country.

Table 5-23: Advantages of Harmonising of audit Standards

	Mean	Std. Dev	Mean Diff	t-value	p-value
Creation of a public confident in the auditing profession and auditors' work	4.54	0.69	2.036	41.324	0.000
Carrying out auditing more efficiently	4.48	0.705	1.985	39.405	0.000
Helping investors in making decisions	4.47	0.675	1.974	40.946	0.000
Expansion of the financial market	4.68	0.594	2.179	51.367	0.000
Facilitating movement of staff across national boundaries easier	4.6	0.762	2.097	38.538	0.000
Enhancing the credibility of the financial statements	4.49	0.683	1.99	40.783	0.000
Results of One-Sample t-test					
Test Value = 2.5, Likert scale: 1 = Strongly disagree, 2= Disagree, 3= Neutral, 4= Agree, 5= Strongly agree					

Moreover, to ensure if there are any differences among the perspectives of the research participants groups with regard to perceiving the advantages of harmonising the audit standards in Libya, One-way ANOVA was run. The findings are presented in Appendix 6, and F statistics show that the differences amongst mean scores for all statements are not substantial [F, (4, 191) = between 0.682 and 0.960 $p > 0.05$]. Appendix 6 also includes the results of Post-hoc comparisons using Tukey HSD test, which supports the same results. This reveals that, in general, the various stakeholders of audit profession in Libya relatively perceive the advantages of harmonising audit standards as important.

5.3.4.2 The Adoption of ISAs in Libya

In the previous section, the main stakeholders of audit profession in Libya indicated a high level of importance of the advantages of harmonising the audit standards in the country. In the light of this, the study aims in this section to highlight their views regarding the adoption of ISAs in Libya, in order to standardise the audit practice with the majority of countries overall the world. In total, findings in Table 5.24 illustrate that nearly half of respondents support adopting ISAs with modifications; around a quarter (22.4%) support adopting ISAs without modification; while just above one eighth of respondents do not consider the importance of adoption of ISA's; and approximately a similar number of them have no idea or prefer not to comment.

Table 5-24: The Adoption of ISAs in Libya

	External auditors		State auditors		Internal auditors		Academic		Regulator		Total	
	F	%	F	%	F	%	F	%	F	%	F	%
Adopt ISAs	16	22%	11	25%	2	7%	12	38%	3	18%	44	22%
Adopt with modification	35	48%	24	55%	15	50%	15	47%	8	47%	97	50%
Not adopt	11	15%	3	7%	8	27%	2	6%	3	18%	27	14%
I don't know	11	15%	6	14%	5	17%	3	9%	3	18%	28	14%
Total	73	100%	44	100%	30	100%	32	100%	17	100%	196	100%

Following the general trend of responses, around 50% of each respondents group prefer adopting ISAs with modifications. Academics and state auditors are seemingly the most enthusiastic groups for applying ISAs with 38% and 25% supporters respectively versus 6% and 7% oppositions respectively, while the internal auditors are the most unenthusiastic group to do so, where only 7% of them agree with ISAs adoption and 27% do not. Regulators are equally divided between for and against ISAs adoption at 18% each, while external auditors are in favour of adopting more than does not at 22% and 15% respectively.

Auditing and accounting research provides many factors that may support or reject the adoption of a new set of standards, as indicated in literature review presented in chapter Three. To address factors that may positively or negatively influence the adoption of ISAs in Libyan context, the respondents were asked to specify the direction of the potential influence (positive or negative) of 12 predetermined factors, as listed in Table 5.25 below. These serve to either support or reject factors for ISAs adoption. A five-point Likert scale ranging from one highly negative to five highly positive was used.

Findings of One-Sample t-test, summarised in Table 5.25, indicates that six factors have negative significant effect, which may inhibit adopting ISAs in Libya. These are: Libyan auditing education, the quality of Libyan auditors, the Libyan culture, and the Libyan laws and regulations, the understandability of ISAs, and the cost of implementation. On the other hand, the other six factors are significant positive points in the Libyan context, which may promote adopting ISA's. These are: The presence of international accounting firms, the current status of the Libyan economy, the existence of foreign corporations, the stock

exchange, The rules of international financial institutions (e.g. IMF), and the ISAs translation.

Table 5-25: Factors Have Positive and Negative Significant Effect upon the ISAs Adoption

	Mean	Std. Dev	Mean Diff	t-value	p-value
The Libyan auditing education	1.78	0.745	-0.724	-13.621	0.000
The quality of Libyan auditors	1.81	0.76	-0.694	-12.782	0.000
The presence of international accounting firms	4.49	0.754	1.995	37.018	0.000
The status of the Libyan economy	4.4	0.734	1.898	36.218	0.000
The Libyan culture	1.84	0.74	-0.663	-12.549	0.000
The Libyan laws and regulations	1.76	0.75	-0.740	-13.807	0.000
The existence of foreign corporations	4.4	0.734	1.903	36.281	0.000
The stock market	4.38	0.805	1.883	32.75	0.000
The rules of international financial institutions (e.g. IMF)	4.43	0.752	1.934	36.021	0.000
The understand ability of ISAs	1.81	0.797	-.689	-12.092	0.000
The ISAs translation	4.34	0.75	1.837	34.272	0.000
The cost of implementation of the international standards.	1.81	0.793	-0.694	-12.25	0.000
Results of One-Sample t-test, Test Value = 2.5, Likert scale: 1= highly Negative, 2 =Negative, 3= Neutral, 4= Positive, 5= Highly positive					

One-way ANOVA was performed to compare the views of the respondents pertaining to the factors that may encourage or hinder the adoption of ISAs in Libya. As tabulated in Appendix 7, the differences of mean scores among the perspectives of the study participants groups were all insignificant, although some p-values were below 0.10. The results were extracted based on F statistics in ANOVA table [F, (4, 191) = between 0.682 and 0.960 p > 0.05], as well as Post-hoc comparisons using Tukey HSD test included in Appendix 7. This indicates that the study participants commonly agree which of the underlying factors can be considered as either positive or negative drivers towards the adoption of ISAs in the Libyan context.

5.4 Summary

This chapter provides a statistical analysis about the perception of the respondents groups in the current research with regard to the audit profession regulatory framework in Libya in general. In addition to analyse the factors that

have an influence on the adoption or not adopting of the ISAs in the Libyan context in particular. Statistics are used to highlight the significant of the findings such as One-sample t-test, One-way ANOVA, Chi square for independence, Chi square for goodness of fit and Kruskal-Wallis. Furthermore, the researcher gathered data from various auditing profession stakeholders namely; external, state and internal auditors, academics and regulators with a response rate of 37.5% out of 523 participants collectively. In order for the sample to be representative of the whole population, the researcher approached all population possible.

The questionnaire were used to gather data from the participants' groups pertaining to the different aspects that answers the research objectives, these aspects are as follows: professional licencing including the licencing requirements, training period, professional qualification and the party responsible on the requirements setting, followed by regulation the profession and the Libyan audit profession, while the last aspect was about the auditing standards. The subsequent chapter will presents the semi-structured interviews findings.

Chapter 6 : Qualitative Findings - Interviews Analysis

6.1 Introduction

The quantitative results having been presented in the previous chapter, it is now the purpose of this chapter to introduce the outcomes from the qualitative aspect of the empirical work, that being the semi-structured interviews with five Libyan audit profession stakeholder groups. This chapter is divided into six sections. After this short introduction, the objective of conducting the interviews is discussed. This is followed by a presentation of the participants' demographic details, and then a section related to the auditing profession regulations. The fifth Section provides the findings relating to the factors that influence the adoption of the international standards on auditing. Finally, a summary of the chapter is presented.

6.2 Objective of Interviews

Many authors, such as Collis and Hussey (2003), Sekaran (2003), and Saunders et al. (2007), have highlighted that qualitative research aims mainly to explore phenomena in order to gain in-depth knowledge. One way of securing this depth of understanding is to conduct semi-structured interviews, and hence, this method is used to eliminate any confusion and misunderstanding of particular aspects of the quantitative findings, and to examine in detail the issues highlighted in the main data collection activity (questionnaire). According to Leventis (2001), the interview is considered a vital method to gather enormous amounts of information, and a mechanism that allows useful conclusions to be drawn through its ability to help interpret quantitative results. The use of the interview for this specific purpose enhances the quality of the research findings, and that was the main reason for conducting this element of the study.

6.3 Participant Portfolio

The participants were carefully selected according to clear requirements, due to the nature of the topic, and to the difficulties facing the researcher in conducting the interviews in the research context. In the event, nine people agreed to participate in the interviews and the demographic data relating to these individuals appears in Table 6.1. Of these nine interviewees, two were external auditors working in privately-owned offices/firms, the first of whom

held a Master's degree in Accounting and had sixteen years of experience, while the second held a Doctorate in Auditing and had ten years' work experience. Two other interviewees were state auditors working under the control and supervision of the government. One of these auditors held a Master's degree in Audit and had five years of experience, while the other held a Bachelor's degree in Accounting, and had eleven years of experience. Another two interviewees were internal auditors working in firms or banks listed on the Libyan Stock Market. Of these two internal auditors, one held a Doctorate in Audit and had nine years of experience, and the other held a Master's degree in Audit and had five years of experience. Two more interviewees were academics working in Libyan universities and teaching accounting and auditing, both of whom held Doctorates, and had over thirteen years' experience; and one other interviewee was a regulator representing the LAAA Board. This person held a Master's degree in Accounting and had fourteen years of experience.

Table 6-1: Demographic Data of the Semi-structured Interview Participants

		External Auditors	State Auditors	Internal Auditors	Academics	Regulator
Qualification	1 st	MSc	MSc	PhD	PhD	MSc
	2 nd	PhD	BSc	MSc	PhD	-
Experience	1 st	16	5	9	13	14 years
	2 nd	10	11	5	16	-
Major field	1 st	Accounting	Auditing	Auditing	Accounting	Accounting
	2 nd	Auditing	Accounting	Auditing	Auditing	-

Table 6-2: Participants' Interview Schedules

Schedules	Position	No. of interviewees
28/11/2014	External auditors	2
04/12/2014	State auditors	2
09/12/2014	Auditors	2
28/12/2014	Academics	2
05/01/2015	Regulators	1

6.4 Auditing Profession Regulations

There is no doubt about the importance of the audit profession to society's welfare, and therefore it is necessary to ensure that rigorous professional regulations are in place to guarantee the quality of all practitioners in the field. In this section, the interviewees' perceptions of the regulatory framework associated with the auditing profession are discussed. The discussion is divided into three separate areas, these being: the Libyan audit profession licence requirements, which covers the quality of the licencing requirements including the training period, the assessment of the LAAA's role in developing the auditing profession, and lastly, an exploration of the options available when deciding how best to regulate auditing practice in Libya.

6.4.1 The Auditing Profession Licence Requirements

The reputation of the auditing profession is based on the quality displayed by members of the profession in the execution of their duties, and this in turn is the result of the various rules and regulations that govern its members and the way they discharge their obligations. In this context it is observed that higher quality audit practice is evident in the developed countries where the auditing profession has had time to mature, whereas this is less evident in the developing countries (Michas, 2011). Strict audit regulations play a large part in establishing professional responsibility, as noted by Holm and Zaman (2011), who emphasise that the rise in audit regulations can be seen as related to the increase in the various financial scandals concerning multinational firms. Such scandals together with pressure from the profession's stakeholders, have forced regulators to take steps to restore confidence in the audit profession. According to Michas (2011), the auditing profession in some developing countries faces deficiencies at the most fundamental level of audit rules and regulations. For instance, the presence of examinations and auditing standards are considered basic requirements to deliver the quality of performance required, yet in some environments these fundamental building blocks of the profession are not in place.

In the Libyan context, it was revealed by the questionnaire respondents that the licensing requirements pertaining to the audit profession were unsatisfactory. There was general agreement among the respondents about

this problem. However, certain aspects of the licensing requirements, for example the training period, were considered as suitable, since this is actually required by Law No.116/1973, and consequently was always put in place. Nevertheless, the respondents expressed a preference to reduce the length of the period required, and in connection with the training period, the majority (88%) of respondents agreed that this should be the same for all candidates, regardless of their level of education.

The purpose of this section is to present an in-depth analysis of the respondents' perception of the licensing requirements in terms of the level of education and the experience required by law, as well as to determine any difference among the views of stakeholders within the profession concerning the quality of the overall requirements to enter the profession.

The majority of the interviewees (77%) emphasised the inadequacy of the licensing requirements. IA 2 for example, said quite clearly: "*the licencing requirements are insufficient*", and from others the general belief emerged that there should be more emphasis on examinations to give the profession more credence since essentially, the level of education possessed by auditors is too low. In relation to another aspect of the requirements, the majority of the interviewees (55%) were satisfied with the training period required by law and classified this as "*adequate*" (AC 2), which is consistent with the questionnaire findings. This outcome is in line with that obtained by Dewing and Russell (1998), who found that competence in accounting and auditing is not the result of a successful training period but rather the ability to pass an examination, which tests the candidate's knowledge of the profession. The interviewees presented several viewpoints in relation to licencing requirements and the need for both education and experiences. In this respect, EA 1 said:

"I consider the licencing requirements of low quality for a few reasons, for instance, the absence of examination after the completion of bachelor degree, no CPD requirements, does not reflect the international developments in the practice. In term of experience, I believe it is acceptable due to the level of the quality of the practice, where the candidates needs a longer period to gain better understanding of the practice".

This statement was supported by another who stated:

“I think the regulations and the licencing requirements are insufficient and do not contribute to high quality practice desired, it does not include any commitment to monitoring the Libyan auditors compliance with the auditing development for instance the knowledge of the international standards (IFRS/ ISAs), since no monitoring form is required by the profession on a periodically basis”. (IA 2)

Furthermore, the remarks made by one of the academics, and one of the state auditors respectively emphasise their dissatisfaction with the licensing requirement embodied in Law No.116/1976, saying:

“In my opinion, due to the level of development in the country as a whole, it’s hard to expect to have higher quality requirements for the auditing licensing, since rigorous requirements should be in line with development of various developments in other sectors such as education, economy. However, the experience required by law seems to be adequate considering the level of educational and economic level in the country”. (AC 2)

“In my view, the Law regulating the profession did not place strict requirements on candidates for a license to practise auditing, which produces a low quality of auditors with a low level of professionalism”. (SA 1)

However, the following remark made by the other state auditor revealed that he was satisfied with the current licencing requirements but nonetheless, highlighted the urgent need for the inclusion of an examination to enhance the quality of auditing practice and boost trust within the auditing community, and society in general.

“I think the licencing requirements are acceptable somehow, since the candidate needs only a bachelor degree and five years of experience which are considered as reasonable pre-requisites. However, examination is needed in order to support the professional membership recognition, as well since international profession membership is acceptable by law, Moreover, the proposed examination should include examination on the local rules and regulations”. (SA 2)

6.4.2 The Auditing Profession Assessment

Until Libya achieved independence in 1951, auditing practice simply did not exist. However, between 1951 and the discovery of oil, Libya depended on international aid and advisors from both the UK and the USA, through the Libyan American Reconstruction Commission, the Libyan and American Joint

Service, and the Libyan Public Development and Stabilisation Agency. Subsequent to the discovery of oil, the country realised new-found financial resources as a result of the increase in overseas investments. This new wealth supported the Libyan economy, and not surprisingly, accounting and auditing become more essential than at any time previously. Thus, a university degree was accredited within the Libyan universities that required an examination before candidates could gain professional recognition.

However, auditing practice was not required or recognised prior to the enactment of Law No.116/1973, which delegated regulation of the profession to the profession itself.

In order to explore the role of the Libyan auditing profession, the interviewees were asked about the profession's achievement of its declared duties, which the Law in question stipulates are to advance the profession and its members "professionally, educationally, culturally and socially" (Law No.116/1973).

Various opinions were offered by the interviewees in this connection. On the one hand, some considered there had been a distinct lack of development within the profession, which they attributed to the profession's abandonment of its responsibilities as enshrined in Law No.116/1973. Others were convinced that the profession had delivered the expected outcomes and was in fact discharging its obligations. In support of this contention, mention was made of the fact that the profession has maintained the membership book, and developed accounting standards in 2005 by translating the IAS into Arabic, even though these translated standards have yet to be approved. Moreover, conferences, seminars, and training have been organised to acknowledge the importance of the accounting and auditing standards and increase awareness among members of their existence and value. The following statements from one of the state auditors, and one of the external auditors respectively, support the idea that the profession does deliver the expected outcome:

"I believe the profession has played its role as stipulated by law No. 116/1973, where the profession maintains its membership books, and has organised sufficient forums to provide the members and guests with valid and up-to-date information to enhance the quality of the auditing practice, for instance two of our firm went recently to attend the meeting to discuss the

adoption of IAS organised by the LAAA in collaboration with the Libyan Stock Market (LSM)". (SA 2)

"In my opinion, the LAAA is upholding its responsibility towards its members by monitoring the resignation as well as the practice by introducing the Libyan accounting standards through translating the IAS into Arabic, and providing training courses, even though, the IAS is still not adopted officially". (EA 2)

Clearly, there is a difference of opinion, since the majority (77%) of the interviewees were dissatisfied with the role played by the auditing profession in advancing audit practice, citing the failure to develop auditing standards that would guide auditors in the performance of their duties, and allow them to discharge those duties with quality. Additionally, deficiencies in the monitoring of accounting/auditing programmes delivered by educational institutions in Libyan were highlighted as preventing the enhancement of members since the educational requirement stipulated by the licencing arrangements was no more than a Bachelor's degree. In the absence of courses for higher qualifications, members of the profession were given no motivation to strive to improve their educational achievements. Interviewees expressed these alternative opinions as follows:

"Unfortunately, the LAAA was unable to meet the expectation of the society as well as the law No.116/1973. Therefore, activities such as, organising conferences, training programmes, providing libraries, collaboration with educational institutions, standards which been proposed by the mentioned law were abandoned. Moreover, in my experience with the profession, I have great doubt about other things for instance; disciplinary actions have been practiced since I have not been monitored over five years to date. Nevertheless, I think the only valid point about the profession is maintaining the membership book. However, since the main audit work linked to the government or joint-venture companies based in Libya taken by the Libyan Auditing Bureau (LAB), therefore, the government concentrated on developing and supporting the LAB rather than LAAA. This could be seen as the reason behind the LAAA board being reluctant in its responsibility". (EA 1)

One of the academics, and one of the internal auditors respectively, confirmed this viewpoint, saying:

"In my opinion, the roles of the profession were forgotten since no conferences have been proposed to develop the profession and whenever, there are conferences, they are organised by universities and research centres without any arrangement with

the profession. Furthermore, the disciplinary actions against wrong doing auditors or firms has been absent and in case of existence, it has never been published. However, the only role played by the profession is holding the registration of its members and giving membership while other fundamental main roles been forgotten". (AC 2)

"In fact, the profession roles' were immaterial toward the development of the auditing profession, since no training programmes were proposed, therefore, training of our staff solely by us. Moreover, the profession did not contribute to the development of any auditing standards yet. It has neither monitored the educational programme, nor heard any contributions such as providing advice on controversial accounting and auditing matters. Most importantly the profession did not practice its role in term of disciplinary actions". (IA 2)

According to the first state auditor, the LAAA lacks support and monitoring from the government since the government directs its attention and support towards the LAB, rather than the LAAA. Furthermore, the LAAA's responsibilities have gone unmonitored, so it has never been held accountable. One interviewee expressed this problem, stating:

"I can see no such role being conducted, except membership registration, however, Law No.116/1973 has been issued to regulate the profession and has not been modified since then, and this is critically accused to be the main reason of immaturity of the profession. Furthermore, the government were relying mainly on the LAB in seeking advice rather than the LAAA. Furthermore, considering the low quality level of audit practice, which may result in an irregularity which needs to be addressed by the profession, however, actions are yet to be published". (SA 1)

6.4.3 The Auditing Profession Accountability

An effective regulatory framework to monitor the profession is considered as the main way to achieve the quality of audit practice required. However, Immordino and Pagano (2005) show that there is no optimal model in this respect, and hence in designing an approach to regulate the auditing profession, it is necessary to consider the benefits and costs associated with each approach.

This section considers the most appropriate option for regulating Libyan audit practices, such that the profession can contribute towards promoting the

welfare of society. The findings from the questionnaire data analysis reveal that the majority of respondents are clearly in favour of the appointment of an independent regulator, believing this to be the most beneficial option of the list available for the Libyan audit profession. Statutory regulation (government intervention) is considered the next beneficial choice.

Likewise, the findings from the interviewee exercise show a preference for an independent regulator. The main reason offered for this choice was the independence that this body would have from the profession and from government. Other approaches were considered to be disadvantageous. The least favoured option by the interviewees was, in fact, the self-regulation approach, which is currently used in Libya, and the criticisms of it were that it was “*still in its infancy*” (EA 1). The following are interviewees’ comments in regard to the preferred means of regulating the auditing profession:

“In my opinion, the government regulation is considered the most appropriate option from the list where it can have number of advantages for instance, the enforcement, since owing to the nature of working, it functions well with the government intervention through its enforcement. However, if we consider the other options, self-regulation is not ideal because of the self-interest challenges and the best example is the weak LAAA status quo; co-regulation also is not an option due to the dominance of the government; an independent regulator might be the ideal option when we can develop the profession and to maintain its quality such an independent regulator can be involved”. (AC 2)

“Co-regulation is ideal, since it can overcome the other regulatory approaches”. (RG)

On the other hand, the majority of interviewees preferred the responsibility for regulating the profession to lie with an independent regulator, as is seen in the following comments:

“Based on my experience and taking into account the current status of the profession, as well as considering the profession is dominated by the older generation of accountants and auditors, the profession is better with an independent regulator. Since the first generation of accountants and auditors shows unwillingness to develop the profession even though the government delegated the LAAA responsibilities to self-regulation, LAAA is still in its infancy”. (EA 1)

“In my opinion, the independent regulator is the ultimate option available for the auditing profession due to the fact that it must be totally independent, which would bring benefits to the profession through their independent working manner. As well, since the other three options have a high level of threat such self-regulation could be an invalid option. With self-interest, co-regulation might be invalid if the delegation responsibilities was unfair, or the government regulation could be treated with the strictness of regulations”. (EA 1)

6.5 Auditing Standards

The factors affecting the decision to adopt the International Standards on Auditing (ISAs) were discussed with the interviewees in depth. Several such factors are revealed in the literature, which were subsequently investigated in this study via both the questionnaire survey and the interviews, which showed that some factors were considered as supporting adoption, whilst others were believed to be hindrances. The following two sub-sections demonstrate these supports and obstacles in depth.

6.5.1 Factors Supporting the Adoption of the ISAs in the Libyan Context

This section provides an in-depth analysis of the interviewees' perceptions of the factors positively influencing the adoption of the ISAs in the Libyan auditing context.

6.5.1.1 The Existence of Foreign Companies including International Accounting Firms

The interviewees were asked to give their opinions of the role played by international/foreign companies, including the international accounting firms, in driving the decision to adopt the ISAs in Libya.

Briefly, the questionnaire findings were supportive of the argument that these two types of corporation (international companies and international accounting firms) positively influenced the adoption decision in Libya. The majority of the interviewees (77%) provided opinions in support of the questionnaire findings. Their positive perceptions are attributed to the known benefits that these international companies bring to the country. For instance, qualified practitioners, the opportunity for local firms to extend their field of practice, the transfer of expertise, the lower cost of practice since these companies are

already familiar with the ISAs, and joint-venture opportunities that may result in more business in the country.

In contrast, other interviewees accused the international companies of not delivering enough benefit and not contributing sufficiently towards the development of the Libyan auditing profession, by not providing the financial backing for conferences and seminars that would serve to enhance national awareness of international audit practice, and generally keep the Libyan audit profession up to date. The following comments are indicative of the support for the argument that international companies help to persuade Libyan companies to adopt the ISAs:

“In my opinion, the presence of the foreign companies especially the international accounting firms in Libya do have positive effects on the country’s decision, since these companies benefit from the national practitioners as well as they won’t required to adopt the national standards if they exist. In terms of other sectors, foreign companies play such a great role in driving the country’s adoption since the decision of such investments or its existence in the country depends on investment opportunities which is seen more visibly when using internationally accepted standards such as (IFRS/ISAs)”. (RG)

“I think international firms in any sectors such as oil industry or accounting sector i.e. Big four firms, would support the adoption of ISAs for two main reasons, expertise movement cross-border, investment opportunities where is Libya considered as a land of opportunities due to the level of opportunities in a number of sectors, for instance, tourism, power, infrastructure, and so on”. (IA 2)

And one of the state auditors gave his opinion which was in the same vein as those already offered, saying:

“In my opinion, their role in driving the country’s adoption would depend on who would benefit, since the adoption of the ISAs could increase the national competitors, however, these international companies could be more beneficial from the increased number of national practitioners knowledgeable about the ISAs. Whereas the national practitioners (firms) consider these companies existence as motivation as they would be able to compete with them if they adopt such internationally accepted standards”. (SA 2)

On the other hand, the comment from the first state auditor contradicts with that from the second state auditor, who considered the presence of foreign

companies to be a hindrance since their history of doing business in Libya showed that they had made no valid contribution towards the development of the profession. In this respect, he said:

“To the best of my knowledge, foreign companies especially in the oil sector existed in Libya over half a century, even prior to the LAAA profession establishment and their contributions towards developing the accounting and auditing practice in Libya is very limited if at all. Therefore, those companies I would consider them as hindering factor to the adoption of ISAs which is considered as part of the LAAA development”. (SA 1)

This was a belief echoed by one of the academics who observed that:

“The presence of the foreign companies is considered by some elite as obstacles for the LAAA development, in terms of auditing practice and the practitioners. However, the only benefit brought to the professional practitioners by those companies is the higher rewards due to the joint-venture between national and international firms”. (AC 2)

6.5.1.2 The Libyan Economy Including the LSM

A number of researchers have concluded the effects of adopting rigorous accounting regulations, including audit regulations, on economic growth (Daniel and Suranova, 2001; King et al., 2001; Baruni and Sentose, 2013; Zehri and Chouaibi, 2013), perceiving this to be a positive outcome given that the economy stability of a country is considered as a prime contributor to the welfare of society. As part of this study, the researcher investigated the economic role in Libya's adoption of the ISAs, finding from the questionnaire that the respondents considered the economy as a supporting factor. When discussing this issue with the interviewees, the researcher found that the majority (66%) held the same view as the survey respondents, and several reasons were offered for these opinions. Firstly, it was argued that the economy would benefit from more business brought in by foreign investment; secondly the development of the LSM was believed to be fostered by an improved economy; and thirdly, more investment opportunities would arise as increased amounts of financial information about the Libyan market became available. In combination, these outcomes would enhance the welfare of society. The regulator made the following statement supporting the adoption of such internationally- accepted standards:

“It is obvious to me that the economy would be playing a vital role in driving the authority to adopt or establish high and rigorous accounting and auditing standards, and ISAs adoption is no exception. Adoption of ISAs would benefit investors towards their decision-making in term of investments, which are considered the main fuel of economy. Moreover, in term of the Stock Market, I believe it is already required by Law to prepare the financial information in line with IFRS and audited based on ISAs, therefore, it is supporting the adoption in the audit practice in Libya as a whole. Thus, the LSM authority’s decision of the adoption of such international accepted standards is considered as part of the development of the LSM”. (RG)

The second external auditor’s comments on the role of the economy in driving the adoption decision were parallel to those offered by the regulator, as seen in the following quote:

“Well, since Libya is considered as a land of opportunities, and due to the Libyan authority’s willingness to enhance the national welfare of its society, I believe it is considered as a supporting factor to the ISAs adoption, which also could benefit the LSM since companies are required to apply and adopt IFRS/ISAs”. (EA 2)

In addition, one of the academics reinforced this idea, stating:

“My point of view regarding the role of the Libyan economy including the Libyan stock market towards the adoption of ISAs is positive correlation, where to enhance the economy in Libya which is seen as an emerging economy is to develop rules and regulations that help to enhance the economy through attracting and encouraging foreign and local investors to participate in business that benefit the society. Looking at the LSM, it’s necessary to adopt such an approach of upholding the regulation up to international standards where ISAs is part of it”. (AC 1)

On the other hand, a state auditor held the complete opposite view from the second academic, believing the Libyan economy to function as a hindrance to the adoption of the ISAs in Libyan auditing practice. He felt the weakness of the Libyan economy, and the resultant infancy of the LSM stood as barriers in this respect. Their respective comments on this issue are as follows:

“I believe the weaknesses of the Libyan economy and the financial institutions in Libya do not support the adoption unless it develops and flourishes”. (SA 1)

“I do not see the Libyan economy as a supporting factor in adopting the international auditing standards, due to a number of reasons; the Libyan economy is in its early phase of growth, lack expertise to apply them. Similarly, the LSM is still in its infancy stage therefore won't have great influence on the decision of adoption”. (AC 2)

6.5.1.3 The International Financial Institutions

The literature review identified the international financial institutions as an influence upon decision-makers in respect of whether to develop or adopt a specific rule and regulation in various sectors, and the financial sector is no exception. As a means of exploring this factor, the researcher asked stakeholders in the Libyan audit profession to provide their perceptions of this influence. The findings reveal that the absolute majority (100%) of interviewees confirmed the leverage capability of these institutions in connection with a country's adoption of rigorously-designed and accepted international standards such as the ISAs. Hence, the interviewees were in complete agreement with the respondents to the questionnaire. As an example of their beliefs, the following statements are provided from the interview data, and within these, some reasons are given for the opinions offered:

“In my opinion, the financial institutions do have great influences on countries rules and regulations such as accounting and auditing standards. Since, Libya is a member of the IMF for over half a century, I expect consultation meetings were conducted between them where Libya was seeking advice and support to enhance the development of the Libyan economy. Therefore, I would expect Libyan could be affected somehow by these institutions and thus, support the adoption of ISAs”. (EA 2)

The regulator also expressed the same view, emphasising the influence of these institutions on such decision-making:

“Certainly, the international financial institutions considered as “the Guards of Money” where no country isolated from these institutions. These institutions provide a number of services, such as preparing consultations paper perhaps with collaboration with the country or other institutions, funds, expertise, and advics on the economic stability. Therefore it supports the adoption of ISAs in Libyan audit practice”. (RG)

Moreover, one of the academics re-iterated these views, saying:

“If we consider the country’s financial position, Libya would be far from seeking funds from international institutions, however, the international financial institutions are not just to provide funds for those seeking funds, but rather play the consultative role, where these institutions could play a vital part in advising countries on such adoption. On the other hand, institutions such as World Trade Organisation (WTO) may place a pre-requisite condition upon countries to apply to its membership and such demand could be seen in applying Internationally accepted accounting and auditing standards IFRS/ISAs”. (AC 1)

6.5.2 Factors Hindering the Adoption of the ISAs in the Libyan Context

In contrast, this section provides an in-depth analysis of the interviewees’ perceptions on the factors that are considered as negatively affecting the adoption of the ISAs in Libyan auditing practice.

6.5.2.1 Audit Educational Curricula, the Quality of Auditors, and Knowledge Levels of ISAs within the Auditing Profession

When adopting any set of regulations in any environment, the first point to consider is whether the environment has the capability and readiness level to seriously envision such adoption. Therefore, in the case of the Libyan auditing profession, and more specifically in respect of the decision to adopt the ISAs in the Libyan audit practice, this raises the question of whether the educational curricula provide sufficient teaching of such standards to underpin effective practice, and to produce increased numbers of qualified nationals to work as auditors. Consequently, the researcher aimed to investigate the relationship between these factors and the potential for adopting the ISAs, and did so via the questionnaire, and the semi-structured interviews, which were believed to offer reasons for the relationships identified. In this respect, the majority of interviewees (88%) considered there to be a failure in all three aspects, since the exclusion of the ISAs from all educational curricula was seen to precipitate a general lack of knowledge among the national practitioners of the nature of these standards and how to apply them. Given this appreciation of how current practitioners have been prepared, there is every chance that they may not be capable of implementing the standards in their own audit practice. Moreover, there was agreement upon the reason for this problem, it being cited that there was no collaboration between the Ministry of Education and

the auditing profession in relation to that matter. The following remarks offer an explanation:

“In my opinion, these three factors are highly correlated, since in order to have a qualified national auditor desired; one has to expect a higher level of auditing education quality should be provided, which mean the ISAs level of understating is high. Therefore, I expect it does not support the decision, since auditing is noticeably missing from high auditing programmes and if it exists ISAs it is not implemented in the educational curricula, thus no one should expect the high level understandability of ISAs, which leads to low quality of auditors”. (EA 1)

In addition, another comment by one of the academics supports this claim:

“Unfortunately, these three factors serve as hindering to the decision makers to adopt the ISAs, since the absence of these auditing standards in the Libyan auditing curriculum, therefore, it is hard to assume good quality practitioners unless there were self-developed practitioners. In addition, since such a lack exist it is hard to assume the full knowledge of these standards in practice. This is attributed to the diversion of working direction between the profession and the education authority”. (AC 2)

Furthermore, one of the state auditors provided his views, again in confirmation of those already noted, saying:

“The observer of the Libyan audit curriculum will easily notice the absence of audit specialisation, as well as, the absence of the international auditing profession that brings assurance of high quality practitioners that contribute negatively towards the adoption of international auditing standards. And even if international auditing courses exist, it’s only commercial rather than developing the practice. Therefore, the educational curricula serve as the main factor not supporting the adoption of ISAs”. (SA 2)

On the other hand, one of the internal auditors was more positive, claiming that there was in fact, much expertise among the nationally qualified auditors in respect of the ISAs, even though the ISAs had not yet become part of the auditing curricula within Libyan HEIs.

“To the best of my knowledge, the Libyan accounting and auditing educational curricula are high and I believe of the existence of high number of expertise of the ISAs even though they is not yet incorporated in the educational curricula”. (IA 2)

6.5.2.2 The Libyan Culture

Culture is considered extremely relevant in the decision of any country to adopt or import laws and regulations (such as the ISAs) from other countries, since these regulations are obviously formulated within a particular cultural context and may not transfer easily to an environment that is characterised by different features. Therefore, the researcher investigated the contribution made by the Libyan culture to the decision-making regarding the adoption of the ISAs in the national auditing practice. The results of the interviews confirm the findings obtained from the questionnaires that the Libyan culture has a negative influence in this respect, and some explanation of why this should happen was forthcoming from several interviewees. AC 1, for example, described Libya as a “collective society” (AC 1) which has implications for the independence of practitioners, and the high prevalence of “nepotism and kinship” (EA 2) in the country leads to corruption in all walks of life, thereby compromising the work of people, even professionals. At the same time, as stressed by the regulator, “language and familiarity” play their part in influencing the decision regarding the adoption of ISAs. These views can be seen in the following comments made by the interviewees when discussing the cultural influences on the adoption of the auditing standards.

“The Libyan society issue is that it is considered as a collective society, which leads to conflicts of independent standards that are required by the high quality standards such as ISAs”. (AC 1)

“The Libyan culture features a number of immoral characteristics such as, nepotism and kinship due to the high level of collectivism that can have influences on the financial information held by the practitioners that increases the chance that the conventional financial system would be ineffective. Therefore, the ISAs adoption may not be an appropriate decision”. (EA 2)

“I believe that the culture consists of number of features i.e. language and familiarity, and these two features can be seen in the Arab world as hindering factors which contradict with the western countries (developed countries)”. (RG)

On the other hand, the Libyan culture was perceived as supportive of rigorous work standards, and hence as being beneficial to the introduction of the ISAs. The following remarks embody this particular viewpoint:

“I believe the Libyan culture as Arab/Muslim community, does desire high and rigorous quality of regulations, such as in auditing the ISAs, furthermore, since the Libyan culture has great influence on laws and regulations, and vice versa”. (SA 1)

“If we consider the new generation of the Libya auditors and accountants and their way of contributing to the development of the auditing profession in Libya, it’s possible to say that they will support the adoption of the international standards with their privilege of having studied abroad the international auditing standards”. (SA 2)

6.5.2.3 Libyan Laws and Regulations

The decision to adopt the ISAs is also highly correlated with the laws and regulations of any jurisdiction, and consequently, the researcher investigated the relationship between the Libyan legal framework and the adoption decision, by exploring the issue with the interviewees. In fact, the individuals involved revealed that the Libyan legislative framework does not support the adoption of ISAs, confirming the views expressed in the questionnaire survey. Furthermore, the majority of the interviewees (88%) expressed the belief that the auditing regulations in Libya did not meet international standards, and one interviewee in particular argued that this was due to political corruption. The heavy centralisation imposed by government upon all business activity in the country, together with the strong political control were seen to prevent any kind of alignment with international standards, as can be understood from the following remarks offered by several interviewees when asked about the influence of Libya’s legislative and regulatory framework on the potential adoption of the ISAs.

“The accounting and auditing regulations are outdated and not up to international standards, moreover, the Libyan Laws and regulations in term of other sectors do not reach the international standards. This situation holds because of government unwillingness to establish rules and regulations with high quality, due to high levels of corruption. Therefore, Libyan laws and regulations play a vital role in hindering the adoption of ISAs”. (EA 2)

“I believe the politics plays a major role in not enacting laws and regulations that contribute to the possibility of adopting such strict and high quality standards, which could harm small groups with self-interest who may control these businesses in the country, in order word “the existence of corruption”. (IA 2)

“I think the Libyan rules and regulations do not support the adoption of the international auditing standards, and I think it’s considerably the main reason that the auditing profession is not in line with the international auditing development. This is because of the government intervention in the process of almost every sector and its regulations, even though the most influential laws and regulation have been updated periodically but not to erase the obstacles towards the adoption of high and rigorous international standards”. (SA 1)

Nevertheless, not all interviewees shared these sentiments, and as shown below, IA 1 held a different viewpoint, which he expressed saying:

“The Law and regulations are highly important in any country to maintain the welfare desired. Therefore, I believe Libya is doing the best to enhance the quality of life of the society through acting new laws and modifying certain regulation to be up to international level”. (IA 1)

6.5.2.4 The Cost of Implementation Including Translation

The decision of whether to adopt the ISAs in Libya must be considered in the wider context of costs and benefits. In this connection, the literature recognises that the costs associated with implementation, and in environments where English is not used as a second language, the costs of translation of the standards are perceived as factors which can have a negative influence on the decision. Consequently, this was an issue that was investigated within the study, principally by the questionnaire survey, which revealed agreement with the literature. That said, it was accepted by respondents that the costs associated with translation would not be great since the IFAC in collaboration with the International Arab Society of Certified Accountants (IASCA), had already translated the standards, and hence there would be no financial burden in this respect. Nonetheless, it was also recognised that translation costs would be ongoing as any updates to the standards would have a knock-on requirement to be translated into Arabic, or if the update were not suitable for the Libyan environment, modification to the standards would have to be made, and this also would demand a re-translation. Furthermore, any change in the Libyan regulatory framework might also affect the wording of the standards, and this would represent another case for translation. Overall, therefore, the translation issue could be considered as hampering the potential for adoption. The regulator expressed this viewpoint as follows:

“First of all, I believe the cost of implementation of ISAs is considerably high in Libya since fundamental aspects are required to be established first. It is required to incorporate these standards in the educational programming, creating centres and providing courses to support the application of these standards to local practitioners in case of efficiency. Second, in terms of translation cost, I believe it is considered as hindering cost even though the ISAs have been translated to several languages including Arabic, since a department of translation consists of translations and accountants must be established to modify and update any new standards issued by the IFAC to suit the Libyan audit practice and its regulations”.
(RG)

Whilst acknowledging that the translation cost is believed by some to be an obstacle, one of the academics did nevertheless point out, that it was not an issue that could genuinely be considered as high-ranking on the list of barriers to adoption. In this respect he said:

“I believe we still have yet to consider the role of translation in evaluation of the implementation of international auditing standards”. (AC2)

One of the external auditors, however, leaned towards the view that the translation cost, being ongoing after the adoption of the ISAs, would be a drawback since changes might not only be made to the standards by the standards-setting body, but they might be required because of domestic legislation. Hence, his view was that the translation cost was indeed an obstacle to adoption, as expressed when he said:

“I think the translation is not enough to support the adoption of ISAs in Libya, but it rather needs to be in line with the Libyan rules and regulations related to the practice”. (EA 2)

6.6 Summary

This chapter has provided a summary of the qualitative findings. Although originally 25 individuals were identified as potential interviewees to represent each of the five stakeholder groups, in the event, only nine interviews were able to be undertaken because of the reluctance of many people to participate. These nine comprised one regulator, two external auditors, two state auditors, two internal auditors, and two academics. Whilst they were fewer in number than initially desired, they did nonetheless, provide representation from each of the stakeholder groups, and as the purpose of the semi-structured interview

exercise was to explore specific aspects, which had already been highlighted in the questionnaire survey, it is felt that the number of interviews conducted was sufficient.

It was seen in the chapter, from the comments made by the interviewees, that the majority believe the licensing requirements to be inadequate, and to require urgent revision if the profession is to inspire confidence in its operations. Indeed, most interviewees consider the profession to be characterised by ineffectiveness and weakness. Their belief is that a strong regulatory approach is necessary to uplift the profession, and the majority favour the independent approach in this respect.

In relation to the interviewees' perceptions of the factors influencing the adoption of the ISAs in Libyan auditing practice, the chapter has shown that the majority of the interviewees confirm the positive influence of foreign companies, including the international accounting firms, the Libyan economy with its fledgling LSM, and the international financial institutions. Likewise, the majority confirm the negative influence of the auditing educational curricula, the quality of auditors, the low level of understanding of the ISAs among the country's auditors, the Libyan culture, law and regulations, and the cost of implementation, not least the cost of ongoing translation in the event of changes either emanating from the standards themselves or from change to Libyan legislation, which may have a knock-on effect on the standards. In the next chapter there will be a discussion of both the quantitative and qualitative findings linked it with the literature review.

Chapter 7 : Discussion of the Quantitative and Qualitative Results

7.1 Introduction

This chapter interprets the results of the investigation into the regulatory framework governing the audit profession in Libya, and the factors influencing the adoption of the International Standards on Auditing (ISAs) in the Libyan context. It does this with reference to the research objectives and the related areas in the literature review. The findings are obtained from the survey conducted with the five different groups of participants (external auditors, state auditors, internal auditors, academics, and regulators), and from a small number of interviews with individuals from each of those five groups, held to further probe particular ideas.

The remaining parts of this chapter are organised as follows. A summary and discussion of the quantitative findings, supported by findings from the qualitative interviews, is provided. This occurs within two sections - audit profession regulations, and auditing standards. In respect of the audit profession regulations, the issues of the professional licence, the regulatory approaches for the profession, and the quality of the Libyan auditing profession are considered. In respect of the auditing standards, this considers the applied and the appropriate auditing standards in Libya, harmonisation of the auditing standards, and the factors influencing the adoption of ISAs in the Libyan practice. A summary is then provided.

7.2 Discussion of Findings

This part offers a summary of the quantitative findings from the questionnaire survey and reinforces these by reference to the qualitative findings derived from the interview exercise. It is divided into two main sections: the first considering the regulations pertaining to the audit profession, and the second relating to the auditing standards.

7.2.1 Auditing Profession Regulations

This section addresses the first three objectives of the study. It discusses the participants' viewpoints regarding three major aspects of the auditing profession, these being the licensing of the Libyan audit profession, the regulatory approach to the profession, and the overall quality of the profession.

7.2.1.1 Libyan Auditing Profession Licensure

7.2.1.1.1 Licensing Requirements Quality

All organisations are subject to certain administrative controls, which may involve the granting of licences to enable them and the individuals employed to achieve their missions. In respect of accounting organisations, Elliott and Jacobson (2002) note that the accountant's main role is to observe business events and record the outcomes in order to provide information for decision-makers which enables them to make appropriate business decisions. It is important for accountants to gain society's trust and consequently, the role of the auditor is one that seeks to obtain that confidence by scrutinising the financial information presented by management and prepared by the accountants (Rezaee, 2004).

In this crucial role, auditors are required to be licensed and this is achieved via the auditing profession licensing requirements which come under the umbrella of accounting and auditing regulation (Orhan, 2013). Such licensing is not peculiar to particular countries but is required worldwide, and all accountants and auditors must be licensed in order to become part of the overall profession, and gain the recognition to perform their jobs (Colbert and Murray, 2003).

As a means of exploring the audit profession licensing requirements in Libya, the researcher asked the five participant groups to provide their views regarding four components associated with the Libyan auditing profession namely: the quality of the audit profession requirements, the experience required for audit profession registration, the required professional certificate, and the body responsible for audit profession licensing.

The findings from both the questionnaire survey and the semi-structured interviews regarding the first component (the quality of the licensing requirement) reveal that the majority of participants do not believe the current licensing regulation to be stringent enough, and that it is too easy to obtain professional designation. In addition, they do not consider the requirements to be up to international standards, nor do they think that the requirements take account of what the nation needs from the audit profession. Moreover, interviewees firmly stated that the licensing requirements in Libya were

“inadequate” and that an individual should be required to pass examinations to become a member of the profession and be allowed to practise.

These overall results are consistent with those of Hamuda and Sawan (2014), and El-Firjani et al. (2014), who found that the LAAA is in urgent need of regulatory improvement and complete reform. As part of that reform, it is argued by the participants that the improved regulatory framework should include the need for candidates to pass an examination since currently, entry to the profession, as dictated by Law No.116 (1973) (Paragraph 2.24.2) is secured purely by the possession of a Bachelor degree. No type of further education requirement is demanded, a situation which as noted by Moehrle et al. (2006), contrasts with that elsewhere in the world since most developed jurisdictions require some form of further education before an individual can be designated as a Chartered Certified Accountant or Auditor. Indeed, Dewing and Russell (1998) point out that in many countries, candidates are required not only to pass an examination but also to accumulate a certain amount of experience before receiving professional certification.

7.2.1.1.2 Training Period

The IFAC works through the IAESB to enhance public trust and confidence in the accountancy profession by producing international education standards that help accountants and auditors to sustain their competence and contribute positively towards the profession and society (IFAC, 2014b).

Many researchers (see for example, Vessel, 1992; Neville et al. 2005; Kleiner, 2006 and Aghimien et al. 2009) point out that most professions require training prior to professional licensing, and that includes the accounting and auditing profession. Thus, the training experience is considered to be one of the most important elements of the accounting and auditing profession’s requirements.

Consequently, participants in the research were asked for their opinions on the length and suitability of the period required, and the responses in this connection indicated some concern regarding the length of the period, suggesting that this was currently too long, and a general belief that the period required should be uniform, irrespective of the educational level of the candidate.

Specifically, the training period required by the Accounting and Auditing Profession Act No. 116/1973, is based on the candidate's level of education, and hence can differ from one individual to another, as noted by Titard (1989). This particular arrangement was deemed by the research sample to be entirely inappropriate, and it was claimed that regardless of whether one candidate possessed a higher educational qualification than another, the training period should be the same for each. The reasoning behind this argument was that by introducing uniformity in the length of the training period, all candidates would be given the same chance to gain practical experience and this would result in an overall enhancement of the profession. The participants' views regarding the length of the training period were critical of the current five-year requirement for candidates with a Bachelor degree to be under the supervision of a fully-licensed qualified accountant, since this is not in line with the situation in developed countries such as the UK and France, where this period of training/supervision is only three years. Nevertheless, a longer period of training in Libya could be justified by reference to the known quality of the profession which is below that in the advanced countries (Ahmed et al. 2012; Laga, 2013; El-Firjani et al. 2014). In such circumstances, the regulatory framework would require a longer period of supervision for accountants and auditors to allow them all to accumulate skill and competency in their technical knowledge and practice.

Overall, the required training period was reported by the interviewees as *"acceptable"*, *"adequate"*, and *"reasonable"*, these being the views expressed by the majority of participants, but the issue of requiring different lengths of training according to candidates' educational qualification was seen as a problem, and unification of the period length was believed to be the sensible way forward.

7.2.1.1.3 The Professional Certificate

It is important for the accountancy profession to be perceived by the general public as qualified to do their jobs properly and this perception is fostered when accountants are required to pass a formal examination that testifies to their ability (Schick 1998). Not surprisingly therefore, in a vast number of countries, the passing of such a formal examination is considered the only route to becoming qualified to perform accounting and auditing duties.

Participants were asked to provide their views in relation to the licensing certificates required in order to practise the auditing profession in Libya, and the findings revealed that stakeholders in the Libyan auditing profession perceive a local certificate to be more beneficial than international certificates, but that there is no objection to the suggestion that holding both type of certificate would be useful.

In the United States, individuals must pass the examinations set by the AICPA to become designated as accountants or auditors (Aghimien and Fred, 2010). However, in the Libyan context, no such examination requirements are set by the profession, and instead it relies on Law No.116 (1973) which requires only that an individual seeking to register in the profession must hold as minimum, a Bachelor degree in Accounting, or any related degree from a Libyan university or any recognised equivalent institute. This contrasts with the situation in Jordan whereby Law No.32/1985 requires all applicants to pass an examination to be granted the professional certificate (Delaney, 1995). In this study, the perception of all participant groups was that a certificate should be awarded before individuals are allowed to enter the accounting and auditing profession, and that this certificate should be the outcome of successful performance in a formal examination. In fact, the need to stipulate the inclusion of an entry examination as a means of enhancing the quality of the profession in Libya, and simultaneously improving its public prestige, was seen as urgent. This finding is line with that obtained by Nalukenge et al. (2012), who found that the quality of accounting and auditing is correlated with the need to pass an examination.

7.2.1.1.4 The Regulatory Body

The issue of how the accountancy profession is controlled has been under scrutiny throughout the world for a long time because of observations that the profession has failed to provide a high standard of service, as seen in the various financial crises already reported in this thesis. Indeed, as noted by Odendaal et al. (2008), the profession has been held responsible for such crises and consequently, responsibilities have been taken away from it on many occasions, as its reputation within society has dropped.

Hence, participants were asked for their views on the fourth component of the licensing requirements, that being, which party should handle the licensing procedures. In this respect, the results indicate a preference for an independent regulator, or at least direct regulation under the control of the Libyan government. It is noticeable that participants were keen to avoid any form of self-regulation or the involvement of a committee of all stakeholders to oversee the audit profession in Libya.

In a more detailed analysis, the result reveals that the majority of the participant groups were against the idea of placing the licensing responsibility with the LAAA. However, discounting the group comprised of regulators, two thirds of the other participant groups indicated a preference to pass the responsibility in this regard either to the government, through the Ministry of Finance, or to a separate independent agency. Furthermore, all participant groups did not like the idea of using a stakeholder committee to implement licensing of the audit profession.

Clearly, the mix of approaches varies from one context to another. For example, the Jordanian accountancy profession is supervised by the government which is responsible for the entry requirements, while the profession controls the licensing requirements (Delaney, 1995 and Al-Omari, 2010).

Likewise, a mixed approach exists in America, where the USA-CPA certificate is required before being licensed to practise. In this respect, the responsibility of issuing the licensing requirements, and of setting the formal professional examination (AICPA) rests with the professional body, while the independent body (PCAOB) retains the responsibility for registration, inspection, standards setting, and enforcement duties (Nicolaisen, 2005; Defond, 2010; Aghimien and Fred, 2010).

The LAAA is a self-regulated organisation, which has been highlighted by a number of authors (Shareia, 2010; El-Firjani et al. 2014) as being deficient in its ability to provide quality services. Hence, the views of the study's participants reflect their lack of confidence in the organisation and they prefer placing the regulation role with a governmental agency or separate (independent) regulator.

7.2.1.2 The Regulatory Approaches

Many professions worldwide, such as for example, the law, medicine, and accountancy, have experienced different types of regulatory approaches, for instance self-regulation, government regulation, co-regulation, and independent regulators (Day, 2000; Hilary and Lennox, 2005; Bather and Burnaby, 2006). Each approach has its pros and cons, such that the advantages of one represent the disadvantages of the other, and consequently there are always arguments that no one regulatory approach can be sufficient (Sylph, 2005). Hence, combined approaches are often used to overcome the limitations so that professions are regulated in the best way possible and can be seen to demonstrate quality in the work they perform.

However, in every context there are debates and some observers perceive government intervention to be the most effective strategy whereas others consider self-regulation to be most appropriate. In order to probe the likely preferences in the Libyan environment, the researcher asked participants what they considered to be the most appropriate regulatory approach for the auditing profession. In giving their responses, considerations of the role of the Libyan government were made, thereby helping to achieve the second research objective.

From the findings it is seen that of the four common approaches, the strategy of independent regulation is believed to be the most appropriate to serve the development and implementation of the regulatory responsibilities in respect of the Libyan audit profession. The perceived benefits of this approach were seen to outweigh those of any other. Certainly, the current co-regulation strategy is cited as being extremely weak (Zakari, 2013; Laga, 2013). In this prevailing approach, the profession is responsible for certain functions such as organising and monitoring their members, while the government retains major responsibilities such as issuing the profession's entry requirements via Law No.116 (1973) that clarifies the registration process.

The perceptions of all five groups of participants are consistent with those that existed in America before the Sarbanes-Oxley Act was passed in 2002, when there was extreme criticism of the performance of the self-regulation system.

This criticism resulted in the establishment by the Sarbanes-Oxley Act of 2002, of the PCAOB as an independent regulator with the responsibility to monitor the auditing profession in the USA. Undoubtedly, peer review is a system that contributes towards lowering the quality of performance in accounting, as argued by a large number of researchers (see for example, Hilary and Lennox, 2005; Pritchard and Puri, 2006; Casterella et al. 2009; Groff and Hocevar, 2009; Van de Poel, 2009; Jannkovic et al. 2010; Vanstraelen et al. 2012; Sawan and Alsaqqa, 2012; Humphrey and Samsonova, 2014).

It is important to appreciate that the USA does not provide the only example of a shift from one type of regulatory approach to another, since this has also occurred in the United Kingdom where the independent approach to regulating the accounting profession has superseded the previous self-regulation system (Baker, 2014).

In this study, however, the participant groups showed high interest in moving to a direct regulatory approach for the supervision of Libya's auditing profession, since this was ranked as the second choice by all participant groups (the independent regulatory approach coming first). This result can be interpreted as an indication of the lack of trust and confidence on the part of the respondents' in the ability of the audit profession to self-regulate.

Additionally, it may be considered a reflection of the participants' appreciation of the global problems caused by the failure in the auditing profession which underpinned the financial crises already mentioned, and which has resulted in government intervention to remove the responsibility for regulation from the profession (Pritchard and Puri, 2006; Pagano and Immordino, 2007; Groff and Hocevar, 2009; Vanstraelen, 2012; Jannkovic et al. 2010).

It is clear that the majority of participants did not favour self-regulation of the profession in Libya. Only the group of regulators still maintained that this approach was more appropriate, and that is perhaps to be expected. However, the Libyan audit profession is not considered as fully self-regulated since the government does take control of a major part of the regulatory framework. And this was considered to be the right way by the majority of participant groups, despite their appreciation that the profession itself possesses knowledge and

expertise yet such knowledge and expertise was still believed not to bring the ability to improve the quality of the profession.

Moreover, participants were aware that in most Common and Code Law countries, the self-regulatory approach is not trusted by society for the reasons already indicated, and as the Libyan accounting and auditing environment is not isolated from the international accounting and auditing environment, it is sensible for it to be as much in line with the rest of the world as possible.

Likewise, the participants also expressed the view that co-regulation was not an appropriate strategy, despite its identified benefits. The rationale for co-regulation lies in its involvement of more than one party in an attempt to overcome the limitation of a one-sided approach in which all the power is placed with one authority, and the natural combative atmosphere this brings (Kleinstauber, 2004; Sylph, 2005; IFAC, 2007; Levi-Faur, 2011). Certainly, co-regulation is very much favoured in some countries, as is the case in New Zealand, where the Minister of Commerce has noted that the audit profession perceives this as being extremely beneficial (Power, 2009). In this study, however, the finding is different, and the participants reject co-regulation, just as they do self-regulation.

Bearing in mind the fact that the co-regulation approach is growing worldwide, it can be concluded that the participants in this study remain cautious as to what will work in the Libyan context. Evidence by Anantharaman (2012) reveals some preference within the audit profession for such a strategy. However, it is noted that in the distribution of responsibility between the government and the profession in several developed countries, the government actually delegates the majority of its duties (e.g. registration, monitoring, and disciplinary procedures) to the profession, and in countries where institutions are less developed, this may not be as effective.

Concluding this aspect of the questioning, it is shown that the findings revealed by the questionnaires were confirmed in the semi-structured interviews, thereby highlighting the fact that from this empirical work it emerged that the most appropriate regulatory approach for the Libyan context is considered to be one which relies on the services of an independent regulator. The interviewees

preferred this approach because it overcomes the disadvantages of the others. Its 'independence' was believed to be absolutely crucial given the current position of the Libyan accounting and auditing profession, which one interviewee referred to as being "still in its infancy".

Given the increase in government involvement in audit profession regulation in many countries around the world, the researcher examined four areas in which such involvement occurs.

The results revealed that the majority of participant groups believed government involvement to be helpful in several ways, one being the issuance of auditing legislation, and another the establishment of an independent agency to enhance the performance of the profession, and another the direct regulation, if necessary, to formulate rules and regulations to control the practice of auditors. Moreover, the financial support provided by government was appreciated as being important, but this was not seen as useful in the absence of other types of involvement since money alone might be perceived as a tool which could negatively influence other agencies in their dealings with the profession.

It can be seen that the views expressed by the participants are in agreement with those of several writers in the field (see for example, Hilary and Lennox, 2005; Baker, 2014), who argue that governments can enhance the quality of the audit profession through their involvement in the regulatory process, as for instance, through the enactment of the SOX Act in the USA, and the collaboration of the CNCC with the FEE to enhance the regulation imposed by the European Union on the French auditing practices. Likewise the views given regarding the potential for financial support from government are also in line with the literature, since Odendaal (2008) notes that financial incentives can be seen as a way of placing influence upon the profession to act in a certain way to please government, and this could threaten the profession's independence. In fact, Libyan Law No.116 (1973) addresses the sources of financial support for the profession, identifying that these are the governmental allowance, members' contributions, and returns from investments made by the profession (such as for example, rents obtained from leasing its buildings, fees paid by members for the occasional training course).

Irrespective of the issue regarding funding, however, the participant groups did support the involvement of government, thereby showing consistency with the observations made by O'Regan (2010) to the effect that government may become involved in the regulatory process of the profession when it suspects the performance of the profession is detrimental to the welfare of society, as for instance has been shown by both the Irish and USA governments' involvement in the auditing profession.

7.2.1.3 Quality of the Profession

The presence of an effective accounting and auditing profession is deemed to be highly important for any country and society (Sikka et al. 1989), and the auditing of companies' financial statements has been legally required since the 1930s in some parts of the world (Zeff, 2003). However, it was not until 1973 that the Libyan accounting and auditing profession emerged having been formally established by Law No.116. Unfortunately, since that time, many authors have reported the ineffectiveness of the Libyan Accounting and Auditing Association (LAAA) (Bait El-Mal et al. 1973; Kilani, 1988; Ahmed and Gao, 2003; Hamuda and Sawan, 2014).

Given this appreciation of the standing of the LAAA, the researcher asked the participant groups for their opinions regarding the factors that have led to stakeholders' perception that the Libyan audit profession lacks quality, and in response, several reasons were offered. The absence of laws and regulations that can be effectively implemented, the low level of accounting education, the weakness of the LAAA in carrying out its various roles, and the ineffectiveness of the Libyan Stock Market (LSM) were proposed as causes. In respect of the absence of effective laws and regulations, this is a criticism which has been raised by many researchers as a problem which detracts from the quality of the profession (see for example, Zakari, 2013; El-Firjani et al. 2014, Sawan and Alzeban, 2015). In such circumstances, where the rules and regulations can be avoided, stakeholders' expectations cannot be met, with the result that society perceives the audit profession to be of poor quality

In regard to the issue of accounting education, it is noted by Ahmed and Gao (2003) that the quality of such education has a direct relationship with the

quality of the accounting and auditing profession and vice versa. Hence, the findings from the participants in this study are in agreement with what is reported in the literature. It can thus be understood that if the quality of the audit profession is to be improved, certain educational issues have to be addressed, such as: the shortage of qualified accounting academics must be rectified; accounting and auditing education syllabuses must be upgraded and enhanced in order to reflect the needs of the national economy; academic and professional training must be integrated; and support for accounting and auditing research must be forthcoming (Ahmed and Gao, 2003; Masoud, 2014).

The profession's role in developing the accounting and auditing practice worldwide is paramount, yet the participants in the study believe that the LAAA is extremely weak in enacting this role. This contention echoes the findings of El-Firjani et al. (2014), who note that the accounting and auditing profession in Libya has not developed even after four decades of existence, and that essentially, the profession remains in its infancy. In such circumstances it is unreasonable to expect the practice to be of high quality, as this is not actually encouraged by the LAAA which has failed to advance the profession.

Furthermore, the state of the Libyan Stock Market (LSM) stands as another aspect of the failure of the LAAA to be proactive and developmental. Participants in the study believe there is a relationship between the lack of proactivity on the part of the LAAA and the poor level of development of the LSM, which has now been in existence since 2006. And in fact, this is confirmed in the literature by Imhoff (2003), who observes the high correlation between stock market effectiveness and the accounting and auditing practices of a nation. What can be seen in Libya is that despite the accounting and auditing profession in the country having existed for a long time before the Libyan Stock Market began to operate in early 2006, the profession itself is not equipped to participate in stock market activities since the LSM requires that in order to enter the market, institutions must adopt the international accounting and auditing standards IFRS/ISAs, and there is no evidence of such practice being widespread (PwC, 2011). Moreover, in regard to this connection, it is noted that even though the LSM has stipulated this requirement, it has yet to implement the practice due to its own lack of enforcement, and that of the external auditors

(Shamsaddeen and El-Firjani, 2014). It is also true that the development of a stock market has a direct influence on the accounting and auditing practices of a country, which is why countries with large (well-established) stock markets require more reliable information, and vice versa (Archambault and Archambault, 2003; Ding et al. 2007).

In seeking to explore any other opinions regarding the factors contributing to the lack of advancement within the Libyan audit profession, the researcher asked participants about the effectiveness of the LAAA in performing its regulatory responsibilities, and it was clearly reported that the achievement of the LAAA in general is insignificant. Specifically in relation to the development of audit standards there has been no progress and in terms of the provision of training for auditors to ensure they meet the needs of local and multinational companies there has been none. Nor has there been any co-operation with government in drafting audit regulations, and finally there has been no monitoring of audit practices.

Moreover, despite the requirement in Decree No.82 (1976) article 1 for the profession to establish accounting and auditing standards, no evidence exists to confirm that this has been achieved, and since auditing practice mainly mirrors the requirements of such standards, their absence means that Libyan auditing practice is inadequate as it is conducted without reference to proper benchmarks.

The absence of auditing training was also agreed upon by the participants as being a cause of poor quality. In this respect it can be appreciated that as Law No. 116 (1973) relating to registration in the Libyan accounting and auditing profession does not require candidates to complete any further education or training after obtaining membership of the profession, there is no motivation for the LAAA to do this. Registration requires no more than a simple Bachelor degree, and this relatively low level of academic achievement is possibly why Libya's accountants and auditors do not perform well. At the same time it should also be noted that companies do not require their accountants and auditors to engage in Continuing Professional Development (CPD) in order to remain in their positions, nor do they attempt to provide any such professional development initiatives. Shareia (2010) makes the point in this respect that all

professions in all jurisdictions must be current in their practice. However, the Libyan accounting and auditing profession, lacking any form of CPD, is not up-to-date in the practices it employs, and therefore not on a par with the profession in other countries. Hence, it is unable to make a positive contribution to the national needs in terms of financial reporting.

In investigating the role of the LAAA, participants were asked for their views about the degree to which the LAAA collaborates with the government in the formulation of statutes and regulations related to the auditing profession. On this particular issue, they expressed their complete dissatisfaction as there is no such collaboration, although there was no certainty as to whether this was the result of the profession being ignored, or simply not being willing to participate.

It was, however, considered that the LAAA definitely falls short of fulfilling its responsibility in monitoring the auditing profession. Law No.116 (1973) article 2, point 6 requires this of the LAAA but participants indicated that this obligation is not met. Two potential reasons exist for this state of affairs. The first is the overall low quality of qualified accountants and auditors in practice (since the requirements for registration are set only at first degree level), and the second is that Libyan accounting practice itself is poor in comparison to that elsewhere.

The belief by all participant groups is that the LAAA only fulfils two of its responsibilities, the first being concerned with providing recommendations in cases of regulatory inefficiency. It is well documented that the laws and regulations governing the accounting and auditing profession in Libya are inefficient (Derwish and Elghli, 2006), and the participants do believe that the LAAA assists decision-makers at government level in matters where technical confusions do exist. This result is in line with the findings from other studies of the role of the LAAA (El-Firjani et al. 2014), to the effect that it provides the government with recommendations concerning accounting and auditing standards, as in the case of the recommendation to implement the IFRS by the Libyan Stock Market in 2006. Additionally, it has provided drafts of accounting standards despite the fact that these are not yet approved nor adopted for use by Libyan accounting practices.

The second obligation which the LAAA fulfils relates to its role as a body that organises and manages its members. This is required by Law No.116 (1973). Again other studies such as that by Buzeid (1998) demonstrate that this responsibility is met to some extent, especially in respect of registration and organisation of the membership.

It is interesting to note that in the semi-structured interviews conducted by the researcher with representatives from each of the five participant groups to explore the certain outcomes from the quantitative survey in greater depth, the views expressed in the questionnaire were largely confirmed. In this respect, the majority of the interviewees agreed on the low contribution made by the LAAA towards the development of the auditing profession, and on the fact that the LAAA is mainly concerned with record-keeping in terms of registration. Its other responsibilities are believed to have been totally neglected. Indeed, interviewees confirmed that developmental activities for the profession were provided by academic institutions and research centres and not by the professional body itself.

Additionally, the interviewees expressed their concern about the lack of initiative shown by the LAAA in developing national auditing standards, or in pushing for the adoption of international auditing standards already in existence.

It is also interesting that the majority of the interviewees were in disagreement with the questionnaire respondents on the issue of whether the LAAA provides effective advice to the government where no specific auditing regulations exist, since they indicated that in such instances, it is the Libyan Auditing Bureau (LAB), which is approached for guidance. Additionally, they confirm that the LAAA has failed both to monitor the auditing programmes provided by the academic institutions, and to consider the need for members to undertake CPD.

7.2.2 The Auditing Standards

7.2.2.1 The Applied and the Appropriate Auditing Standards

According to Holm and Zaman (2012), audit quality is driven by several factors, one being auditor expertise. This requires auditors to possess the relevant technical skills, practical experience, qualifications, and personal qualities; and

to be able to work with auditing standards, which are in effect, in existence to help them to perform their duties correctly. The group of external auditors (being the only participants to actually use the standards in their work) were therefore asked to confirm whether they used auditing standards when performing their jobs, and disappointingly, one third of the respondents admitted that there were no auditing standards in use. This result is consistent with findings gained by several other researchers who observe that auditors in Libya do not follow any set of standards (Shareia, 2010; Shamsaddeen and El-Firjani, 2014).

However, the other four participant groups referred to the fact that auditing standards that are implemented in other countries such as the United States, and the United Kingdom, are employed, because of those countries' influence upon Libya from the colonial era and its consequences. In fact, this comment is echoed in the literature by Nobes (2004), who observes that in many cases, the legal and political systems adopted by developing countries are based on those that were in place in their earlier colonial systems, and this applies also to the professions. Hence, in Libya the accounting and auditing practice and education mirrored the British accounting environment after Libya's independence in 1950s, and continued to do so until the Libyan government decided to adopt the American accounting practice in the early 1980s.

Furthermore, the results of the study show that some of the external auditors follow the International Standards on Auditing (ISAs) in their practice. This might well result from the requirement of the Libyan Stock Market already mentioned, although a report by PwC in 2011 confirms that these standards are not being implemented by firms listed on the Libyan Exchange.

In order to obtain more in-depth information regarding auditing practices in Libya, the researcher explored the relationship between the auditing standards applied by Libyan qualified accountants and auditors, and their place of education. The result reveals a correlation between an auditor's practice norms, and original place of study; for example, an auditor who studied in the UK imports UK practices, whilst one who studied in the US imports US practices. Furthermore, Nobes' (2004) claim that countries that were once colonised continue to use the accounting and auditing systems that were inherited at their independence is also seen to be borne out in Libya, as post-independence, the

UK standards were retained, only to be changed to the US standards later with political developments.

The participants were also asked what they perceived to be the most suitable standards for use in Libya, and in this respect, all five groups believed that Libya should establish its own auditing standards as they would be appropriate to the national interest. In fact, Masoud (2014) suggested this route, arguing that each country should aim to formulate its own accounting and auditing standards in line with its national economic and social needs, but possibly taking the international accounting and auditing developments into consideration at the same time.

The second preferred option was to adopt the international standards, an outcome potentially resulting from the belief among all participants that international convergence is a foregone conclusion for the future, and thus, the way forward.

In contrast, the least appropriate sets of auditing standards were the UK-GAAS and the US-GAAS respectively. Many authors argue about the benefit of adopting accounting and auditing systems developed by other countries, especially for those countries that do not have an established accounting and auditing system. However, the decision to import systems from elsewhere should only be taken after a thorough consideration of the differences in the accountancy environment of the countries involved. And in the Libyan case, this environment is at extreme variance from that in either the UK or the US. Hence, it can be seen that the respondents' opinions were influenced by this difference and their appreciation of the UK and US standards' inappropriateness for the Libyan accounting and auditing context.

Subsequently, the researcher investigated the relationship between the participant groups and their place of study with their expressed preference for the type of auditing standards to be used in Libya. The results reveal a strong correlation in this respect, showing that a preference for UK or US standards was indicated by those who had studied in those countries, whilst those who had studied in countries such as Australia, Italy, Canada, and Malaysia, were in favour of the establishment of unique Libyan auditing standards. This confirms

the influence of context in accounting and auditing education, since those educated in the UK and the US were of the opinion that those countries' standards should be transferred into the Libyan environment, whilst those educated in countries that did not adopt this principle and established their own, believed this to be a more acceptable practice, possibly because in formulating their own national standards, these latter countries took the international standards into account.

7.2.2.2 Harmonisation of the Audit Standards

Despite the disappointment and loss of confidence in the auditing profession worldwide due to auditors' failures to report their concerns about corporations' financial statements (Vanstraelen et al. 2012), there has been an ongoing discussion since the 1970s about the harmonisation of accounting and auditing standards such that they can be applied globally (Roussey, 1992).

As a result, this was felt to be an issue for discussion, and the stakeholder groups were therefore, asked for their views in relation to the importance of attempts to harmonise auditing standards. These opinions were obtained by asking participants to provide their agreement or disagreement with a set of statements. The outcome was that the majority of the respondents believed it was important to harmonise auditing standards since this would create public confidence in the work undertaken by the auditing profession, and would enable auditors to carry out their duties more efficiently. These views concurred with that expressed by Elliott and Elliott (2007), who state that the harmonisation of the auditing standards leads to enhanced quality of auditors' work that in turn, increases the credibility of companies' financial statements, and eventually boosts the reputation of the auditing profession. In addition, many authors such as Becker et al. (1998), Troberg (2007), Francis et al. (2009), and Burns and Fogarty (2010), point out that the harmonisation of the auditing standards in any context benefits the reputation of the auditing profession as ultimately, they provide information in a way that all investors understand, and this has a good impact upon companies.

The majority of respondents believed that the use of harmonised auditing standards increases the confidence in, and reputation of the auditing profession,

which subsequently helps investors to make decisions. This result is consistent with found by several researchers (e.g. King, 1999; Mennicken, 2008; Bradshaw and Miller, 2008) that the use of harmonised auditing standards increases the credibility of financial statements, and investors and other decision-makers are therefore presented with high quality financial information which allows them to take the right decisions at the right time.

Furthermore, participants confirmed their belief about the role of harmonised auditing standards in contributing to the expansion of the financial markets. Their view is in line with that expressed by Al-waqleh (2010), who found several benefits to the Jordanian economy that arose directly from the introduction of harmonised auditing standards, such as a rise in foreign investments. In fact, Zeghal and Mhedhbi (2006) have pointed out that the financial market worldwide has witnessed an increase in international trade as a result of the widespread use of harmonised standards such as the IFRS/ISAs. And Assesso-Okofu et al. (2011) note the pressure from investors to harmonise auditing standards to enable their effective decision-making in connection with investments in foreign countries to make the right decisions, and indeed from countries themselves that are seeking such foreign investment.

Given the expansion of the accounting and auditing firms nationally and internationally, and due to the shortage of professional expertise in certain parts of the world, the participants were asked for their level of agreement with the statement that harmonised auditing standards were important in facilitating the movement of staff across national boundaries. In this respect, the vast majority were in complete agreement that such harmonisation did indeed facilitate that movement.

Clearly, there are several benefits arising from the global harmonisation of auditing standards, one being the efficient allocation of resources across countries (Wong, 2004). The respondents believed that in the Libyan accounting context where expertise in the field is limited and the quality low as identified in several studies (see for example, Bakar and Russell, 2003; Irvine and Lucas, 2006; Shamsaddeen and El-Firjani, 2014), the implementation of harmonised standards would be of great assistance as the opportunity for foreign accountants and auditors to enter the Libyan auditing market would be

made available and through these individuals, knowledge transfer would be facilitated.

Finally, the majority of participants confirmed the positive correlation between the harmonised auditing standards and the credibility of the financial statements. These opinions are entirely in line with the literature. Humphrey and Samsonova (2013), for example, have recently stressed the urgent need for harmonised auditing standards worldwide in order to achieve economic stability on a global scale; and Dabor and Adeyemi (2009), Troberg (2007), and Becker et al. (1998) have all pointed out that auditors aim to provide assurance to the users of financial information, and therefore, the credibility of financial statements is improved by the use of harmonised auditing standards. More specifically, Dunn (2002) argued that harmonised accounting standards require the support of harmonised auditing standards if they are to achieve the highest expectation of them.

In conclusion, the majority of participants perceive the overall importance of auditing standards harmonisation in the Libyan auditing practice.

7.2.2.3 The Factors Influencing the Adoption of ISAs

Given the researcher's appreciation of the importance of participants' views regarding the adoption of the International Standards on Auditing, the factors affecting the potential for such adoption were explored. In this respect, the participants identified two types of factor, those hindering the adoption of ISAs and those providing support.

7.2.2.3.1 Libyan Auditing Education

According to Al-Waqleh (2010), the state of accounting and auditing education in Libya is a major factor that hampers the adoption of standards such as the IFRS/ISAs. Ahmed and Gao (2003), and Masoud (2014) also note this as a barrier, since accounting curricula in the country do not make sufficient provision for the inclusion of the IFRS/ISAs, nor are such curricula supported by the presence of qualified academics and educators in the right numbers. Additionally, the lack of linkage between what is taught in the educational institutions and what happens in practice is seen as a problem, as also is the

inadequate attention paid to accounting research. This poor state of accounting research, results in the absence of appropriately written textbooks in Arabic, and hence, textbooks from other countries are imported for use in a different cultural environment, and have to be translated to be of use. At the same time, companies owned by foreign countries standardise their accounting systems according to their company policy, requiring accountants and auditors to possess sophisticated knowledge and expertise. To make matters worse, the LAAA, as already indicated, has failed to enhance the status of accountants and auditors by not providing training or continuing education for its members, despite this being included in the organisation's overall objectives (Shariea, 2010; Laga, 2013). Consequently, through an endemic lack of appropriate education and continuing training for its accounting and auditing profession, Libya is in the position where accountants and auditors are poorly qualified to implement high quality standards like the IFRS/ISAs. Indeed, several researchers have highlighted the effect of accountants' and auditors' qualifications in facilitating their application of these standards (Chen et al. 2002; Spathis and Georakopoulou, 2007).

Therefore, the adoption of the ISAs will continue to be problematic for as long as the accounting education curriculum in Libya remains under-developed (Handley-Schachler et al. 2012). But, on the other hand, if the curriculum is advanced, then there is every chance that the international standards can be implemented. Such evidence comes from Jordan, where a study by Al-Akra, et al. (2009) revealed that the adoption of the ISAs in Jordan has been determined by the fact that the country's accounting education supports this. Moreover, the current findings are in line with those of Shima and Yang (2012), who also found that highly educated accountants and auditors are required in order to provide the level of information disclosure demanded these days.

These findings from the questionnaire were supported by the comments provided by most of the interviewees who also referred to the role of educational curricula in hindering the adoption of ISAs in Libyan auditing practice. One interviewee, for example, said that no auditing curriculum existed in Libyan Higher Education Institutions, while another said that auditing was available but not in an appropriate form as it suffered from under-development

and the international accounting and auditing standards were not taught or even considered when establishing the universities' educational curricula.

7.2.2.3.2 The Quality of Libyan Auditors

Whilst the issue of the quality of Libyan auditors has been mentioned in the discussion about the Libyan education system, this was also considered as a separate matter in its own right in the study, as a factor impeding the adoption of the ISAs.

It has been noted that the regulatory framework for the auditing profession in Libya is weak, and that the law on registration is minimalistic. Moreover, the failure of the LAAA to provide CPD for its members, and the absence of any regulation demanding this in order to retain the designation of qualified auditor, does nothing to ensure professional attitudes amongst auditors, or to keep them abreast of developments in the profession elsewhere in the world. It is, therefore, not surprising that Libyan accountants and auditors are deemed to be of low quality (Masoud, 2014; Zakari, 2014; Sawan and Alzeban, 2015), and that the chances of adopting the ISAs are considered to be ambitious. This is a pity since Kohler (2009) highlighted the experience of the Big Four in the EU countries, which shows that the adoption of the ISA in those countries has actually improved the quality of the auditors involved. This may result from the fact that those auditors are supported by the generally widespread adoption of the standards and have much information and many cases to reference in their overall learning curve. In Libya, however, qualified auditors do not follow any uniform set of standards as the LAAA has not yet formulated. Hence, they are left to their own devices. As noted by Sylph (2005), the use of auditing standards represents a key factor in increasing the quality of the profession, and this opportunity is denied to Libyan auditors

The majority of the interviewees agreed that the quality of Libya's auditors served as an obstacle to the implementation of the ISAs, but again referred this back to the failure of the education system and the LAAA to properly equip them. Indeed, they were keen to point out that in general, Libya's auditors wanted to develop themselves and were seen to do that by applying for educational courses overseas or for conference attendance.

7.2.2.3.3 Libyan Culture

A number of authors have highlighted the influence of the cultural aspects of any society on any regulated institution (Cooke and Wallace, 1990; Irvine and Lucas, 2006; Zhang et al. 2007; Mashayekhi and Mashayekh, 2008; Zakari, 2014). Furthermore, Hofstede (1984a) identified a particular cultural dimension which he entitled 'uncertainty avoidance' which has direct relevance for the way in which societies relate to rules and regulations. Appreciating these influences, the researcher asked the participant groups to indicate their views regarding the relationship between Libyan culture and the adoption of the ISAs in Libyan auditing practice.

The findings in this respect reveal a negative attitude towards the adoption of the ISAs, suggesting that Libyan culture works as a hindering factor. However, this can be seen as a complex matter, because according to the uncertainty avoidance dimension of culture proposed by Hofstede (1980), societies scoring high on that dimension tend to want hard and fast rules by which to live and operate since essentially, they are afraid of doing something wrong and prefer to follow carefully worded instruction. Libya as an Arab country, has been classified as a society in which there is a high level of uncertainty avoidance (Hofstede, 1984a), and that would suggest a strong preference for tightly-specified regulations, yet the participants seem to reject such a prospect. This can probably be explained, by the fact that in such cultures, the idea that two or more sets of different regulations might be in operation side by side would present a problem as fears regarding which to use are likely to arise. This can also explain why, in the absence of auditing standards in Libyan auditing practice, many auditors fall back on the systems used in the countries where they were taught, because they feel secure with those systems and are not afraid of making mistakes when using them. Other auditors do not apply any set of recognised standards, and this may well depress their confidence in their work and contribute towards the overall low level of quality auditing which is delivered by the profession. In actual fact, however, it is noted by Schachler et al. (2012) that the Libyan culture has not precluded the use of high quality international standards, and the researcher would argue that the root of the problem is as already discussed, the fact that they are not included in educational curricula, and are therefore, not accorded the legitimacy which the

uncertainty avoidance tendency within Libyan culture demands. Moreover, Eldarragi (2008) has pointed out that Libyan auditors are required by their religion to apply due care in all their professional practice which is a fundamental principle of the ISAs, so one would expect the country to embrace these standards.

Nevertheless, the interviewees confirm the findings of the questionnaire survey that Libyan culture contributes towards the reluctance to adopt the ISAs. In this connection, some explanations were given, one being the fact that Libya was a 'collective' society that might impede efforts by individuals to act on their initiative and adopt something new. In Hofstede's classification of cultural dimensions (1980, 1984a), collectivism and individualism were seen as opposing states on the same continuum indicating whether people acted collectively for the good of the community, or individually, in self-interest. Libya scored highly on collectivism, meaning that the influences from friends and family, and in Libya's case, from tribalism, take on a greater importance than personal wishes and desires. This can lead to the presence of nepotism and corruption as allegiance to the family and tribe take precedence. Consequently, even though individual auditors might be keen to work towards the ISAs, a groundswell of opinion from important people within those auditors' social circles might well prevent them from taking the initiative in this respect. Hence, Libya's "*collective society*" (AC 1), and the phenomenon of "*nepotism and kinship*" (EA 2) may serve as barriers to the adoption of the standards, not least because where corruption is widespread, the use of the ISAs would expose it. Furthermore, a regulator stressed the language and familiarity of the Libyan context as reasons enhancing the negative attitude within Libya to embrace the ISAs. In fact, this comment is in line with the observation made by Zeghal and Mhedhi (2006) that countries with Anglo-American cultures favour the adoption of international standards such as the IFRS/ISAs due to the common language they use.

Moreover, the suggestion that the collective nature of Libya's society (specifically, its tribalism and nepotism) is influential in curtailing the independence of auditors concurs with the findings of Shamsaddeen and El-Firjani (2014) that Libyan social relationships negatively affect the capacity of auditors to act independently as they become victim of social responsibility to

family, friends, and tribesmen. Such interference may well prevent the implementation of ISAs in Libyan auditing practice, as they expose favouritism by demanding absolutely transparent dealings and exposure. The basic philosophy underlying the international standards is that they preserve professional distance, and it may simply not be possible for this to occur in the Libyan context.

Nevertheless, a minority of the interviewees did perceive that Libyan culture had some positive influences in respect of the country's adoption of high quality standards and a regulatory framework that enforced these, since Libya is a country whose religion promotes Islamic values, and these quite clearly demand the best effort from all Muslims in all walks of life; hence, in the accounting and auditing context, this can be seen to translate into the requirement for objectivity, professional behaviour, professional competence, due care, integrity, and confidentiality. This perception agrees with the view expressed by Eldarragi (2008) that Muslims are required by their religious faith to act in a specific ways, showing for example, self-control, the exercise of conscience, public control in as much as commanding others to perform for the common good and preventing others from doing bad deeds, and state control which can be in the form of an independent agency acting according to Islamic law.

7.2.2.3.4 Libyan Laws and Regulations

In respect of the regulatory framework governing accounting and auditing, four common approaches are seen around the world. In the US for instance, the government has enacted legal statutes and regulation in partnership with the accounting and auditing profession. This has been effected through the enactment of the SOX legislation which was established as a means of regulating the auditing profession and ensuring the stability of the NYSE. Essentially, the SOX Act forced low quality auditors' to leave the market, and hence maintained the reputation of the audit profession (DeFond and Lennox, 2011; Chambers and Payne, 2011). No such legislation has been formulated in Libya, and consequently, the responses from the participant groups indicated that the research sample did not believe Libya's legal framework to be supportive of the adoption of the ISAs.

The absence of supporting laws and regulations is noted in the literature as an obstacle to the adoption of the ISAs (Hegarty et al. 2004; Samsonova, 2009). Several countries have been noted to suffer in this way and Libya is not exceptional in this respect. In fact, it does have Law No.116 (1973) as already discussed, but this is now over 40 years old and quite outdated as is easily seen by the poor accounting and auditing practice in the country. Indeed, the law has a complete absence of national accounting and auditing standards, and the main controlling tools of the accounting and auditing practice are seen as lying in the Libyan Commercial Code, Libyan Income Tax, Libyan Banking Law, Libyan Stock Market, and the Libyan Petroleum Law. Many authors have highlighted how a country's legal system influences its accounting and auditing practice (see for example, Salter and Douppnik, 1992; Jaggi and Low, 2000; Washrisch, 2001; Bushman and Piotroski, 2006; Sawani, 2009), as for example, tax law.

Certainly, governments are influential in setting the regulatory scene and in encouraging or discouraging intervention in professional practices via the introduction of international standards (in any profession), and this is seen in the American context where accounting and auditing regulators are not willing to adopt the IFRS/ISA as they believe the existing law and regulations implemented in the country make for higher quality in their auditing practice than do the international standards (Minlei, 2009). On the other hand, the evidence of the Big Four in the EU is that audit practice improves with the adoption of ISAs (Kohler, 2009), although several emerging economies with no previous auditing standards might well have produced this observation. Irrespective of these variations in practice in other countries, however, it is a fact that the LAAA has not addressed the issue of accounting and auditing standards, and consequently the professionals concerned rely mainly on the above-mentioned laws and regulations to perform their duties, apart from Law No.134 (2006) that requires listed companies, including the national bank to implement the IFRS/ISAs when preparing and auditing their financial statements. That said, companies are still applying the US-GAAP and its counterpart US-GAAS in auditing the financial statements (El-Firjani et al. 2014).

Supporting the results from the questionnaire, the interviewees expressed the same opinions, these being that the Libyan Laws and regulations related to the accounting and auditing practice are highly influential in respect of deterring the adoption of the ISAs. Essentially, they view the existing legal statutes as having a negative impact in respect of the ISAs because they are not in line with international developments, and basically, they preserve the situation which allows for the existing high degree of corruption in the country to flourish.

7.2.2.3.5 The Understandability of the ISA

The participant groups recognised that Libyan auditors would find difficulty in trying to understand the ISAs, and this anticipated problem of comprehension is classed as another hindrance to the adoption of the standards. The perception of the respondents is seen to emerge from the general appreciation that Libyan auditors are of low quality, primarily because of the shortcomings of auditing curricula in Libyan educational institutions and the absence of any form of auditor training in the workplace as already discussed. The point is made by Humphrey and Samsonova, (2013) that the understandability of the ISAs is considered as important as the ISAs as there is limited research on the ISAs to clear any doubt about the audit quality.

Moreover, the findings from the semi-structured interviews agreed with those gained from the questionnaire, since the interviewees also mentioned that the national auditors would be unable to interpret the ISAs because they were not taught as part of the accounting and auditing curricula delivered in Libyan educational institutions.

7.2.2.3.6 The Cost of Implementing the International Standards on Auditing

According to Pagano and Immordino (2007), the implementation of international standards in any jurisdiction depends on three factors, these being the cost of implementation, the practitioner incentives, and the regulators' position on divergence. Furthermore, the implementation of high or better quality standards might force small or low quality practitioners to leave the market, creating a worse outcome where the remaining practitioners or firms may increase or dominate the auditing work in the country (Ogus, 1999; Pritchard and Puri, 2006; Abernathy et al. 2013).

In the case of Libya, one third of the respondents are graduates from Libyan universities, and are most likely ignorant of the ISAs since they were not taught these whilst studying for their degrees, and neither the LAAA as the professional body, nor companies, provide any form of workplace training. These factors imply extremely high training costs for any switch to the ISAs, presenting a big challenge to their implementation (see for example, Laga, 2013; Schachler et al. 2012)

The questionnaire findings concerning the high overall costs of implementation were confirmed by the majority of the interviewees as hindrances, as they itemised the preparations for effective implementation as being: the inclusion of the standards in educational curricula, the provision of training sessions for those in the industry to reduce difficulties in interpreting the standards, the drafting of laws and regulations governing the implementation, and an enforcement and compliance monitoring programme.

On the other hand, six factors were identified as positive influences on the adoption of ISAs as shown in the following sub-sections.

7.2.2.3.7 The Existence of International Accounting Firms in Libya

The presence of international accounting firms in Libya was considered by the participant groups as having a positive impact in respect of the potential to adopt the ISAs in Libyan auditing practice. This belief concurs with that found by several researchers who have noted the substantial influence which these firms bring to bear on governments and/or regulators to shape the regulatory framework such that it represents those firms' interests (see for example, Gangolly et al. 2002; Arnold, 2005; Chand and White, 2007). Clearly, these firms are keen to ensure total standardisation of their own practices across national borders to enable them to transfer staff expertise from one country to another, and to effect such mobilisation of personnel without the need for any subsequent training. This implies, and indeed it is the case, that these international accounting firms do not take account of the suitability of national accounting and auditing standards to the local stakeholders; rather they focus on the needs of the multinational corporation. This attempt to influence governments has been seen in the US, where the international auditing firms

have been exerting great pressure on the PCAOB to shift from the US-GAAS to the ISAs, although, the board is acting in favour of such convergence (Humphrey and Samsonova, 2013).

Given this global understanding of the behaviour of the international accounting and auditing firms, it is not surprising that the interviewees were in agreement with the questionnaire respondents. They considered that these firms do encourage a climate for the adoption of the ISAs precisely because they want to globalise the practice of using these standards for reasons of staff mobility, as well as the ease of understanding financial statements irrespective of the country from which they come.

7.2.2.3.8 The Existence of Foreign Companies

The presence of multinational and foreign companies in any jurisdiction has been identified as a vital factor in importing and influencing the adoption of international standards, such as the ISAs in the auditing environment. And as with the previous issue regarding the influence of the international accounting firms, the questionnaire respondents recognised the power of non-national players to persuade national governments to make changes to their policies. Clearly, these companies act in self-interest when requiring their financial statements to be audited using the ISAs, but they do also represent a boost to the national economy of those countries where they are investing; consequently, they possess the bargaining power to present their financial information according to their usual (international) standards and not to local ones. As found by Masoud (2014), these companies are well able to resist the requirement to produce two sets of accounts to reflect both Libyan and international needs, as they bring with them the potential for further investment. Other researchers have observed the positive influences of foreign companies on the adoption of internationally recognised standards such as the ISA (see for example, Briston, 1978; Zeghal and Mhedhbi, 2006; Mashayekhi and Mashayekh, 2008, Sikka, 2009; Shima and Yang, 2012).

Moreover, the statement by the Forum of Firms that it is up to individual members to decide whether they wish to adopt certain practices to improve their quality, such as the ISAs in their audit practice (FoF, 2011) serves as a

liberalising influence in the market, thereby signalling to companies that they can take that step towards internationalisation of its operating procedures if they wish. And this is entirely justified on the grounds that Libya, as a developing country, is seeking more foreign investment in the country to enhance its economy.

To explore the perceived influence of foreign firms in more depth, the researcher asked the interviewees for their opinions, and they expressed the same beliefs as the questionnaire respondents, but were able to add rather more detail. Especially, they referred to the benefits brought by these companies in terms of their ability to offer an environment where the more qualified Libyan practitioners could find employment and thus become more skilled, and extend their field of practice. This results in the development of greater expertise among the national profession, and the potential for more joint-venture operations as Libyan accountants and auditors become more familiar with the international standards. On the other hand, some interviewees' viewpoints regarding the foreign companies' role in motivating the adoption of high quality auditing standards such as the ISAs were considered as preventing it. This could be attributed to the low level of contribution of these companies on the Libyan auditing profession since its existence in 1950's.

7.2.2.3.9 The Status of the Libyan Economy

Undoubtedly, the economy of any country represents a major factor in the question of whether to import operating standards and/regulations from elsewhere, and hence, the researcher sought the attitudes of the Libyan auditing profession stakeholders in respect of the relationship between the national economy and the potential for ISAs adoption. In this regard, all participant groups saw this relationship to be positive as they appreciated the need to attract more foreign investment to help diversify the economy, and such investment would require compliance with the ISAs in reporting financial information. Indeed, a study by Al-waqleh (2010) in Jordan highlighted that since the adoption of the IFRS/ISAs, the national economy has witnessed much improvement due to investors' familiarity with such standards, the increased confidence in, and credibility of the audit quality of financial reports, and the consequent greater willingness of current and potential investors to look for

more investment opportunities in the country. The Libyan sample clearly acknowledge such benefits, and their views are consistent with those expressed by several writers to the effect that the national economy is highly influential in determining whether to encourage the adoption of international standards (see for example, Larson, 1993; King et al. 2001; Daniel and Suranova, 2001; Preobragenskaya and McGee, 2003; Zeghal and Mhedhbi, 2006; Al-Akra et al. 2009; Sawani, 2009; ACCA, 2012; Baruni and Sentosa, 2013; Zehri and Chouaibi, 2013).

In fact, the literature offers mixed messages in as much as the adoption of international accounting and auditing standards in Africa provides evidence of economic improvements, whereas this did not bring improvements in respect of the countries involved in the Asian crises (Larson, 1993; Woolley, 1998). Nonetheless, the Libyan economy is actively seeking foreign investment as a means of improving the country's capital market, and therefore, the adoption of internationally-recognised auditing standards is considered essential.

The interviewees' comments echoed those in the questionnaire survey, as it was believed that there were several benefits to be derived by the economy through a move to adopt the ISAs, the first and most important being the attraction of foreign investment. Additional investment translates into new employment opportunities, which in themselves contribute to national stability as the unemployment rate reduces. That said, some interviewees were keen to emphasise that the stagnation in the Libyan economy (and the low level of business activity), and the under-development of the accounting profession in general, might mean an overall lack of ability to comply with the rigorous standards set by the international bodies.

7.2.2.3.10 Libyan Stock Market (LSM)

Researchers argue that the existence of the stock market in any country influences the adoption of international standards such as the IFRS/ISAs (Zeghal and Mhedhbi, 2006; Choi and Meek, 2011; Baruni and Sentosa, 2013). Therefore, the questionnaire probed this issue, and the results revealed that all participant groups believed this to be the case. This finding is in line with that obtained by Darwish et al. (2004), and Zehri and Chouaibi (2013), who argued

that it is a fundamental need of any stock market to have reliable information produced by qualified accountants based on recognised accounting standards, and audited by qualified auditors also using recognised standards. Since the Libyan stock market is newly established, the IFRS have been adopted as a prerequisite for all companies applying to be listed on it. This is not unreasonable or indeed out of synchronisation with other stock markets, since all listed firms are deemed to need to demonstrate higher disclosure and reliable information to satisfy the needs of their stakeholders. Hence, the adoption of high standards such as the IFRS/ISAs is highly recommended by the stock market (Archambault and Archambault, 2003; Floropoulos, 2006).

The interview findings again supported those from the questionnaire survey. They commented that the LSM authority had enacted Law No.55 (2005) requiring all companies wishing to list to adopt internationally recognised standards, IFRS for accounting and the ISAs for auditing practice. They also mentioned that adherence to these standards would bring benefits that might involve the expansion of the LSM to include foreign participants since so far, only Libyan companies and national banks are allowed to participate in the LSM activities. These findings coincide with those obtained by Zeghal and Mhedhi (2006) who noted that the members of any country's stock market might encourage other companies not involved in the stock market to comply with the regulations which that market sets, in order to do business with them, since by complying with those regulations, investors would be attracted in the knowledge that those companies are implementing procedures that guarantee the supply of high quality financial information.

Moreover, Zeghal and Mhedhi (2006) state that countries with developed capital markets tend to establish more sophisticated financial regulations (accounting and auditing standards) or adopt such internationally recognised financial regulation (IFRS/ ISA's), and this is echoed in the viewpoints expressed by some interviewees who referred to the fact that both the Libyan economy and the Libyan stock market are still in their infancy and relatively weak, and therefore need the support of clear financial regulations to encourage confidence in the market.

7.2.2.3.11 International Financial Institutions Roles

Researchers argue that the international financial institutions such as the International Monetary Fund (IMF), the World Bank, European Commission, and World Trade Organisation (WTO) are very influential on the regulators in a country that seeks financial help (Delonis, 2004; World Bank, 2004; Arnold, 2005; Mir and Rahaman, 2005; Abadi and Qashi, 2007; Samsonova, 2009). For instance, Romanian financial aid from the IMF was suspended in 1997 due to Romania's failure to commit to the IMF conditions; and two years later the IMF required further financial changes including accounting changes in order to attract potential foreign investments (Albu and Albu, 2012). In the same vein, the UAE adopted the IFRS purely to maintain a good relationship with the European Countries (Irvine, 2008).

The current study investigated the influence of such financial institutions on the Libyan auditing profession in respect of its adoption of the ISAs for its practice, and the result reveals that all participant groups acknowledged the role played. Indeed, this is not surprising since the WTO requires the development of the accounting and auditing profession in Libya before the country is accepted for membership (Darwish et al. 2004). Zehri and Chouaibi (2013) also note the compulsion placed upon companies wishing to trade in foreign countries to be transparent in their accounting and auditing reporting, and that implies the use of international standards.

The interview findings also concur with those gained from the questionnaire. In this respect, the interviewees were fully aware of the requirements of the world's financial institutions (IMF, World Bank and European Bank), and the precondition to be met before WTO membership is attained. The implementation of internally-recognised standards of accounting and auditing are therefore crucial.

7.2.2.3.12 Translation of the ISAs

The translation of the ISAs is of course, a major requirement for any country that does not use English in business, and that has not pushed the learning of the English language within its educational establishment. In the Qaddafi era, the teaching of English was removed from all educational curricula resulting in

very poor levels of English among Libyans. Consequently, the decision to adopt the ISAs must be made in recognition of the need to translate these into the language of the context where they are to be used, since as noted by Simunic (2003), if high quality audit practice is to be achieved, then the auditing standards must be fully comprehended by the practitioners involved. Therefore, the researcher explored the role of the translation issue in respect of the ISAs and their adoption in Libya.

The findings from both the questionnaire and the interview exercise were that the translation of the ISAs is seen as an encouraging factor. Having translated the ISAs into Arabic, the IFAC has facilitated their adoption within the Arab world. However, a small number of interviewees did refer to the fact that over time, the standards will develop and require updating, and that such events may bring costs locally with each individual change, where in such case this may be considered adversely.

7.3 Summary

This chapter has provided a discussion of the results obtained from both aspects of the empirical research, the questionnaire survey, and the interview exercise. These findings have been discussed in the light of the literature in order to determine where existing research is supported or enhanced by the discovery of something unique. Overall, the conclusions that can be drawn from the discussion is that the Libyan audit profession regulations are considered inadequate by the profession itself, and by the international arena, since foreign companies that decide to invest in Libya insist on using the ISAs as a guarantee of transparent and high quality auditing. It is therefore shown that the Libyan audit profession is not up to international standards, and that for it to reach those standards, issues relating to licensing, accounting and auditing education, Continuing Professional Development, the formulation of a new regulatory framework that involves government supervision, and the use of internationally-recognised standards in the performance of auditing duties, must all be addressed.

In respect of the most appropriate regulatory approach, the results indicated that the independent regulator model is preferred, and that government control

through direct regulation is the second preferred option. The LAAA was believed to offer poor quality in any regulatory role.

In respect of the auditing standards, the study finds that the preferred approach is to harmonise all the standards used in Libya, and to adopt the ISAs with certain modifications to reflect the Libyan context. Furthermore, the study sample identified six factors that had a positive impact on the adoption of the ISAs and a further six factors that a negative impact. Nonetheless, there is overwhelming agreement that factors having a negative impact must be eradicated if improvement to the Libyan economy is to be derived from foreign investment, since such investment is always conditional upon auditors' use of the ISAs. The following chapter draws these findings to a final conclusion and provides recommendations for the Libyan government and its legitimacy operational arms such as the Libyan Audit Bureau, the Ministry of Finance, the Audit Profession, Libya's accounting decision-makers, and Libyan companies operating domestically and overseas.

Chapter 8 : Conclusion and Recommendations

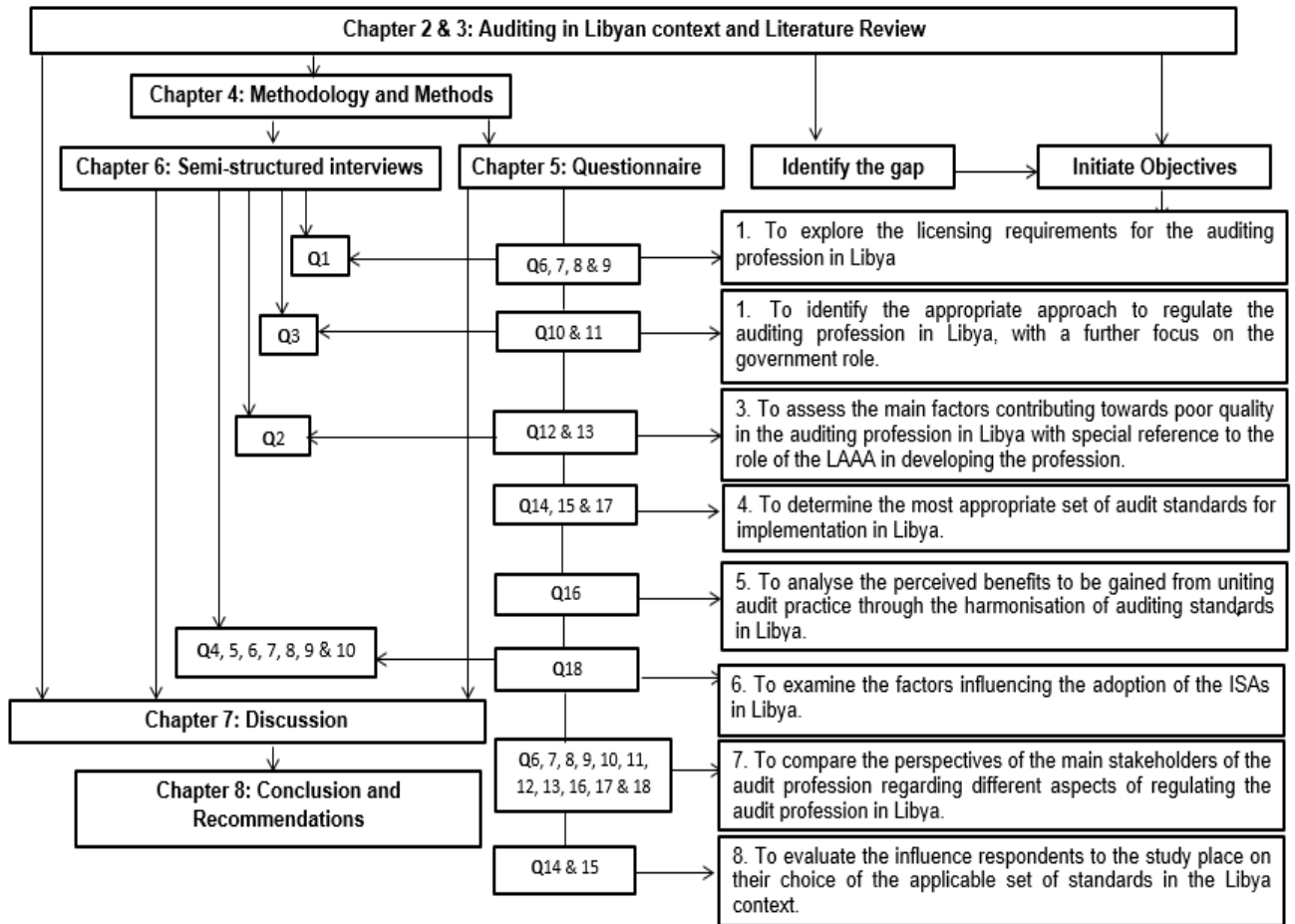
8.1 Introduction

This chapter provides an overall conclusion to the study which was undertaken to explore the auditing regulatory framework and the factors influencing the adoption of ISAs in the Libyan auditing context. The key results have been highlighted and linked with the research questions which were formulated in order to help operationalise the effort to achieve the research objectives. This chapter also draws conclusions and makes recommendations for the Libyan audit profession authority, and indeed adds to the existing knowledge about the Libyan audit profession and practice.

The chapter is divided into six sections including this introduction. In section 8.2, a summary of the study's findings is presented, followed by the logical recommendations based on the results obtained from the data analyses for the Libyan auditing regulatory authority. The contributions of the study are presented in 8.4. In Section 8.5, the limitations of the study are indicated and from these, some suggestions for further research are highlighted in section 8.6.

The research process outlined in Figure 8.1 indicates how the study was undertaken, starting with the identification of the research gap, the formulation of the research objectives, and the decisions regarding the methodology and methods to be adopted to satisfy the purpose of the study. It also shows how the research objectives have been met through the use of particular research tools, and the fact that from the data collected, the subsequent discussion draws together all the elements of the research before drawing a conclusion, making recommendations, and recognising the limitations of the study.

Figure 8.1: The Research Process



8.2 Summary of the Findings

In summarising the findings, it is necessary to bear in mind the three research questions associated with the major exploration of the Libyan auditing regulatory framework such that the factors influencing the adoption of ISAs by the auditing profession are revealed.

RQ1. How can the Libyan audit regulatory framework be reformed?

In order for suggestions to be made in this respect, the current audit profession regulations and the environment in which the audit profession operates must be examined. Consequently, three main features of the profession have been identified by the researcher and facts and attitudes concerning these have been obtained from representatives of the five participant groups (External Auditors, State Auditors, Internal Auditors, Academics, and Regulators) in order to achieve the first, second, third, and seventh research objectives as follows:

1. Licencing requirements

In terms of the Libyan audit profession licencing requirements, the researcher investigated attitudes concerning the quality of the license requirements, the length of the required training period, and the certificates required.

Summarising the findings in this respect, it was seen that:

- The vast majority of participants perceive the licencing requirements to be insubstantial, as the quality of these is low, and they result in a profession which does not match the international level requirements. Quite simply, the outcomes do not lead to professionals who are able to cover the national audit practice needs. In their discussions of this low standard, the majority of the interviewees attributed this to the fact that there are no examinations to be passed other than the bachelor degree examinations to guarantee the quality of the candidates.
- In respect of the length of the required training period, participants were in favour of making this uniform since currently the training requirement depends upon the level of education of the candidate. Additionally, they perceived the various training periods to be too long and expressed the need for this to be shortened. That said, the interviewees supported the existing length of the training period on the grounds that a shorter one would not allow sufficient time to cover all the topics needed to allow candidates to properly discharge the duties of an auditor.
- Furthermore, the majority of participant groups believed that in order to enhance the quality of the candidates, it should be made compulsory for them to obtain auditing certificates which should be established on a national basis, and that if candidates wished, they could also acquire international certificates to testify to their ability to practise the profession.

2. LAAA Governance Body and Regulatory Approach

As a means of attempting to improve the Libyan audit profession regulations, the LAAA's governance was discussed with the participant groups which generated the following comments and recommendations:

- There was general agreement among the participant groups upon the necessity of having an independent body to govern the profession, and essentially to take over the responsibilities of the LAAA. In this respect, it was considered that independent regulatory and direct approaches were the most effective and would serve the Libyan audit profession well. Indeed, the independent approach was preferred, with both the self-regulation and co-regulation approaches being deemed unsuitable in the Libyan context. This was a position confirmed by the interviewees who supported the idea of an independent regulator on the grounds that the profession was still in its infancy and insufficiently mature to regulate itself.
- Furthermore, the participant groups were in favour of greater government support for the profession in respect of intervention concerning the establishment of effective auditing legislation, and the establishment of an independent agency and/or governmental department to regulate the audit profession and develop its practices. This was viewed as the type of support required from the state, whereas currently the only support provided is of the financial kind.

3. LAAA Quality

The third dimension of the Libyan audit regulatory framework was the quality of the LAAA as an authority to monitor and advance the profession. In this respect, the researcher collected data to evaluate the profession in order to identify areas of deficiency and offer recommendations for its development.

- Agreement was found among all participant groups that the LAAA had not discharged its intended duties appropriately with the result that the profession had not made sufficient progress. Certain factors, i.e., the absence of effective laws and regulations, the low quality of accounting education, the weakness of the LAAA, and the poor standing of the Libyan Stock Market (LSM) were cited.
- Moreover, the different participant groups considered the contributions made by the LAAA towards the development of the profession from various aspects. Particularly, they viewed the role of the LAAA negatively in respect of its failure to establish audit standards, its failure to provide auditor training to meet the needs of local and multinational companies, its lack of co-

operation with government in drafting audit regulations, and finally, its inability to properly monitor audit practice. Only two aspects of the LAAA's activity were perceived to have made positive contributions to the profession and these were in respect of it filling the gap in audit regulation deficiency by providing recommendations, and organising and managing members' affairs. The interviewees were in complete agreement with the questionnaire respondents in all of these observations.

RQ2. What are the appropriate standards for Libyan audit practice?

In order to identify the appropriate auditing standards for Libyan auditing practice, the researcher asked the external auditors for their views on the set of auditing standards implemented in their audit practice, and then considered the preferences expressed by the participant groups in terms of four different sets of auditing standards (i.e. Local standards, ISAs, US-GAAS, UK-GAAS) available. Their perceptions on the potential to adopt the ISAs and to harmonise standards were then gathered, thereby enabling the achievement of the fourth, fifth and eight research objectives.

- The results revealed that the majority of participants were performing their audit functions without referring to any specific set of auditing standards, a fact which highlights the absence of auditing standards application. Those who did use auditing standards (i.e. slightly over 30% of the participants) adopted the United States General Accepted Auditing Standards (US-GAAS). Moreover, the ISAs were ranked second in the list of the adopted standards, accounting for about 25% of the 30% who used standards. Less than 10% of that group of participants used the United Kingdom General Accepted Auditing Standards (UK-GAAS).
- When asked to rank the sets of auditing standards in terms of their applicability to the Libyan context, participants chose local standards as the most appropriate, and the ISAs as the next preferred option. The US-GAAS and UK-GAAS were ranked third and fourth respectively. To learn a little more about the reasons for these preferences, they were scrutinised against the participants' place of study, and from this it was found that most participants' preferred the auditing standards used in the country where they completed their studies, with the exception of those who studied in Australia,

Italy, Canada, and Malaysia, in which case, they preferred the idea of creating Libyan national auditing standards.

- In term of ISA adoption, half of the participants supported this with modification to suit the Libyan audit practice, and slightly fewer (but still almost half of the remaining participant groups) preferred their adoption without modification. However, the rest of the participants were divided into two groups into those with no idea, or those who preferred not to comment.
- With regard to the suggestion to harmonise the auditing standards in Libyan auditing practice, the vast majority were convinced that this would bring benefits to the whole country.

RQ3. What are the factors affecting the adoption of the ISAs in Libyan auditing practice?

Prior to the importation of any law or set of regulations into another context, the suitability of that set of regulations, and the potential for harmonisation with existing regulations should be considered in order to avoid any contradiction with the current system. In this consideration twelve factors were identified as being potentially influential on the adoption of the auditing standards. Six of these factors were believed to have a positive effect, whilst the other six were considered to operate as constraints. This identification achieved the sixth research objective.

1. Constraint factors

The factors believed to hinder the adoption of the ISAs were identified by the questionnaire respondents, supported, and justified by the interviewees as follows:

- The low quality of Libyan national auditors, the deficiencies in the current auditing education curricula, and the complex nature of the ISAs which are difficult for national auditors to understand, were believed to combine to produce genuine obstacles to the adoption of the ISAs. In terms of the Libyan auditing education curricula, there is no coverage of the ISAs and consequently as graduates emerge from these courses and progress into the accounting profession within the country, they remain ignorant of the content of these standards and how they might use them. In fact, the knowledge and understanding of ISAs among national auditors comes relatively from those who have studied overseas.

- The participant groups and the interviewees were also in agreement concerning the poor legislative and regulatory framework pertaining to the auditing context, believing this lack of advancement to be a definite hindrance to the ISA adoption. In this respect, the interviewees added that the absence of such laws and regulations supporting the adoption of ISAs was attributable to the high level of corruption in the country.
- Additionally, the Libyan culture was also identified as a barrier to ISA implementation, and this again was accepted both by the questionnaire respondents and the interviewees. Indeed, the majority of interviewees felt that the collective nature of Libyan society produced high levels of nepotism and favouritism in the audit environment. That said, there were some interviewees who held contradictory opinions in this respect, believing that Libyan culture is influenced by Islamic values which in themselves promote a high level of workmanship that theoretically should lead to proficiency.
- Finally, the implementation cost emerges as having firm correlations with all other factors since it would be very costly to apply ISAs within the Libyan auditing education curricula, to incorporate them as part of the existing Libyan laws and regulations, and to provide training sessions to enhance the knowledge of national practitioners in respect of the ISAs in order to increase their proficiency.

There were, however, six supportive factors in respect of ISA adoption, detailed as follows:

2. Supportive factors

- The presence of international companies, including the international accounting firms, was considered as a supportive element by both questionnaire respondents and interviewees, since they represent good role models for national companies, and they themselves use the ISAs. As noted by the majority of interviewees, these international firms adopt the ISAs because they gain vast benefits from doing so, such as for instance, being able to tap into large numbers of qualified practitioners, extending their field of practice as they set up in different countries, being able to move expertise, and enjoying lower costs of practice since as they move on the international scale they deal with other companies that are already familiar with the ISAs.

Moreover, local practitioners are believed to welcome the ISAs since if they were able to become involved in joint-venture activities as a result of such harmonisation of audit practice, more business would be created and job opportunities would arise. Nevertheless, some interviewees have the opposite opinion of these international companies since they have not observed any beneficial actions by them towards the development of the auditing profession and practice despite their long history of operation in Libya.

- The questionnaire respondents considered the Libyan economy, including the existence of the Libyan Stock Market (LSM), as push factors towards the ISA adoption in the Libyan auditing context. Indeed, the interviewees perceived the same, justifying their opinion by arguing that more businesses would be created through increased foreign investment, the development of the LSM, greater disclosure of financial information, and ultimately society's welfare would be enhanced. On the other hand, some interviewees held contradictory viewpoints on the grounds that both the Libyan economy and the Stock Market are considered as weak, and immature.
- Another positive influence was seen to come from the international financial institutions (i.e. IMF, World Bank, WTO) that have encouraged the adoption of ISAs in a number of countries, and is doing the same in Libya according to the majority of questionnaire respondents and interview participants.
- Additionally, the fact that the ISAs have already been translated into Arabic was considered as a supportive factor towards the decision to adopt these standards in Libya, since the translation was undertaken jointly by the International Arab Society of Certified Accountants (IASCA), and the International Federation of Accountants (IFAC). However, some interviewees held the contrary view, believing that translation costs would inevitably accrue in all cases of further amendment and update, in which case instant translation is required, and therefore, there would be an ongoing cost in this respect.

8.3 Recommendations

On the basis of the reviewed literature and the findings obtained from the empirical work undertaken in the study, a number of recommendations are now offered to

the Libyan auditing profession authority in order to advance the image of the audit profession and to improve audit practice in Libya. The following are the actions that are required in order to achieve such targets.

- A body/board with responsibility for formulating auditing standards and other elements of a regulatory framework (i.e. bulletins and guidance) to ensure the desired audit practice quality with international norms should be established.
- The existing Libyan auditing profession should discharge its obligations to encourage continuing professional development (i.e. by holding conferences at national and international level, creating a library, running CPD sessions for their members, etc.).
- The audit profession and its practice should be monitored to ensure its quality is improved.
- Improvements in the profession can be achieved by, for instance:
 - I. Introducing a set of examinations for those who wish to obtain the audit certificate and acquire professional designation as in other professions and countries (i.e. the CPA in the USA, ICAEW and ACCA in the UK);
 - II. Unifying the length of the required training period for all candidates irrespective of education level, and imposing certain criteria on the training period (i.e. two-thirds of the period to be in auditing in order to gain the designation of auditor);
 - III. Introducing government intervention to provide a legislative framework with enforcement abilities, rather than simply focusing on financial support, and ensuring that other governmental agencies such as the Libyan Stock Market (LSM) properly discharge their roles to support the development of the audit profession in Libya;
 - IV. Amending the current regulatory framework, by updating the current laws and regulations that have impacts on the audit profession and practice;
 - V. Harmonising the audit standards applied in practice; and
 - VI. Considering the benefits of adopting the ISAs in the Libyan audit profession taking into account the environmental differences between developed countries and Libya as a developing country.

8.4 Contribution to Knowledge

This study contributes to knowledge of the audit profession regulations framework including the factors influencing the adoption of the ISAs in different ways, which can be divided into theoretical and practical contributions.

8.4.1 Theoretical

This study contributes to the body of the literature by producing academic material related to the auditing profession regulatory framework in particular the licensing requirements for joining the audit profession and the regulatory approaches to regulate the audit profession in the developing country context, focusing particularly on Libya.

This study provides an understanding of the quality of the current Libyan auditing profession and its regulations and on how this profession is perceived and experienced by its own main stakeholders. This study provides also evidence by identifying the factors that have contributed to the decline in auditing standards (e.g. the licensing requirements including the length of the training period, the exams and certification required by its members, and the profession responsibilities status quo which are no longer fit for purpose and are in need of radical change. Moreover, the findings of this study provide a rationale for the factors that influence the ISAs adoption by the Libyan auditing profession, where, to the researcher's knowledge, some of these have yet to be considered in the Libyan context (i.e. international financial institutions, implementation costs, and the Libyan culture).

It identifies the barriers affecting the adoption of the ISAs in the Libyan auditing context, thereby adding to other works that have sought to produce models of adoption that fit and work notably in emerging and developing economies. One of the key contributing factors that led to the failure of the audit profession in Libya is the inflexibility and short sightedness of the former regime which stifled any reform or innovation because the regime was against accountability, monitoring and control of public finances, which resulted in the auditing profession being undermined and discredited.

This study also contributes to the literature by involving five stakeholder groups associated with the audit profession in Libya, who have the expertise and the knowledge of the audit regulations and have direct strong link with the audit profession in Libya. These groups are (External auditors, State auditors, Internal auditors, Academics, and Regulators), thereby providing intelligence on the different perceptions of stakeholders in this scenario and identifying preferences among them.

8.4.2 Practical

This study contributes practical implications within the Libyan auditing profession by pinpointing difficulties in practice and making recommendations to overcome these with a view to enhancing the image of the profession nationally and internationally. It makes sensible recommendations as follows.

Firstly, it is imperative to set an entry test for prospective candidates wishing to join the audit profession in order to ensure the candidates have the required standards in both theory and practice. Secondly, reviewing the status quo of the Libyan audit profession, through appointing a strong and independent regulator to handle the profession regulatory activities. Thirdly, based on evidence the LAAA has failed in its obligations as a regulatory body and is not operating in the public interest and is partly to blame for the neglect and marginalisation of auditing and accounting in Libya, therefore, it is crucial to set up an independent board/ body with a degree of autonomy to ensure that the LAAA is accountable and fit for purpose. Fourthly, reforming and reviewing the laws and regulations related to auditing practice to meet the demands, needs, and expectations of the stakeholders i.e. Libyan commercial law, tax law, auditing profession establishment law 116/1973, and other related laws. Fifthly, the Libyan audit practice is set to benefit from the creation and auditing standards harmonisation, and/or adopt the ISAs with modification to suit the Libyan auditing environment. These are practical recommendations resulting from empirical evidence, and thus carry greater weight than recommendations that can be found in the general literature.

8.5 Limitations of the study

Whilst the research objectives were on the whole achieved, this study like any other research has some limitations, however these were minimised through rigorous checks. The shortcomings of this study are as followings:

- This study utilised two main data collection instruments involving five stakeholders' groups, but as Libya at the time of self-administering the questionnaires, was and still is in a state of anarchy, many respondents were reluctant and afraid to volunteer to fill in the questionnaire. In addition, the culture of surveys and opinion polls is new to Libyans because for over forty years Libyans were silenced and were not allowed to voice their views, as a result many participants either mistrusted the researcher or were not forthcoming with genuine views. Therefore, the researcher had to travel to Libya from the UK, in order to encourage the participants to take part of the current survey and distribute the questionnaires by hand to the respondents or their direct managers. This was required because of the political unrest and the absence of an effective postal system or reliable internet facility, which would have enabled emailed questionnaires to be completed. In addition, the researcher conducted semi-structured interviews by telephone since the researcher was unable to travel safely around because of the civil unrest prevailing since the Arab Spring of 2011. Ideally and under normal circumstances, the researcher would have been able to reach a greater number of respondents and interviewees, thus increasing the geographical scope of the study.
- Thus the instability of the country has functioned as a deterrent to potential participants as a large number were unable to reach their place of work because of civil unrest and were, therefore, not available to complete questionnaires. Likewise, the researcher was not able to revisit the LAB branches to distribute more questionnaires even though there were individuals there who could have participated. In regard to the semi-structured interviews, the researcher was unable to reach more interviewees due to the signal failure in the Libyan Telecom Company in certain parts of the country. Moreover, it was difficult to conduct interviews with high ranking individuals (elite) (i.e. Regulators in the LAAA, LSM, and the LAB) due to their nature of occupation. In conclusion, the current study findings would

benefit from a wider participants coverage in terms of geographical scope and the number of the participants' perceptions involved in the data gathering processes, which would enhance the generalisability of the results.

- The scarcity of relevant and up-to-date literature and information sources in Libya was found to be a major limitation of the study since no Libyan database was found, and no updated websites exist. Hence, most of the literature concerning the topic under investigation originated in Western countries, or those not using Arabic as their official language or other countries where Libya shares the same characteristics such as Arab countries. In addition to that, the researcher was unable to obtain an up-to-date full list of contact details of the LAAA membership from the LAAA HR department due to the office closure during the period the data collection because of the turmoil and upheaval in Libya in 2011.
- Bias in conducting interviews may have occurred and led to different results. Since some of the interviewees decided not to allow recording of their interview where the researcher is restricted ethically to adhere the participants' desires, this meant the interviewer had to take extensive notes in order to capture the answers to the questions. However, taking notes during the interviews may affect the interaction between the researcher and the interviewees as more concentration is placed on note taking, since it is argued that it is hard to manage the interview process while listen and writing and so it might be possible to miss out an important information, which will affect the full picture of the findings.
- The current study data were collected from the auditing profession main stakeholders in Libya and so this was the intention of the study to examine the factors that affect the adoption of ISAs in the Libyan context, hence the results generalisation may be restricted to the Libyan context due to the economic, social and political differences.

8.6 Suggestions for Further Research

Having identified some limitations to this study earlier, it is clear that there are opportunities for further research in this area, and the following suggestions are offered in this connection:

- The study could be replicated by other researchers who have access to stakeholders in the same five groups in other parts of the country to further validate these findings and ensure even greater generalisation of the results.
- A study regarding the extent of compliance with the current regulations would be useful since this would highlight where corrupt practices were occurring and would inform policy-makers and law enforcers in carrying out their duties.
- After publication of the present research findings, a study to examine the perceptions of the Libyan audit profession authority towards the recommendations made in this thesis would be valuable.
- A consultative study to explore the potential for establishing ethical standards and a code of conduct for the Libyan audit profession would be valuable since if such guidelines could be produced, the image of the profession would be enhanced.
- A study to explore the relationships between the three variables: the adoption of the ISAs; the influencing factors in this respect; and the regulatory approach (i.e. self-regulation, direct regulation, co-regulation and/or independent regulator) in existence, would be valuable.

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Appendix 1: The Questionnaire of the Study



Information sheet

Dear Respondent,

I am currently conducting a PhD study on the topic of "*an investigation into the Auditing Profession Regulatory Framework and the Factors influencing the ISAs Adoption: the Case of Libya*" at the Liverpool Business School, Liverpool John Moores University in the United Kingdom.

The following questionnaire aims to achieve the objectives of the current study. Therefore, I would be grateful for your assistance in contributing toward this study by offering some of your time and knowledge to complete this questionnaire as your response would be of significance to the completion of this study.

The questionnaire should take approximately 20 minutes to complete. I would like to assure you that all responses to the questionnaire will be kept confidential. *Please be aware that the completion of the questionnaire is voluntary.*

Thank you in advance for your cooperation and support.

Yours sincerely

PhD Candidate

Ahmed Eltweri

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Questionnaire

Part One: Respondents' details; (Please answer by filling in or tick as appropriate)

About you:

Q1. Which of the following statements describes your job?

- | | | | |
|---------------------|--------------------------|------------------|--------------------------|
| a. External auditor | <input type="checkbox"/> | b. State auditor | <input type="checkbox"/> |
| c. Internal auditor | <input type="checkbox"/> | c. Academic | <input type="checkbox"/> |
| c. Regulator | <input type="checkbox"/> | | |

Q2. Please indicate your highest education level achieved

- | | | | |
|-----------------|--------------------------|--------------|--------------------------|
| a. High Diploma | <input type="checkbox"/> | b. Bachelor | <input type="checkbox"/> |
| c. Masters | <input type="checkbox"/> | d. Doctorate | <input type="checkbox"/> |

Q3. What is your subject of study at the highest level?

- | | | | |
|--------------------------------|--------------------------|---------------|--------------------------|
| a. Accounting | <input type="checkbox"/> | b. Management | <input type="checkbox"/> |
| c. Auditing | <input type="checkbox"/> | d. Finance | <input type="checkbox"/> |
| e. Other (please specify)..... | | | |

Q4. Place of study

- | | | | |
|---------------------------------|--------------------------|-----------------------|--------------------------|
| a. Libya | <input type="checkbox"/> | b. An Arab country | <input type="checkbox"/> |
| c. The United States | <input type="checkbox"/> | d. The United Kingdom | <input type="checkbox"/> |
| e. Other (please specify) | <input type="checkbox"/> | | |

About your Job:

Q5. Please indicate your experience in your job

- | | | | |
|-------------------|--------------------------|----------------------|--------------------------|
| a. Under 5 years | <input type="checkbox"/> | b. 5 to 9 years | <input type="checkbox"/> |
| c. 10 to 14 years | <input type="checkbox"/> | d. 15 to 19 years | <input type="checkbox"/> |
| e. 20 to 24 years | <input type="checkbox"/> | f. 25 years and over | <input type="checkbox"/> |

Part Two: The professional licence:

Q6. Please indicate your view about the existing licensing requirements regarding practising the audit profession in Libya:

No		Strongly agree	Agree	Neutral	Disagree	Strongly disagree
1	The quality is less than it should be					
2	Licensing requirements are relatively simple					
3	Licensing requirements do not take into consideration the contemporary needs of audit practice in the country					
4	Licensing requirements are not up to international standards					

Q7. As you know, it takes a specific training period to be an auditor in Libya, which varies with the candidates' level of education. Please state your opinion in respect of the auditing practical training period:

No		Strongly agree	Agree	Neutral	Disagree	Strongly disagree
1	The current periods required is suitable					
2	The training periods needs to be increased					
3	The training periods needs to be decreased					
4	It should be similar for all candidates regardless of their qualifications					

Q8. If a professional certificate is required to be a statutory auditor in Libya, the candidates should hold:

No	Approaches	Yes	No
1	An International audit certificate such as ACCA, ICAEW or CPA		
2	A Local audit certificate		
3	Both		

Q9. Please tick (Yes or No) regarding the party who should set out the audit licensing requirements in Libya:

No	Arrangements	Yes	No
1	The Libyan Accountant and Auditors Association		
2	The Ministry of Finance		
3	The separate independent agency		
4	A committee includes members of all stakeholders		

Part Three: Regulating the profession:

Q10. There are several approaches which can be chosen to regulate and establish a set of auditing regulations. Please choose which of the following approaches are most appropriate in developing auditing regulations in Libya.

Self-regulation: Regulations are specified, administered and enforced by the profession (Bartle and Vass, 2005).

Statutory regulation: Regulations are specified, administered and enforced by the state (Bartle and Vass, 2005).

Co-regulation: Regulations are specified, administered and enforced by a combination of the state and profession (Bartle and Vass, 2005).

Independent regulator: Regulations are specified, administered and enforced by an independent body. (Please tick one box for each approach).

No	Approaches	Yes	No
1	Self-regulation		
2	Statutory regulation		
3	Co-regulation		
4	Independent regulator		

Q11. Regarding the involvement of the government in regulating the audit profession, in your opinion what kinds of involvement can the government exercise? (You may indicate more than one choice).

No	choice	Yes	No
1	By providing financial support only		
2	By providing effective auditing legislations		
3	By establishing collaboration with an independent agency responsible for developing auditing practice		
4	Direct involvement through governmental department in regulating the profession		

Part Four: audit profession:

Q12. Please indicate your assessment of the contribution of the following factors to the lag of the audit profession in Libya? (Please tick one box for each objective)

No	Factors	Very significant	Significant	Neutral	Insignificant	Very insignificant
1	Lack of the effective Government laws and regulations					
2	The lag of the level of Accounting education					
3	Neglect of the LAAA from its responsibilities					
4	Weakness of the role Libyan Stock Market (LSM)					

Q13. How do you assess the role of the Libyan Accounting and Auditing Association's (LAAA) regarding the following aspects? (Please tick one box for each objective).

No		Very Significant	Significant	Neutral	Insignificant	Very Insignificant
1	Developing auditing standards					
2	Providing local training programmes					
3	Involved with the government in drafting laws and regulations which are related to the audit profession					
4	Providing auditing training focuses on international needs					
5	Providing recommendations on matters where audit regulations are deficient					
6	Organising the Libyan Accountants and Auditors Association					
7	Monitoring the auditing practice					

Part Five: Audit Standards;

Q14. When you practice your job as an auditor; which of the following audit standards you are depending on? (Please tick only one). (Auditors only)

No	Statements	Tick
1	Auditing of the financial reports complies with International Standards on Auditing (ISA's), when it does not conflict with the national laws and regulations	
2	Auditing of the financial reports complies with the British Generally Accepted Auditing Standards (UK-GAAS), when it does not conflict with the national laws and regulations	
3	Auditing of the financial reports complies with the American Generally Accepted Auditing Standards (US-GAAS), when it does not conflict with the national laws and regulations	
4	None of the above	

Q15. In your view, what is the most appropriate auditing standards to the Libyan context (please rank all four questions from 1 to 4, where 1 is the most appropriate and 4 is least appropriate).

No	Sources	Rank (1-5)
1	International Standards on Auditing (ISAs)	
2	The British Generally Accepted auditing Standards (UK. GAAS)	
3	The American Generally Accepted auditing Standards (US. GAAS)	
4	Libya should set up its own auditing standards	

Q16. In regard to advantages of harmonisation of audit standards in Libya, please indicate the level of your agreement/disagreement of the following statements.

No	Statements	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
1	Creation a public confident in the auditing profession and auditors' work					
2	Carrying out auditing more efficiently					
3	Helping investors in making decisions					
4	Expansion of the financial market					
5	Facilitating movement of staff across national boundaries easier					
6	Enhancing the credibility of the financial statements					

Q17. What should Libya do regarding the International Standards on Auditing (ISAs) formed by the IAASB? (Please tick just one)

No	Decisions	Tick
1	We should adopt ISAs	
2	We should adopt them but they need modification	
3	We should not adopt ISAs	
4	I don't know	

Q18. On a scale from 1 to 5, please indicate to what extent the following factors positively or negatively affect the adoption of ISAs in Libya. (Please tick one box for each objective), (1 negatively affect and 5 positively affect, whereas, neutral is neither positive nor negative affects)

No	Factors	Highly negative	Negative	Neutral	Positive	Highly positive
1	The Libyan auditing education					
2	The quality of Libyan auditors					
3	The presence of international accounting firms					
4	The current status of the Libyan economy					
5	The Libyan culture					
6	The Libyan laws and regulations					
7	The existence of foreign corporations					
8	The stock market exchange					
9	The rules of international financial institutions (e.g. IMF)					
10	The understandability of ISA's					
11	The ISA's translation					
12	The cost of implementation of the international standards					

Part Six: Suggestions:

Q20. Based on your experience, please feel free to give any comments and identify reasons not included in this questionnaire which might influence the development of auditing regulations in Libya and the reasons for the country's decision to adopt ISA's.

.....

Q21. Would you like to receive a summary of the findings, when available? If yes please provide your email address.....

Thanks for your support

Appendix 2: Licencing Requirements: One-way ANOVA Results

Descriptive									
		N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
						Lower Bound	Upper Bound		
The quality is less than it should be	External Auditor	73	4.04	1.073	.126	3.79	4.29	1	5
	State Auditor	44	4.09	1.137	.171	3.75	4.44	1	5
	Internal Auditor	30	3.93	1.202	.219	3.48	4.38	1	5
	Academic	32	4.41	.911	.161	4.08	4.73	1	5
	Regulator	17	4.35	1.169	.284	3.75	4.95	1	5
	Total	196	4.12	1.093	.078	3.97	4.28	1	5
Licencing requirements are relatively simple	External Auditor	73	3.90	1.069	.125	3.65	4.15	1	5
	State Auditor	44	4.18	1.063	.160	3.86	4.50	1	5
	Internal Auditor	30	3.93	1.337	.244	3.43	4.43	1	5
	Academic	32	4.19	1.030	.182	3.82	4.56	1	5
	Regulator	17	4.00	1.061	.257	3.45	4.55	1	5
	Total	196	4.03	1.102	.079	3.87	4.18	1	5
Licencing requirements do not take into consideration the contemporary needs of audit practice in the country	External Auditor	73	3.93	.977	.114	3.70	4.16	2	5
	State Auditor	44	4.02	.927	.140	3.74	4.30	2	5
	Internal Auditor	30	3.77	1.073	.196	3.37	4.17	2	5
	Academic	32	4.06	.914	.162	3.73	4.39	2	5
	Regulator	17	4.12	.928	.225	3.64	4.59	2	5
	Total	196	3.96	.963	.069	3.83	4.10	2	5
Licencing requirements are not up to international standards	External Auditor	73	3.93	.991	.116	3.70	4.16	1	5
	State Auditor	44	3.95	.914	.138	3.68	4.23	1	5
	Internal Auditor	30	3.73	1.143	.209	3.31	4.16	1	5
	Academic	32	4.06	1.014	.179	3.70	4.43	1	5
	Regulator	17	4.06	.899	.218	3.60	4.52	2	5
	Total	196	3.94	.990	.071	3.80	4.08	1	5

Test of Homogeneity of Variances				
	Levene Statistic	df1	df2	Sig.
The quality is less than it should be	.877	4	191	.479
Licensing requirements are relatively simple	.746	4	191	.562
Licensing requirements do not take into consideration the contemporary needs of audit practice in the country	.579	4	191	.678
Licensing requirements are not up to international standards	.963	4	191	.429

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
The quality is less than it should be	Between Groups	5.080	4	1.270	1.064	.376
	Within Groups	227.981	191	1.194		
	Total	233.061	195			
Licensing requirements are relatively simple	Between Groups	3.257	4	.814	.666	.617
	Within Groups	233.616	191	1.223		
	Total	236.872	195			
Licensing requirements do not take into consideration the contemporary needs of audit practice in the country	Between Groups	2.109	4	.527	.564	.689
	Within Groups	178.641	191	.935		
	Total	180.750	195			
Licensing requirements are not up to international standards	Between Groups	2.016	4	.504	.509	.729
	Within Groups	189.249	191	.991		
	Total	191.265	195			

Robust Tests of Equality of Means					
		Statistic ^a	df1	df2	Sig.
The quality is less than it should be	Welch	1.186	4	66.838	.325
	Brown-Forsythe	1.039	4	122.545	.390
Licensing requirements are relatively simple	Welch	.686	4	66.834	.604
	Brown-Forsythe	.648	4	129.055	.629
Licensing requirements do not take into consideration the contemporary needs of audit practice in the country	Welch	.507	4	67.458	.731
	Brown-Forsythe	.566	4	135.453	.688
Licensing requirements are not up to international standards	Welch	.424	4	67.437	.791
	Brown-Forsythe	.508	4	136.734	.730

a. Asymptotically F distributed.

Multiple Comparisons							
Tukey HSD							
Dependent Variable			Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
The quality is less than it should be	External Auditor	State Auditor	-.050	.209	.999	-.62	.52
		Internal Auditor	.108	.237	.991	-.54	.76
		Academic	-.365	.232	.514	-1.00	.27
		Regulator	-.312	.294	.827	-1.12	.50
	State Auditor	External Auditor	.050	.209	.999	-.52	.62
		Internal Auditor	.158	.259	.974	-.55	.87
		Academic	-.315	.254	.727	-1.01	.38
		Regulator	-.262	.312	.918	-1.12	.60
	Internal Auditor	External Auditor	-.108	.237	.991	-.76	.54
		State Auditor	-.158	.259	.974	-.87	.55
		Academic	-.473	.278	.434	-1.24	.29
		Regulator	-.420	.332	.713	-	.49

	Academic	External Auditor	.365	.232	.514	1.33	-0.27	1.00
		State Auditor	.315	.254	.727		-0.38	1.01
		Internal Auditor	.473	.278	.434		-0.29	1.24
		Regulator	.053	.328	1.000		-0.85	.96
	Regulator	External Auditor	.312	.294	.827		-0.50	1.12
		State Auditor	.262	.312	.918		-0.60	1.12
		Internal Auditor	.420	.332	.713		-0.49	1.33
		Academic	-.053	.328	1.000		-0.96	.85
Licensing requirements are relatively simple	External Auditor	State Auditor	-.278	.211	.682		-0.86	.30
		Internal Auditor	-.029	.240	1.000		-0.69	.63
		Academic	-.283	.234	.746		-0.93	.36
		Regulator	-.096	.298	.998		-0.92	.72
	State Auditor	External Auditor	.278	.211	.682		-0.30	.86
		Internal Auditor	.248	.262	.877		-0.47	.97
		Academic	-.006	.257	1.000		-0.71	.70
		Regulator	.182	.316	.978		-0.69	1.05
	Internal Auditor	External Auditor	.029	.240	1.000		-0.63	.69
		State Auditor	-.248	.262	.877		-0.97	.47
		Academic	-.254	.281	.895		-1.03	.52
		Regulator	-.067	.336	1.000		-0.99	.86
	Academic	External Auditor	.283	.234	.746		-0.36	.93
		State Auditor	.006	.257	1.000		-0.70	.71
		Internal Auditor	.254	.281	.895		-0.52	1.03
		Regulator	.188	.332	.980		-0.73	1.10
	Regulator	External Auditor	.096	.298	.998		-0.72	.92
		State Auditor	-.182	.316	.978		-1.05	.69

		Internal Auditor	.067	.336	1.000	-.86	.99
		Academic	-.188	.332	.980	-1.10	.73
Licensing requirements do not take into consideration the contemporary needs of audit practice in the country	External Auditor	State Auditor	-.091	.185	.988	-.60	.42
		Internal Auditor	.165	.210	.934	-.41	.74
		Academic	-.131	.205	.969	-.70	.43
		Regulator	-.186	.260	.953	-.90	.53
	State Auditor	External Auditor	.091	.185	.988	-.42	.60
		Internal Auditor	.256	.229	.797	-.37	.89
		Academic	-.040	.225	1.000	-.66	.58
		Regulator	-.095	.276	.997	-.86	.67
	Internal Auditor	External Auditor	-.165	.210	.934	-.74	.41
		State Auditor	-.256	.229	.797	-.89	.37
		Academic	-.296	.246	.749	-.97	.38
		Regulator	-.351	.294	.754	-1.16	.46
	Academic	External Auditor	.131	.205	.969	-.43	.70
		State Auditor	.040	.225	1.000	-.58	.66
		Internal Auditor	.296	.246	.749	-.38	.97
		Regulator	-.055	.290	1.000	-.85	.74
	Regulator	External Auditor	.186	.260	.953	-.53	.90
		State Auditor	.095	.276	.997	-.67	.86
		Internal Auditor	.351	.294	.754	-.46	1.16
		Academic	.055	.290	1.000	-.74	.85
Licencing requirements are not up to international standards	External Auditor	State Auditor	-.023	.190	1.000	-.55	.50
		Internal Auditor	.198	.216	.890	-.40	.79
		Academic	-.131	.211	.972	-.71	.45
		Regulator	-.127	.268	.990	-.87	.61
	State Auditor	External Auditor	.023	.190	1.000	-.50	.55
		Internal Auditor	.221	.236	.881	-.43	.87

		Academic	-.108	.231	.990	-.74	.53
		Regulator	-.104	.284	.996	-.89	.68
	Internal Auditor	External Auditor	-.198	.216	.890	-.79	.40
		State Auditor	-.221	.236	.881	-.87	.43
		Academic	-.329	.253	.691	-1.03	.37
		Regulator	-.325	.302	.818	-1.16	.51
	Academic	External Auditor	.131	.211	.972	-.45	.71
		State Auditor	.108	.231	.990	-.53	.74
		Internal Auditor	.329	.253	.691	-.37	1.03
		Regulator	.004	.299	1.000	-.82	.83
	Regulator	External Auditor	.127	.268	.990	-.61	.87
		State Auditor	.104	.284	.996	-.68	.89
		Internal Auditor	.325	.302	.818	-.51	1.16
		Academic	-.004	.299	1.000	-.83	.82

Appendix 3: Training Period: One-way ANOVA Results

Descriptive									
		N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
						Lower Bound	Upper Bound		
The current period required is suitable	External Auditor	73	2.07	.948	.111	1.85	2.29	1	4
	State Auditor	44	2.30	1.047	.158	1.98	2.61	1	5
	Internal Auditor	30	2.40	1.003	.183	2.03	2.77	1	4
	Academic	32	1.91	1.027	.182	1.54	2.28	1	5
	Regulator	17	1.53	.624	.151	1.21	1.85	1	3
	Total	196	2.10	.990	.071	1.96	2.24	1	5
The training period needs to be increased	External Auditor	73	3.74	1.118	.131	3.48	4.00	2	5
	State Auditor	44	3.75	1.102	.166	3.41	4.09	1	5
	Internal Auditor	30	3.90	.960	.175	3.54	4.26	2	5
	Academic	32	3.81	1.230	.217	3.37	4.26	2	5
	Regulator	17	4.06	1.029	.250	3.53	4.59	2	5
	Total	196	3.81	1.097	.078	3.65	3.96	1	5
The training period needs to be decreased	External Auditor	73	2.03	.986	.115	1.80	2.26	1	5
	State Auditor	44	2.07	.846	.128	1.81	2.33	1	4
	Internal Auditor	30	1.83	.747	.136	1.55	2.11	1	3
	Academic	32	1.91	.893	.158	1.58	2.23	1	4
	Regulator	17	1.47	.624	.151	1.15	1.79	1	3
	Total	196	1.94	.887	.063	1.81	2.06	1	5
It should be similar for all candidates regardless of their qualifications	External Auditor	73	3.15	1.298	.152	2.85	3.45	1	5
	State Auditor	44	3.77	.937	.141	3.49	4.06	1	5
	Internal Auditor	30	2.57	1.501	.274	2.01	3.13	1	5
	Academic	32	2.97	1.576	.279	2.40	3.54	1	5
	Regulator	17	3.59	1.622	.394	2.75	4.42	1	5
	Total	196	3.21	1.386	.099	3.01	3.40	1	5

Test of Homogeneity of Variances				
	Levene Statistic	df1	df2	Sig.
The current period required is suitable	.790	4	191	.533
The training period needs to be increased	1.346	4	191	.254
The training period needs to be decreased	.820	4	191	.514
It should be similar for all candidates regardless of their qualifications.	7.559	4	191	.000

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
The current periods required is suitable	Between Groups	11.187	4	2.797	2.968	.021
	Within Groups	179.971	191	.942		
	Total	191.158	195			
The training periods needs to be increased	Between Groups	1.812	4	.453	.372	.829
	Within Groups	232.821	191	1.219		
	Total	234.633	195			
The training periods needs to be decreased	Between Groups	5.404	4	1.351	1.745	.142
	Within Groups	147.861	191	.774		
	Total	153.265	195			
It should be similar for all candidates regardless of their qualifications.	Between Groups	30.901	4	7.725	4.295	.002
	Within Groups	343.523	191	1.799		
	Total	374.423	195			

Robust Tests of Equality of Means					
		Statistic ^a	df1	df2	Sig.
The current period required is suitable	Welch	4.479	4	71.353	.003
	Brown-Forsythe	3.191	4	154.828	.015
The training period needs to be increased	Welch	.406	4	68.111	.803
	Brown-Forsythe	.382	4	140.154	.821
The training period needs to be decreased	Welch	2.730	4	71.884	.036
	Brown-Forsythe	2.031	4	167.312	.092
It should be similar for all candidates regardless of their qualifications.	Welch	5.110	4	64.371	.001
	Brown-Forsythe	3.801	4	101.277	.006

a. Asymptotically F distributed.

Multiple Comparisons							
Tukey HSD							
Dependent Variable			Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
The current period required is suitable	External Auditor	State Auditor	-.227	.185	.737	-.74	.28
		Internal Auditor	-.332	.211	.515	-.91	.25
		Academic	.162	.206	.934	-.40	.73
		Regulator	.539	.261	.241	-.18	1.26
	State Auditor	External Auditor	.227	.185	.737	-.28	.74
		Internal Auditor	-.105	.230	.991	-.74	.53
		Academic	.389	.226	.421	-.23	1.01
		Regulator	.766*	.277	.049	.00	1.53
	Internal Auditor	External Auditor	.332	.211	.515	-.25	.91
		State Auditor	.105	.230	.991	-.53	.74
		Academic	.494	.247	.269	-.19	1.17
		Regulator	.871*	.295	.029	.06	1.68
	Academic	External Auditor	-.162	.206	.934	-.73	.40
		State Auditor	-.389	.226	.421	-1.01	.23
		Internal Auditor	-.494	.247	.269	-1.17	.19
		Regulator	.377	.291	.696	-.43	1.18
	Regulator	External Auditor	-.539	.261	.241	-1.26	.18
		State Auditor	-.766*	.277	.049	-1.53	.00
		Internal Auditor	-.871*	.295	.029	-1.68	-.06
		Academic	-.377	.291	.696	-1.18	.43
The training period needs to be increased	External Auditor	State Auditor	-.010	.211	1.000	-.59	.57
		Internal Auditor	-.160	.239	.963	-.82	.50
		Academic	-.073	.234	.998	-.72	.57
		Regulator	-.319	.297	.820	-1.14	.50
	State Auditor	External Auditor	.010	.211	1.000	-.57	.59
		Internal Auditor	-.150	.261	.979	-.87	.57
		Academic	-.063	.257	.999	-.77	.64

		Regulator	-.309	.315	.864	-1.18	.56	
	Internal Auditor	External Auditor	.160	.239	.963	-.50	.82	
		State Auditor	.150	.261	.979	-.57	.87	
		Academic	.087	.281	.998	-.69	.86	
		Regulator	-.159	.335	.990	-1.08	.76	
	Academic	External Auditor	.073	.234	.998	-.57	.72	
		State Auditor	.063	.257	.999	-.64	.77	
		Internal Auditor	-.087	.281	.998	-.86	.69	
		Regulator	-.246	.331	.946	-1.16	.67	
	Regulator	External Auditor	.319	.297	.820	-.50	1.14	
		State Auditor	.309	.315	.864	-.56	1.18	
		Internal Auditor	.159	.335	.990	-.76	1.08	
		Academic	.246	.331	.946	-.67	1.16	
	The training period needs to be decreased	External Auditor	State Auditor	-.041	.168	.999	-.50	.42
			Internal Auditor	.194	.191	.847	-.33	.72
			Academic	.121	.187	.967	-.39	.63
Regulator			.557	.237	.134	-.10	1.21	
State Auditor		External Auditor	.041	.168	.999	-.42	.50	
		Internal Auditor	.235	.208	.792	-.34	.81	
		Academic	.162	.204	.933	-.40	.72	
		Regulator	.598	.251	.126	-.09	1.29	
Internal Auditor		External Auditor	-.194	.191	.847	-.72	.33	
		State Auditor	-.235	.208	.792	-.81	.34	
		Academic	-.073	.224	.998	-.69	.54	
		Regulator	.363	.267	.655	-.37	1.10	
Academic		External Auditor	-.121	.187	.967	-.63	.39	
		State Auditor	-.162	.204	.933	-.72	.40	
		Internal Auditor	.073	.224	.998	-.54	.69	
		Regulator	.436	.264	.468	-.29	1.16	
Regulator		External Auditor	-.557	.237	.134	-1.21	.10	

		State Auditor	-.598	.251	.126	-1.29	.09
		Internal Auditor	-.363	.267	.655	-1.10	.37
		Academic	-.436	.264	.468	-1.16	.29
It should be similar for all candidates regardless of their qualifications.	External Auditor	State Auditor	-.622	.256	.112	-1.33	.08
		Internal Auditor	.584	.291	.266	-.22	1.39
		Academic	.182	.284	.968	-.60	.96
		Regulator	-.438	.361	.745	-1.43	.56
	State Auditor	External Auditor	.622	.256	.112	-.08	1.33
		Internal Auditor	1.206*	.318	.002	.33	2.08
		Academic	.804	.312	.078	-.05	1.66
		Regulator	.184	.383	.989	-.87	1.24
	Internal Auditor	External Auditor	-.584	.291	.266	-1.39	.22
		State Auditor	-1.206*	.318	.002	-2.08	-.33
		Academic	-.402	.341	.763	-1.34	.54
		Regulator	-1.022	.407	.093	-2.14	.10
	Academic	External Auditor	-.182	.284	.968	-.96	.60
		State Auditor	-.804	.312	.078	-1.66	.05
		Internal Auditor	.402	.341	.763	-.54	1.34
		Regulator	-.619	.402	.538	-1.73	.49
Regulator	External Auditor	.438	.361	.745	-.56	1.43	
	State Auditor	-.184	.383	.989	-1.24	.87	
	Internal Auditor	1.022	.407	.093	-.10	2.14	
	Academic	.619	.402	.538	-.49	1.73	
*. The mean difference is significant at the 0.05 level.							

Appendix 4: Factors that Contribute to the Lag of the Audit Profession

Descriptive									
		N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
						Lower Bound	Upper Bound		
Lack of the effective government laws and regulations	External Auditor	73	4.36	.510	.060	4.24	4.48	3	5
	State Auditor	44	4.36	.532	.080	4.20	4.53	3	5
	Internal Auditor	30	4.27	.450	.082	4.10	4.43	4	5
	Academic	32	4.47	.507	.090	4.29	4.65	4	5
	Regulator	17	4.47	.514	.125	4.21	4.74	4	5
	Total	196	4.37	.505	.036	4.30	4.44	3	5
The Lag of the level of accounting education	External Auditor	73	4.37	.486	.057	4.26	4.48	4	5
	State Auditor	44	4.36	.532	.080	4.20	4.53	3	5
	Internal Auditor	30	4.40	.498	.091	4.21	4.59	4	5
	Academic	32	4.47	.507	.090	4.29	4.65	4	5
	Regulator	17	4.47	.514	.125	4.21	4.74	4	5
	Total	196	4.40	.501	.036	4.33	4.47	3	5
Abandon of the LAAA from its responsibilities	External Auditor	73	4.33	.528	.062	4.21	4.45	3	5
	State Auditor	44	4.36	.532	.080	4.20	4.53	3	5
	Internal Auditor	30	4.43	.504	.092	4.25	4.62	4	5
	Academic	32	4.53	.507	.090	4.35	4.71	4	5
	Regulator	17	4.41	.507	.123	4.15	4.67	4	5
	Total	196	4.39	.520	.037	4.32	4.47	3	5
Weakness of the role Libyan Stock Market (LSM)	External Auditor	73	4.33	.473	.055	4.22	4.44	4	5
	State Auditor	44	4.39	.538	.081	4.22	4.55	3	5
	Internal Auditor	30	4.37	.490	.089	4.18	4.55	4	5
	Academic	32	4.50	.568	.100	4.30	4.70	3	5
	Regulator	17	4.53	.514	.125	4.26	4.79	4	5
	Total	196	4.39	.510	.036	4.32	4.46	3	5

Test of Homogeneity of Variances				
	Levene Statistic	df1	df2	Sig.
Lack of the effective government laws and regulations	2.348	4	191	.056
The Lag of the level of accounting education	.558	4	191	.693
Abandon of the LAAA from its responsibilities	.102	4	191	.982
Weakness of the role Libyan Stock Market (LSM)	2.299	4	191	.060

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
Lack of the effective government laws and regulations	Between Groups	.819	4	.205	.798	.528
	Within Groups	48.992	191	.257		
	Total	49.811	195			
The Lag of the level of accounting education	Between Groups	.360	4	.090	.353	.841
	Within Groups	48.600	191	.254		
	Total	48.959	195			
Abandon of the LAAA from its responsibilities	Between Groups	1.006	4	.251	.928	.449
	Within Groups	51.744	191	.271		
	Total	52.750	195			
Weakness of the role Libyan Stock Market (LSM)	Between Groups	1.007	4	.252	.966	.427
	Within Groups	49.743	191	.260		
	Total	50.750	195			

Robust Tests of Equality of Means					
		Statistic ^a	df1	df2	Sig.
Lack of the effective government laws and regulations	Welch	.851	4	67.654	.498
	Brown-Forsythe	.810	4	133.660	.521
The Lag of the level of accounting education	Welch	.337	4	66.838	.852
	Brown-Forsythe	.347	4	132.316	.845
Abandon of the LAAA from its responsibilities	Welch	.923	4	67.806	.456
	Brown-Forsythe	.948	4	138.948	.438
Weakness of the role Libyan Stock Market (LSM)	Welch	.904	4	66.330	.467
	Brown-Forsythe	.932	4	131.391	.447

a. Asymptotically F distributed.

Multiple Comparisons							
Tukey HSD							
Dependent Variable			Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
Lack of the effective government laws and regulations	External Auditor	State Auditor	-.007	.097	1.000	-.27	.26
		Internal Auditor	.089	.110	.926	-.21	.39
		Academic Regulator	-.113	.107	.832	-.41	.18
	State Auditor	External Auditor	-.114	.136	.918	-.49	.26
		Internal Auditor	.007	.097	1.000	-.26	.27
		Academic Regulator	.097	.120	.928	-.23	.43
	Internal Auditor	External Auditor	-.105	.118	.899	-.43	.22
		State Auditor	-.107	.145	.947	-.51	.29
		Academic Regulator	-.089	.110	.926	-.39	.21
	Academic	External Auditor	-.097	.120	.928	-.43	.23
		State Auditor	-.202	.129	.518	-.56	.15
		Internal Auditor	-.204	.154	.675	-.63	.22
		Regulator	.113	.107	.832	-.18	.41
	Regulator	State Auditor	.105	.118	.899	-.22	.43
		Internal Auditor	.202	.129	.518	-.15	.56
		Academic	-.002	.152	1.000	-.42	.42
External Auditor		.114	.136	.918	-.26	.49	
The Lag of the level of accounting education	External Auditor	State Auditor	.107	.145	.947	-.29	.51
		Internal Auditor	.204	.154	.675	-.22	.63
		Academic	.002	.152	1.000	-.42	.42
		Regulator	.006	.096	1.000	-.26	.27
	State Auditor	External Auditor	-.030	.109	.999	-.33	.27
		Internal Auditor	-.099	.107	.887	-.39	.20
		Academic	-.101	.136	.946	-.47	.27
		Regulator	-.006	.096	1.000	-.27	.26

		Internal Auditor	-.036	.119	.998	-.37	.29
		Academic	-.105	.117	.898	-.43	.22
		Regulator	-.107	.144	.946	-.50	.29
	Internal Auditor	External Auditor	.030	.109	.999	-.27	.33
		State Auditor	.036	.119	.998	-.29	.37
		Academic	-.069	.128	.983	-.42	.28
		Regulator	-.071	.153	.991	-.49	.35
	Academic	External Auditor	.099	.107	.887	-.20	.39
		State Auditor	.105	.117	.898	-.22	.43
		Internal Auditor	.069	.128	.983	-.28	.42
		Regulator	-.002	.151	1.000	-.42	.42
	Regulator	External Auditor	.101	.136	.946	-.27	.47
		State Auditor	.107	.144	.946	-.29	.50
		Internal Auditor	.071	.153	.991	-.35	.49
		Academic	.002	.151	1.000	-.42	.42
	Abandon of the LAAA from its responsibilities	External Auditor	State Auditor	-.035	.099	.997	-.31
Internal Auditor			-.105	.113	.886	-.42	.21
Academic			-.202	.110	.357	-.51	.10
Regulator			-.083	.140	.976	-.47	.30
State Auditor		External Auditor	.035	.099	.997	-.24	.31
		Internal Auditor	-.070	.123	.980	-.41	.27
		Academic	-.168	.121	.637	-.50	.17
		Regulator	-.048	.149	.998	-.46	.36
Internal Auditor		External Auditor	.105	.113	.886	-.21	.42
		State Auditor	.070	.123	.980	-.27	.41
		Academic	-.098	.132	.947	-.46	.27
		Regulator	.022	.158	1.000	-.41	.46
Academic		External Auditor	.202	.110	.357	-.10	.51
		State Auditor	.168	.121	.637	-.17	.50
		Internal Auditor	.098	.132	.947	-.27	.46

	Regulator	Regulator	.119	.156	.940	-.31	.55
		External Auditor	.083	.140	.976	-.30	.47
		State Auditor	.048	.149	.998	-.36	.46
		Internal Auditor	-.022	.158	1.000	-.46	.41
		Academic	-.119	.156	.940	-.55	.31
Weakness of the role Libyan Stock Market (LSM)	External Auditor	State Auditor	-.058	.097	.976	-.33	.21
		Internal Auditor	-.038	.111	.997	-.34	.27
		Academic	-.171	.108	.510	-.47	.13
		Regulator	-.201	.137	.590	-.58	.18
	State Auditor	External Auditor	.058	.097	.976	-.21	.33
		Internal Auditor	.020	.121	1.000	-.31	.35
		Academic	-.114	.119	.873	-.44	.21
		Regulator	-.143	.146	.863	-.54	.26
	Internal Auditor	External Auditor	.038	.111	.997	-.27	.34
		State Auditor	-.020	.121	1.000	-.35	.31
		Academic	-.133	.130	.842	-.49	.22
		Regulator	-.163	.155	.831	-.59	.26
	Academic	External Auditor	.171	.108	.510	-.13	.47
		State Auditor	.114	.119	.873	-.21	.44
		Internal Auditor	.133	.130	.842	-.22	.49
		Regulator	-.029	.153	1.000	-.45	.39
	Regulator	External Auditor	.201	.137	.590	-.18	.58
		State Auditor	.143	.146	.863	-.26	.54
		Internal Auditor	.163	.155	.831	-.26	.59
		Academic	.029	.153	1.000	-.39	.45

Appendix 5: An Assessment of LAAA Effectiveness

Descriptive									
		N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
						Lower Bound	Upper Bound		
Developing auditing standards	External Auditor	73	1.95	.664	.078	1.79	2.10	1	3
	State Auditor	44	2.02	.664	.100	1.82	2.22	1	3
	Internal Auditor	30	2.00	.587	.107	1.78	2.22	1	3
	Academic	32	1.94	.669	.118	1.70	2.18	1	3
	Regulator	17	1.82	.728	.176	1.45	2.20	1	3
	Total	196	1.96	.655	.047	1.87	2.05	1	3
Providing local training programmes	External Auditor	73	2.27	1.031	.121	2.03	2.51	1	5
	State Auditor	44	2.34	1.010	.152	2.03	2.65	1	5
	Internal Auditor	30	2.47	1.167	.213	2.03	2.90	1	5
	Academic	32	2.09	.893	.158	1.77	2.42	1	5
	Regulator	17	1.94	.827	.201	1.52	2.37	1	3
	Total	196	2.26	1.012	.072	2.12	2.40	1	5
Involved in guiding the government in drafting laws and regulations which are related to the auditing profession	External Auditor	73	1.93	.871	.102	1.73	2.13	1	4
	State Auditor	44	2.25	.839	.126	1.99	2.51	1	4
	Internal Auditor	30	2.33	1.093	.200	1.93	2.74	1	5
	Academic	32	2.34	1.181	.209	1.92	2.77	1	5
	Regulator	17	2.18	1.131	.274	1.59	2.76	1	5
	Total	196	2.15	.986	.070	2.01	2.29	1	5
Providing Auditing training focuses on multinational needs	External Auditor	73	2.00	.882	.103	1.79	2.21	1	4
	State Auditor	44	2.09	.910	.137	1.81	2.37	1	5
	Internal Auditor	30	2.23	.858	.157	1.91	2.55	1	4
	Academic	32	2.19	1.061	.188	1.81	2.57	1	4
	Regulator	17	2.06	1.088	.264	1.50	2.62	1	4
	Total	196	2.09	.929	.066	1.96	2.22	1	5
Providing	External	73	3.77	1.161	.136	3.50	4.04	1	5

recommendations on matters where auditing regulations are deficient	Auditor								
	State Auditor	44	3.68	1.343	.202	3.27	4.09	1	5
	Internal Auditor	30	3.97	1.098	.200	3.56	4.38	1	5
	Academic	32	3.66	1.260	.223	3.20	4.11	1	5
	Regulator	17	3.59	1.278	.310	2.93	4.25	1	5
	Total	196	3.74	1.214	.087	3.57	3.92	1	5
Organising the Libyan Accountant and Auditors Association	External Auditor	73	3.51	.748	.088	3.33	3.68	2	4
	State Auditor	44	3.43	.818	.123	3.18	3.68	2	4
	Internal Auditor	30	3.60	.675	.123	3.35	3.85	2	4
	Academic	32	3.47	.718	.127	3.21	3.73	2	4
	Regulator	17	3.47	.800	.194	3.06	3.88	2	4
	Total	196	3.49	.748	.053	3.39	3.60	2	4
Monitoring the auditing practice	External Auditor	73	2.03	.687	.080	1.87	2.19	1	3
	State Auditor	44	2.34	.939	.142	2.06	2.63	1	5
	Internal Auditor	30	2.10	.923	.168	1.76	2.44	1	4
	Academic	32	2.22	1.099	.194	1.82	2.62	1	5
	Regulator	17	2.18	1.286	.312	1.52	2.84	1	5
	Total	196	2.15	.915	.065	2.02	2.28	1	5

Test of Homogeneity of Variances				
	Levene Statistic	df1	df2	Sig.
Developing auditing standards	.824	4	191	.511
Providing local training programmes	.715	4	191	.583
Involved in guiding the government in drafting laws and regulations which are related to the auditing profession	1.638	4	191	.166
Providing Auditing training focuses on multinational needs	1.024	4	191	.396
Providing recommendations on matters where auditing regulations are deficient	1.058	4	191	.378
Organising the Libyan Accountant and Auditors Association	.990	4	191	.414
Monitoring the auditing practice	3.886	4	191	.005

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
Developing auditing standards	Between Groups	.570	4	.142	.327	.859
	Within Groups	83.104	191	.435		
	Total	83.673	195			
Providing local training programmes	Between Groups	4.196	4	1.049	1.025	.396
	Within Groups	195.534	191	1.024		
	Total	199.730	195			
Involved in guiding the government in drafting laws and regulations which are related to the auditing profession	Between Groups	6.145	4	1.536	1.601	.176
	Within Groups	183.264	191	.959		
	Total	189.408	195			
Providing Auditing training focuses on multinational needs	Between Groups	1.528	4	.382	.437	.782
	Within Groups	166.819	191	.873		
	Total	168.347	195			
Providing recommendations on matters where auditing regulations are deficient	Between Groups	2.355	4	.589	.395	.812
	Within Groups	284.890	191	1.492		
	Total	287.245	195			
Organising the Libyan Accountant and Auditors Association	Between Groups	.549	4	.137	.242	.914
	Within Groups	108.446	191	.568		
	Total	108.995	195			
Monitoring the auditing practice	Between Groups	2.937	4	.734	.874	.481
	Within Groups	160.471	191	.840		
	Total	163.408	195			

Robust Tests of Equality of Means					
		Statistic ^a	df1	df2	Sig.
Developing auditing standards	Welch	.291	4	67.039	.883
	Brown-Forsythe	.322	4	121.027	.863
Providing local training programmes	Welch	1.146	4	69.040	.342
	Brown-Forsythe	1.075	4	144.658	.371
Involved in guiding the government in drafting laws and regulations which are related to the auditing profession	Welch	1.649	4	64.287	.173
	Brown-Forsythe	1.406	4	109.315	.237
Providing Auditing training focuses on multinational needs	Welch	.456	4	65.697	.767
	Brown-Forsythe	.404	4	111.484	.805
Providing recommendations on matters where auditing regulations are deficient	Welch	.422	4	66.775	.792
	Brown-Forsythe	.387	4	128.910	.818
Organising the Libyan Accountant and Auditors Association	Welch	.256	4	67.328	.905
	Brown-Forsythe	.242	4	127.547	.914
Monitoring the auditing practice	Welch	.985	4	62.061	.422
	Brown-Forsythe	.696	4	86.692	.597

a. Asymptotically F distributed.

Multiple Comparisons							
Tukey HSD							
Dependent Variable			Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
Developing auditing standards	External Auditor	State Auditor	-.078	.126	.972	-.42	.27
		Internal Auditor	-.055	.143	.995	-.45	.34
		Academic	.008	.140	1.000	-.38	.39
		Regulator	.122	.178	.960	-.37	.61
	State Auditor	External Auditor	.078	.126	.972	-.27	.42
		Internal Auditor	.023	.156	1.000	-.41	.45
		Academic	.085	.153	.981	-.34	.51
		Regulator	.199	.188	.828	-.32	.72
	Internal Auditor	External Auditor	.055	.143	.995	-.34	.45
		State Auditor	-.023	.156	1.000	-.45	.41
		Academic	.063	.168	.996	-.40	.52
		Regulator	.176	.200	.904	-.38	.73
	Academic	External Auditor	-.008	.140	1.000	-.39	.38
		State Auditor	-.085	.153	.981	-.51	.34
		Internal Auditor	-.063	.168	.996	-.52	.40
		Regulator	.114	.198	.978	-.43	.66
	Regulator	External Auditor	-.122	.178	.960	-.61	.37
		State Auditor	-.199	.188	.828	-.72	.32
		Internal Auditor	-.176	.200	.904	-.73	.38
		Academic	-.114	.198	.978	-.66	.43
Providing local training programmes	External Auditor	State Auditor	-.067	.193	.997	-.60	.46
		Internal Auditor	-.193	.219	.905	-.80	.41
		Academic	.180	.215	.918	-.41	.77
		Regulator	.333	.272	.739	-.42	1.08
	State Auditor	External Auditor	.067	.193	.997	-.46	.60
		Internal Auditor	-.126	.240	.985	-.79	.53
		Academic	.247	.235	.831	-.40	.89
		Regulator	.400	.289	.639	-.40	1.20

	Internal Auditor	External Auditor	.193	.219	.905	-.41	.80	
		State Auditor	.126	.240	.985	-.53	.79	
		Academic	.373	.257	.596	-.34	1.08	
		Regulator	.525	.307	.430	-.32	1.37	
	Academic	External Auditor	-.180	.215	.918	-.77	.41	
		State Auditor	-.247	.235	.831	-.89	.40	
		Internal Auditor	-.373	.257	.596	-1.08	.34	
		Regulator	.153	.304	.987	-.68	.99	
	Regulator	External Auditor	-.333	.272	.739	-1.08	.42	
		State Auditor	-.400	.289	.639	-1.20	.40	
		Internal Auditor	-.525	.307	.430	-1.37	.32	
		Academic	-.153	.304	.987	-.99	.68	
	Involved in guiding the government in drafting laws and regulations which are related to the auditing profession	External Auditor	State Auditor	-.318	.187	.434	-.83	.20
			Internal Auditor	-.402	.212	.325	-.99	.18
			Academic	-.412	.208	.277	-.98	.16
			Regulator	-.245	.264	.886	-.97	.48
State Auditor		External Auditor	.318	.187	.434	-.20	.83	
		Internal Auditor	-.083	.232	.996	-.72	.56	
		Academic	-.094	.228	.994	-.72	.53	
		Regulator	.074	.280	.999	-.70	.84	
Internal Auditor		External Auditor	.402	.212	.325	-.18	.99	
		State Auditor	.083	.232	.996	-.56	.72	
		Academic	-.010	.249	1.000	-.70	.68	
		Regulator	.157	.297	.984	-.66	.98	
Academic		External Auditor	.412	.208	.277	-.16	.98	
		State Auditor	.094	.228	.994	-.53	.72	
		Internal Auditor	.010	.249	1.000	-.68	.70	
		Regulator	.167	.294	.979	-.64	.98	
Regulator	External Auditor	.245	.264	.886	-.48	.97		
	State Auditor	-.074	.280	.999	-.84	.70		
	Internal Auditor	-.157	.297	.984	-.98	.66		
	Academic	-.167	.294	.979	-.98	.64		
Providing Auditing training focuses on multinational	External Auditor	State Auditor	-.091	.178	.986	-.58	.40	
		Internal Auditor	-.233	.203	.779	-.79	.32	
		Academic	-.188	.198	.878	-.73	.36	
		Regulator	-.059	.252	.999	-.75	.63	

needs	State Auditor	External Auditor	.091	.178	.986	-.40	.58
		Internal Auditor	-.142	.221	.968	-.75	.47
		Academic	-.097	.217	.992	-.69	.50
		Regulator	.032	.267	1.00 0	-.70	.77
	Internal Auditor	External Auditor	.233	.203	.779	-.32	.79
		State Auditor	.142	.221	.968	-.47	.75
		Academic	.046	.238	1.00 0	-.61	.70
		Regulator	.175	.284	.973	-.61	.96
	Academic	External Auditor	.188	.198	.878	-.36	.73
		State Auditor	.097	.217	.992	-.50	.69
		Internal Auditor	-.046	.238	1.00 0	-.70	.61
		Regulator	.129	.280	.991	-.64	.90
	Regulator	External Auditor	.059	.252	.999	-.63	.75
		State Auditor	-.032	.267	1.00 0	-.77	.70
		Internal Auditor	-.175	.284	.973	-.96	.61
		Academic	-.129	.280	.991	-.90	.64
Providing recommendations on matters where auditing regulations are deficient	External Auditor	State Auditor	.085	.233	.996	-.56	.73
		Internal Auditor	-.200	.265	.943	-.93	.53
		Academic	.111	.259	.993	-.60	.82
		Regulator	.179	.329	.983	-.73	1.08
	State Auditor	External Auditor	-.085	.233	.996	-.73	.56
		Internal Auditor	-.285	.289	.862	-1.08	.51
		Academic	.026	.284	1.00 0	-.76	.81
		Regulator	.094	.349	.999	-.87	1.05
	Internal Auditor	External Auditor	.200	.265	.943	-.53	.93
		State Auditor	.285	.289	.862	-.51	1.08
		Academic	.310	.310	.855	-.54	1.17
		Regulator	.378	.371	.846	-.64	1.40
	Academic	External Auditor	-.111	.259	.993	-.82	.60
		State Auditor	-.026	.284	1.00 0	-.81	.76
		Internal Auditor	-.310	.310	.855	-1.17	.54
		Regulator	.068	.367	1.00 0	-.94	1.08

	Regulator	External Auditor	-.179	.329	.983	-1.08	.73
		State Auditor	-.094	.349	.999	-1.05	.87
		Internal Auditor	-.378	.371	.846	-1.40	.64
		Academic	-.068	.367	1.00 0	-1.08	.94
Organising the Libyan Accountant and Auditors Association	External Auditor	State Auditor	.075	.144	.985	-.32	.47
		Internal Auditor	-.093	.163	.979	-.54	.36
		Academic	.038	.160	.999	-.40	.48
		Regulator	.036	.203	1.00 0	-.52	.60
	State Auditor	External Auditor	-.075	.144	.985	-.47	.32
		Internal Auditor	-.168	.178	.880	-.66	.32
		Academic	-.037	.175	1.00 0	-.52	.45
		Regulator	-.039	.215	1.00 0	-.63	.55
	Internal Auditor	External Auditor	.093	.163	.979	-.36	.54
		State Auditor	.168	.178	.880	-.32	.66
		Academic	.131	.191	.959	-.40	.66
		Regulator	.129	.229	.980	-.50	.76
	Academic	External Auditor	-.038	.160	.999	-.48	.40
		State Auditor	.037	.175	1.00 0	-.45	.52
		Internal Auditor	-.131	.191	.959	-.66	.40
		Regulator	-.002	.226	1.00 0	-.62	.62
	Regulator	External Auditor	-.036	.203	1.00 0	-.60	.52
		State Auditor	.039	.215	1.00 0	-.55	.63
		Internal Auditor	-.129	.229	.980	-.76	.50
		Academic	.002	.226	1.00 0	-.62	.62
Monitoring the auditing practice	External Auditor	State Auditor	-.314	.175	.381	-.80	.17
		Internal Auditor	-.073	.199	.996	-.62	.47
		Academic	-.191	.194	.862	-.73	.34
		Regulator	-.149	.247	.974	-.83	.53
	State Auditor	External Auditor	.314	.175	.381	-.17	.80
		Internal Auditor	.241	.217	.801	-.36	.84

		Academic	.122	.213	.979	-.46	.71
		Regulator	.164	.262	.970	-.56	.89
	Internal Auditor	External Auditor	.073	.199	.996	-.47	.62
		State Auditor	-.241	.217	.801	-.84	.36
		Academic	-.119	.233	.986	-.76	.52
		Regulator	-.076	.278	.999	-.84	.69
	Academic	External Auditor	.191	.194	.862	-.34	.73
		State Auditor	-.122	.213	.979	-.71	.46
		Internal Auditor	.119	.233	.986	-.52	.76
		Regulator	.042	.275	1.00 0	-.72	.80
	Regulator	External Auditor	.149	.247	.974	-.53	.83
		State Auditor	-.164	.262	.970	-.89	.56
		Internal Auditor	.076	.278	.999	-.69	.84
		Academic	-.042	.275	1.00 0	-.80	.72

Appendix 6: Advantages of Harmonising of Audit Standards

Descriptive									
		N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
						Lower Bound	Upper Bound		
Creation a public confident in the auditing profession and auditors' work	External Auditor	73	4.55	.668	.078	4.39	4.70	2	5
	State Auditor	44	4.50	.699	.105	4.29	4.71	2	5
	Internal Auditor	30	4.63	.669	.122	4.38	4.88	2	5
	Academic	32	4.41	.798	.141	4.12	4.69	2	5
	Regulator	17	4.65	.606	.147	4.34	4.96	3	5
	Total	196	4.54	.690	.049	4.44	4.63	2	5
Carrying out auditing more efficiently	External Auditor	73	4.52	.729	.085	4.35	4.69	1	5
	State Auditor	44	4.43	.695	.105	4.22	4.64	2	5
	Internal Auditor	30	4.53	.681	.124	4.28	4.79	2	5
	Academic	32	4.41	.798	.141	4.12	4.69	2	5
	Regulator	17	4.53	.514	.125	4.26	4.79	4	5
	Total	196	4.48	.705	.050	4.39	4.58	1	5
Helping investors in making decisions	External Auditor	73	4.52	.648	.076	4.37	4.67	2	5
	State Auditor	44	4.48	.698	.105	4.26	4.69	2	5
	Internal Auditor	30	4.50	.682	.125	4.25	4.75	2	5
	Academic	32	4.34	.787	.139	4.06	4.63	2	5
	Regulator	17	4.47	.514	.125	4.21	4.74	4	5
	Total	196	4.47	.675	.048	4.38	4.57	2	5
Expansion of the financial market	External Auditor	73	4.64	.653	.076	4.49	4.80	2	5
	State Auditor	44	4.64	.685	.103	4.43	4.84	2	5
	Internal Auditor	30	4.67	.547	.100	4.46	4.87	3	5
	Academic	32	4.78	.420	.074	4.63	4.93	4	5
	Regulator	17	4.76	.437	.106	4.54	4.99	4	5
	Total	196	4.68	.594	.042	4.59	4.76	2	5

Facilitating movement of staff across national boundaries easier	External Auditor	73	4.58	.815	.095	4.39	4.77	2	5
	State Auditor	44	4.55	.820	.124	4.30	4.79	2	5
	Internal Auditor	30	4.63	.669	.122	4.38	4.88	2	5
	Academic	32	4.59	.798	.141	4.31	4.88	2	5
	Regulator	17	4.76	.437	.106	4.54	4.99	4	5
	Total	196	4.60	.762	.054	4.49	4.70	2	5
Enhancing the credibility of the financial statements	External Auditor	73	4.51	.669	.078	4.35	4.66	2	5
	State Auditor	44	4.50	.699	.105	4.29	4.71	2	5
	Internal Auditor	30	4.40	.814	.149	4.10	4.70	1	5
	Academic	32	4.50	.672	.119	4.26	4.74	2	5
	Regulator	17	4.53	.514	.125	4.26	4.79	4	5
	Total	196	4.49	.683	.049	4.39	4.59	1	5

Test of Homogeneity of Variances				
	Levene Statistic	df1	df2	Sig.
Creation a public confident in the auditing profession and auditors' work	.554	4	191	.697
Carrying out auditing more efficiently	.362	4	191	.835
Helping investors in making decisions	.362	4	191	.835
Expansion of the financial market	2.101	4	191	.082
Facilitating movement of staff across national boundaries easier	1.050	4	191	.383
Enhancing the credibility of the financial statements	.257	4	191	.905

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
Creation a public confident in the auditing profession and auditors' work	Between Groups	1.100	4	.275	.573	.682
	Within Groups	91.650	191	.480		
	Total	92.750	195			
Carrying out auditing more efficiently	Between Groups	.519	4	.130	.257	.905
	Within Groups	96.435	191	.505		
	Total	96.954	195			
Helping investors in making decisions	Between Groups	.722	4	.180	.391	.815
	Within Groups	88.150	191	.462		
	Total	88.872	195			

Expansion of the financial market	Between Groups	.634	4	.159	.445	.776
	Within Groups	68.116	191	.357		
	Total	68.750	195			
Facilitating movement of staff across national boundaries easier	Between Groups	.669	4	.167	.284	.888
	Within Groups	112.489	191	.589		
	Total	113.158	195			
Enhancing the credibility of the financial statements	Between Groups	.298	4	.074	.157	.960
	Within Groups	90.682	191	.475		
	Total	90.980	195			

Robust Tests of Equality of Means					
		Statistic ^a	df1	df2	Sig.
Creation a public confident in the auditing profession and auditors' work	Welch	.524	4	67.739	.718
	Brown-Forsythe	.577	4	142.040	.679
Carrying out auditing more efficiently	Welch	.246	4	70.363	.911
	Brown-Forsythe	.277	4	153.347	.893
Helping investors in making decisions	Welch	.310	4	68.926	.870
	Brown-Forsythe	.402	4	146.794	.807
Expansion of the financial market	Welch	.632	4	71.769	.642
	Brown-Forsythe	.525	4	163.840	.717
Facilitating movement of staff across national boundaries easier	Welch	.602	4	74.409	.662
	Brown-Forsythe	.331	4	165.663	.857
Enhancing the credibility of the financial statements	Welch	.124	4	69.217	.973
	Brown-Forsythe	.162	4	143.885	.957

a. Asymptotically F distributed.

Multiple Comparisons							
Tukey HSD							
Dependent Variable			Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
Creation a public confident in the auditing profession and auditors' work	External Auditor	State Auditor	.048	.132	.996	-.32	.41
		Internal Auditor	-.085	.150	.979	-.50	.33
		Academic	.142	.147	.871	-.26	.55
		Regulator	-.099	.187	.984	-.61	.41

	State Auditor	External Auditor	-.048	.132	.996	-.41	.32
		Internal Auditor	-.133	.164	.926	-.59	.32
		Academic	.094	.161	.978	-.35	.54
		Regulator	-.147	.198	.946	-.69	.40
	Internal Auditor	External Auditor	.085	.150	.979	-.33	.50
		State Auditor	.133	.164	.926	-.32	.59
		Academic	.227	.176	.698	-.26	.71
		Regulator	-.014	.210	1.000	-.59	.57
	Academic	External Auditor	-.142	.147	.871	-.55	.26
		State Auditor	-.094	.161	.978	-.54	.35
		Internal Auditor	-.227	.176	.698	-.71	.26
		Regulator	-.241	.208	.775	-.81	.33
	Regulator	External Auditor	.099	.187	.984	-.41	.61
		State Auditor	.147	.198	.946	-.40	.69
		Internal Auditor	.014	.210	1.000	-.57	.59
		Academic	.241	.208	.775	-.33	.81
Carrying out auditing more efficiently	External Auditor	State Auditor	.089	.136	.966	-.28	.46
		Internal Auditor	-.013	.154	1.000	-.44	.41
		Academic	.114	.151	.942	-.30	.53
		Regulator	-.009	.191	1.000	-.54	.52
	State Auditor	External Auditor	-.089	.136	.966	-.46	.28
		Internal Auditor	-.102	.168	.974	-.56	.36
		Academic	.026	.165	1.000	-.43	.48
		Regulator	-.098	.203	.989	-.66	.46
	Internal Auditor	External Auditor	.013	.154	1.000	-.41	.44
		State Auditor	.102	.168	.974	-.36	.56
		Academic	.127	.181	.955	-.37	.62
		Regulator	.004	.216	1.000	-.59	.60
	Academic	External Auditor	-.114	.151	.942	-.53	.30
		State Auditor	-.026	.165	1.000	-.48	.43
		Internal Auditor	-.127	.181	.955	-.62	.37
		Regulator	-.123	.213	.978	-.71	.46

	Regulator	External Auditor	.009	.191	1.000	-.52	.54
		State Auditor	.098	.203	.989	-.46	.66
		Internal Auditor	-.004	.216	1.000	-.60	.59
		Academic	.123	.213	.978	-.46	.71
Helping investors in making decisions	External Auditor	State Auditor	.043	.130	.997	-.31	.40
		Internal Auditor	.021	.147	1.000	-.39	.43
		Academic	.177	.144	.735	-.22	.57
		Regulator	.050	.183	.999	-.45	.55
	State Auditor	External Auditor	-.043	.130	.997	-.40	.31
		Internal Auditor	-.023	.161	1.000	-.47	.42
		Academic	.134	.158	.916	-.30	.57
		Regulator	.007	.194	1.000	-.53	.54
	Internal Auditor	External Auditor	-.021	.147	1.000	-.43	.39
		State Auditor	.023	.161	1.000	-.42	.47
		Academic	.156	.173	.895	-.32	.63
		Regulator	.029	.206	1.000	-.54	.60
	Academic	External Auditor	-.177	.144	.735	-.57	.22
		State Auditor	-.134	.158	.916	-.57	.30
		Internal Auditor	-.156	.173	.895	-.63	.32
		Regulator	-.127	.204	.971	-.69	.43
	Regulator	External Auditor	-.050	.183	.999	-.55	.45
		State Auditor	-.007	.194	1.000	-.54	.53
		Internal Auditor	-.029	.206	1.000	-.60	.54
		Academic	.127	.204	.971	-.43	.69
Expansion of the financial market	External Auditor	State Auditor	.007	.114	1.000	-.31	.32
		Internal Auditor	-.023	.130	1.000	-.38	.33
		Academic	-.137	.127	.814	-.49	.21
		Regulator	-.121	.161	.944	-.56	.32
	State Auditor	External Auditor	-.007	.114	1.000	-.32	.31
		Internal Auditor	-.030	.141	1.000	-.42	.36
		Academic	-.145	.139	.834	-.53	.24
		Regulator	-.128	.171	.944	-.60	.34

	Internal Auditor	External Auditor	.023	.130	1.000	-.33	.38	
		State Auditor	.030	.141	1.000	-.36	.42	
		Academic	-.115	.152	.943	-.53	.30	
		Regulator	-.098	.181	.983	-.60	.40	
	Academic	External Auditor	.137	.127	.814	-.21	.49	
		State Auditor	.145	.139	.834	-.24	.53	
		Internal Auditor	.115	.152	.943	-.30	.53	
		Regulator	.017	.179	1.000	-.48	.51	
	Regulator	External Auditor	.121	.161	.944	-.32	.56	
		State Auditor	.128	.171	.944	-.34	.60	
		Internal Auditor	.098	.181	.983	-.40	.60	
		Academic	-.017	.179	1.000	-.51	.48	
	Facilitating movement of staff across national boundaries easier	External Auditor	State Auditor	.030	.146	1.000	-.37	.43
			Internal Auditor	-.058	.166	.997	-.52	.40
			Academic	-.018	.163	1.000	-.47	.43
			Regulator	-.189	.207	.890	-.76	.38
State Auditor		External Auditor	-.030	.146	1.000	-.43	.37	
		Internal Auditor	-.088	.182	.989	-.59	.41	
		Academic	-.048	.178	.999	-.54	.44	
		Regulator	-.219	.219	.855	-.82	.38	
Internal Auditor		External Auditor	.058	.166	.997	-.40	.52	
		State Auditor	.088	.182	.989	-.41	.59	
		Academic	.040	.195	1.000	-.50	.58	
		Regulator	-.131	.233	.980	-.77	.51	
Academic		External Auditor	.018	.163	1.000	-.43	.47	
		State Auditor	.048	.178	.999	-.44	.54	
		Internal Auditor	-.040	.195	1.000	-.58	.50	
		Regulator	-.171	.230	.946	-.81	.46	
Regulator		External Auditor	.189	.207	.890	-.38	.76	
		State Auditor	.219	.219	.855	-.38	.82	
		Internal Auditor	.131	.233	.980	-.51	.77	

		Academic	.171	.230	.946	-.46	.81
Enhancing the credibility of the financial statements	External Auditor	State Auditor	.007	.132	1.000	-.36	.37
		Internal Auditor	.107	.149	.953	-.30	.52
		Academic	.007	.146	1.000	-.40	.41
		Regulator	-.023	.186	1.000	-.53	.49
	State Auditor	External Auditor	-.007	.132	1.000	-.37	.36
		Internal Auditor	.100	.163	.973	-.35	.55
		Academic	0.000	.160	1.000	-.44	.44
		Regulator	-.029	.197	1.000	-.57	.51
	Internal Auditor	External Auditor	-.107	.149	.953	-.52	.30
		State Auditor	-.100	.163	.973	-.55	.35
		Academic	-.100	.175	.979	-.58	.38
		Regulator	-.129	.209	.972	-.71	.45
	Academic	External Auditor	-.007	.146	1.000	-.41	.40
		State Auditor	0.000	.160	1.000	-.44	.44
		Internal Auditor	.100	.175	.979	-.38	.58
		Regulator	-.029	.207	1.000	-.60	.54
	Regulator	External Auditor	.023	.186	1.000	-.49	.53
		State Auditor	.029	.197	1.000	-.51	.57
		Internal Auditor	.129	.209	.972	-.45	.71
		Academic	.029	.207	1.000	-.54	.60

Appendix 7: Factors having Positive and Negative Significant Effect upon the Adoption

Descriptive									
		N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
						Lower Bound	Upper Bound		
Level of Libyan auditing education	External Auditor	73	1.82	.770	.090	1.64	2.00	1	4
	State Auditor	44	1.84	.745	.112	1.61	2.07	1	4
	Internal Auditor	30	1.93	.828	.151	1.62	2.24	1	4
	Academic	32	1.53	.621	.110	1.31	1.76	1	3
	Regulator	17	1.59	.618	.150	1.27	1.91	1	3
	Total	196	1.78	.745	.053	1.67	1.88	1	4
Level of quality of Libyan auditors	External Auditor	73	1.88	.763	.089	1.70	2.05	1	4
	State Auditor	44	1.80	.765	.115	1.56	2.03	1	4
	Internal Auditor	30	2.03	.890	.162	1.70	2.37	1	5
	Academic	32	1.56	.619	.109	1.34	1.79	1	3
	Regulator	17	1.59	.618	.150	1.27	1.91	1	3
	Total	196	1.81	.760	.054	1.70	1.91	1	5
The presence of international accounting firms	External Auditor	73	4.41	.831	.097	4.22	4.60	2	5
	State Auditor	44	4.43	.789	.119	4.19	4.67	3	5
	Internal Auditor	30	4.70	.596	.109	4.48	4.92	3	5
	Academic	32	4.53	.671	.119	4.29	4.77	3	5
	Regulator	17	4.59	.712	.173	4.22	4.95	3	5
	Total	196	4.49	.754	.054	4.39	4.60	2	5
The current status of the Libyan economy	External Auditor	73	4.34	.803	.094	4.16	4.53	2	5
	State Auditor	44	4.32	.771	.116	4.08	4.55	3	5
	Internal Auditor	30	4.57	.626	.114	4.33	4.80	3	5
	Academic	32	4.47	.621	.110	4.24	4.69	3	5
	Regulator	17	4.41	.712	.173	4.05	4.78	3	5
	Total	196	4.40	.734	.052	4.29	4.50	2	5

The Libyan culture	External Auditor	73	1.84	.764	.089	1.66	2.01	1	4
	State Auditor	44	1.84	.745	.112	1.61	2.07	1	4
	Internal Auditor	30	2.03	.890	.162	1.70	2.37	1	5
	Academic	32	1.69	.592	.105	1.47	1.90	1	3
	Regulator	17	1.76	.562	.136	1.48	2.05	1	3
	Total	196	1.84	.740	.053	1.73	1.94	1	5
The Libyan laws and regulations	External Auditor	73	1.78	.786	.092	1.60	1.96	1	4
	State Auditor	44	1.80	.765	.115	1.56	2.03	1	4
	Internal Auditor	30	2.03	.765	.140	1.75	2.32	1	4
	Academic	32	1.56	.619	.109	1.34	1.79	1	3
	Regulator	17	1.47	.624	.151	1.15	1.79	1	3
	Total	196	1.76	.750	.054	1.65	1.87	1	4
The existence of foreign corporations	External Auditor	73	4.32	.814	.095	4.13	4.51	2	5
	State Auditor	44	4.34	.745	.112	4.11	4.57	3	5
	Internal Auditor	30	4.73	.521	.095	4.54	4.93	3	5
	Academic	32	4.38	.660	.117	4.14	4.61	3	5
	Regulator	17	4.41	.712	.173	4.05	4.78	3	5
	Total	196	4.40	.734	.052	4.30	4.51	2	5
The strong stock exchange	External Auditor	73	4.27	.902	.106	4.06	4.48	1	5
	State Auditor	44	4.39	.868	.131	4.12	4.65	2	5
	Internal Auditor	30	4.50	.572	.104	4.29	4.71	3	5
	Academic	32	4.47	.718	.127	4.21	4.73	3	5
	Regulator	17	4.47	.717	.174	4.10	4.84	3	5
	Total	196	4.38	.805	.057	4.27	4.50	1	5
The lack of legislation imposed by international financial institutions (e.g. IMF)	External Auditor	73	4.36	.856	.100	4.16	4.56	2	5
	State Auditor	44	4.36	.780	.118	4.13	4.60	3	5
	Internal Auditor	30	4.53	.629	.115	4.30	4.77	3	5
	Academic	32	4.47	.621	.110	4.24	4.69	3	5
	Regulator	17	4.71	.588	.143	4.40	5.01	3	5
	Total	196	4.43	.752	.054	4.33	4.54	2	5

The complexity of ISA's that affect its understandability	External Auditor	73	1.86	.805	.094	1.68	2.05	1	5
	State Auditor	44	1.86	.824	.124	1.61	2.11	1	5
	Internal Auditor	30	1.97	.890	.162	1.63	2.30	1	4
	Academic	32	1.56	.716	.127	1.30	1.82	1	4
	Regulator	17	1.65	.606	.147	1.34	1.96	1	3
	Total	196	1.81	.797	.057	1.70	1.92	1	5
Difficulty of translating The international standards	External Auditor	73	4.25	.863	.101	4.05	4.45	1	5
	State Auditor	44	4.34	.713	.108	4.12	4.56	3	5
	Internal Auditor	30	4.50	.630	.115	4.26	4.74	3	5
	Academic	32	4.38	.707	.125	4.12	4.63	3	5
	Regulator	17	4.35	.606	.147	4.04	4.66	3	5
	Total	196	4.34	.750	.054	4.23	4.44	1	5
The high cost of implementation of the international standards	External Auditor	73	1.85	.828	.097	1.66	2.04	1	5
	State Auditor	44	1.82	.756	.114	1.59	2.05	1	4
	Internal Auditor	30	1.83	.986	.180	1.47	2.20	1	5
	Academic	32	1.69	.592	.105	1.47	1.90	1	3
	Regulator	17	1.76	.752	.182	1.38	2.15	1	4
	Total	196	1.81	.793	.057	1.69	1.92	1	5

Test of Homogeneity of Variances				
	Levene Statistic	df1	df2	Sig.
Level of Libyan auditing education	.146	4	191	.965
Level of quality of Libyan auditors	.086	4	191	.987
The presence of international accounting firms	2.816	4	191	.027
The current status of the Libyan economy	1.369	4	191	.246
The Libyan culture	.433	4	191	.784
The Libyan laws and regulations	.576	4	191	.680
The existence of foreign corporations	3.026	4	191	.019
The strong stock exchange	1.233	4	191	.298
The lack of legislation imposed by international financial institutions (e.g. IMF)	3.045	4	191	.018
The complexity of ISA's that affect its understandability	.133	4	191	.970
Difficulty of translating The international standards	.750	4	191	.559
The high cost of implementation of the international standards	1.216	4	191	.305

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
Level of Libyan auditing education	Between Groups	3.598	4	.900	1.644	.165
	Within Groups	104.524	191	.547		
	Total	108.122	195			
Level of quality of Libyan auditors	Between Groups	4.624	4	1.156	2.044	.090
	Within Groups	108.009	191	.565		
	Total	112.633	195			
The presence of international accounting firms	Between Groups	2.142	4	.535	.940	.442
	Within Groups	108.853	191	.570		
	Total	110.995	195			
The current status of the Libyan economy	Between Groups	1.522	4	.381	.703	.591
	Within Groups	103.437	191	.542		
	Total	104.959	195			
The Libyan culture	Between Groups	1.961	4	.490	.893	.469
	Within Groups	104.814	191	.549		
	Total	106.776	195			
The Libyan laws and regulations	Between Groups	5.000	4	1.250	2.280	.062
	Within Groups	104.729	191	.548		
	Total	109.730	195			
The existence of foreign corporations	Between Groups	4.034	4	1.009	1.905	.111
	Within Groups	101.124	191	.529		
	Total	105.158	195			
The strong stock exchange	Between Groups	1.645	4	.411	.630	.642
	Within Groups	124.656	191	.653		
	Total	126.301	195			
The lack of legislation imposed by international financial institutions (e.g. IMF)	Between Groups	2.251	4	.563	.996	.411
	Within Groups	107.886	191	.565		
	Total	110.138	195			
The complexity of ISA's that affect its understandability	Between Groups	3.479	4	.870	1.378	.243
	Within	120.536	191	.631		

	Groups					
	Total	124.015	195			
Difficulty of translating The international standards	Between Groups	1.445	4	.361	.637	.637
	Within Groups	108.330	191	.567		
	Total	109.776	195			
The high cost of implementation of the international standards	Between Groups	.644	4	.161	.252	.908
	Within Groups	121.988	191	.639		
	Total	122.633	195			

Robust Tests of Equality of Means					
		Statistic ^a	df1	df2	Sig.
Level of Libyan auditing education	Welch	1.917	4	69.215	.117
	Brown-Forsythe	1.751	4	146.501	.142
Level of quality of Libyan auditors	Welch	2.228	4	69.018	.075
	Brown-Forsythe	2.141	4	140.917	.079
The presence of international accounting firms	Welch	1.144	4	69.546	.343
	Brown-Forsythe	1.041	4	145.167	.388
The current status of the Libyan economy	Welch	.799	4	69.194	.530
	Brown-Forsythe	.767	4	141.587	.548
The Libyan culture	Welch	.857	4	69.970	.494
	Brown-Forsythe	.957	4	141.595	.433
The Libyan laws and regulations	Welch	2.581	4	69.581	.045
	Brown-Forsythe	2.483	4	152.559	.046
The existence of foreign corporations	Welch	2.985	4	69.538	.025
	Brown-Forsythe	2.118	4	138.209	.082
The strong stock exchange	Welch	.674	4	70.374	.612
	Brown-Forsythe	.723	4	151.904	.577
The lack of legislation imposed by international financial institutions (e.g. IMF)	Welch	1.248	4	71.449	.299
	Brown-Forsythe	1.182	4	168.245	.321
The complexity of ISA's that affect its understand ability	Welch	1.533	4	69.779	.202
	Brown-Forsythe	1.469	4	150.628	.214
Difficulty of translating The international standards	Welch	.678	4	70.822	.610
	Brown-Forsythe	.741	4	163.935	.566
The high cost of implementation of the international standards	Welch	.357	4	68.005	.838
	Brown-Forsythe	.257	4	125.724	.905

a. Asymptotically F distributed.

Multiple Comparisons							
Tukey HSD							
Dependent Variable			Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
Level of Libyan auditing education	External Auditor	State Auditor	-.019	.141	1.000	-.41	.37
		Internal Auditor	-.111	.160	.957	-.55	.33
		Academic	.291	.157	.346	-.14	.72
		Regulator	.234	.199	.767	-.31	.78
	State Auditor	External Auditor	.019	.141	1.000	-.37	.41
		Internal Auditor	-.092	.175	.984	-.57	.39
		Academic	.310	.172	.376	-.16	.78
		Regulator	.253	.211	.754	-.33	.83
	Internal Auditor	External Auditor	.111	.160	.957	-.33	.55
		State Auditor	.092	.175	.984	-.39	.57
		Academic	.402	.188	.208	-.12	.92
		Regulator	.345	.225	.540	-.27	.96
	Academic	External Auditor	-.291	.157	.346	-.72	.14
		State Auditor	-.310	.172	.376	-.78	.16
		Internal Auditor	-.402	.188	.208	-.92	.12
		Regulator	-.057	.222	.999	-.67	.55
	Regulator	External Auditor	-.234	.199	.767	-.78	.31
		State Auditor	-.253	.211	.754	-.83	.33
		Internal Auditor	-.345	.225	.540	-.96	.27
		Academic	.057	.222	.999	-.55	.67
Level of quality of Libyan auditors	External Auditor	State Auditor	.081	.144	.980	-.31	.48
		Internal Auditor	-.157	.163	.872	-.61	.29
		Academic	.314	.159	.284	-.12	.75
		Regulator	.288	.203	.613	-.27	.85
	State Auditor	External Auditor	-.081	.144	.980	-.48	.31
		Internal Auditor	-.238	.178	.669	-.73	.25
		Academic	.233	.175	.671	-.25	.71
		Regulator	.207	.215	.871	-.38	.80

	Internal Auditor	External Auditor	.157	.163	.872	-.29	.61	
		State Auditor	.238	.178	.669	-.25	.73	
		Academic	.471	.191	.103	-.06	1.00	
		Regulator	.445	.228	.295	-.18	1.07	
	Academic	External Auditor	-.314	.159	.284	-.75	.12	
		State Auditor	-.233	.175	.671	-.71	.25	
		Internal Auditor	-.471	.191	.103	-1.00	.06	
		Regulator	-.026	.226	1.000	-.65	.60	
	Regulator	External Auditor	-.288	.203	.613	-.85	.27	
		State Auditor	-.207	.215	.871	-.80	.38	
		Internal Auditor	-.445	.228	.295	-1.07	.18	
		Academic	.026	.226	1.000	-.60	.65	
	The presence of international accounting firms	External Auditor	State Auditor	-.021	.144	1.000	-.42	.38
			Internal Auditor	-.289	.164	.397	-.74	.16
			Academic	-.120	.160	.944	-.56	.32
			Regulator	-.177	.203	.907	-.74	.38
State Auditor		External Auditor	.021	.144	1.000	-.38	.42	
		Internal Auditor	-.268	.179	.564	-.76	.22	
		Academic	-.099	.175	.980	-.58	.38	
		Regulator	-.156	.216	.950	-.75	.44	
Internal Auditor		External Auditor	.289	.164	.397	-.16	.74	
		State Auditor	.268	.179	.564	-.22	.76	
		Academic	.169	.192	.904	-.36	.70	
		Regulator	.112	.229	.988	-.52	.74	
Academic		External Auditor	.120	.160	.944	-.32	.56	
		State Auditor	.099	.175	.980	-.38	.58	
		Internal Auditor	-.169	.192	.904	-.70	.36	
		Regulator	-.057	.227	.999	-.68	.57	
Regulator		External Auditor	.177	.203	.907	-.38	.74	
		State Auditor	.156	.216	.950	-.44	.75	
		Internal Auditor	-.112	.229	.988	-.74	.52	

The current status of the Libyan economy	External Auditor	Academic	.057	.227	.999	-.57	.68
		State Auditor	.024	.140	1.000	-.36	.41
		Internal Auditor	-.224	.160	.625	-.66	.22
		Academic	-.126	.156	.927	-.56	.30
	State Auditor	Regulator	-.069	.198	.997	-.62	.48
		External Auditor	-.024	.140	1.000	-.41	.36
		Internal Auditor	-.248	.174	.612	-.73	.23
		Academic	-.151	.171	.904	-.62	.32
	Internal Auditor	Regulator	-.094	.210	.992	-.67	.49
		External Auditor	.224	.160	.625	-.22	.66
		State Auditor	.248	.174	.612	-.23	.73
		Academic	.098	.187	.985	-.42	.61
	Academic	Regulator	.155	.223	.958	-.46	.77
		External Auditor	.126	.156	.927	-.30	.56
		State Auditor	.151	.171	.904	-.32	.62
		Internal Auditor	-.098	.187	.985	-.61	.42
	Regulator	Regulator	.057	.221	.999	-.55	.67
		External Auditor	.069	.198	.997	-.48	.62
		State Auditor	.094	.210	.992	-.49	.67
		Internal Auditor	-.155	.223	.958	-.77	.46
The Libyan culture	External Auditor	Academic	-.057	.221	.999	-.67	.55
		State Auditor	-.005	.141	1.000	-.39	.38
		Internal Auditor	-.198	.161	.733	-.64	.24
		Academic	.148	.157	.880	-.28	.58
	State Auditor	Regulator	.071	.199	.997	-.48	.62
		External Auditor	.005	.141	1.000	-.38	.39
		Internal Auditor	-.192	.175	.808	-.68	.29
		Academic	.153	.172	.900	-.32	.63
	Internal Auditor	Regulator	.076	.212	.996	-.51	.66
		External Auditor	.198	.161	.733	-.24	.64
		State Auditor	.192	.175	.808	-.29	.68

		Academic	.346	.188	.355	-.17	.86
		Regulator	.269	.225	.755	-.35	.89
	Academic	External Auditor	-.148	.157	.880	-.58	.28
		State Auditor	-.153	.172	.900	-.63	.32
		Internal Auditor	-.346	.188	.355	-.86	.17
		Regulator	-.077	.222	.997	-.69	.54
	Regulator	External Auditor	-.071	.199	.997	-.62	.48
		State Auditor	-.076	.212	.996	-.66	.51
		Internal Auditor	-.269	.225	.755	-.89	.35
		Academic	.077	.222	.997	-.54	.69
The Libyan laws and regulations	External Auditor	State Auditor	-.015	.141	1.000	-.40	.37
		Internal Auditor	-.253	.161	.517	-.69	.19
		Academic	.218	.157	.634	-.21	.65
		Regulator	.310	.199	.528	-.24	.86
	State Auditor	External Auditor	.015	.141	1.000	-.37	.40
		Internal Auditor	-.238	.175	.656	-.72	.24
		Academic	.233	.172	.658	-.24	.71
		Regulator	.325	.211	.540	-.26	.91
	Internal Auditor	External Auditor	.253	.161	.517	-.19	.69
		State Auditor	.238	.175	.656	-.24	.72
		Academic	.471	.188	.094	-.05	.99
		Regulator	.563	.225	.094	-.06	1.18
	Academic	External Auditor	-.218	.157	.634	-.65	.21
		State Auditor	-.233	.172	.658	-.71	.24
		Internal Auditor	-.471	.188	.094	-.99	.05
		Regulator	.092	.222	.994	-.52	.70
	Regulator	External Auditor	-.310	.199	.528	-.86	.24
		State Auditor	-.325	.211	.540	-.91	.26
		Internal Auditor	-.563	.225	.094	-1.18	.06
		Academic	-.092	.222	.994	-.70	.52

The existence of foreign corporations	External Auditor	State Auditor	-.026	.139	1.000	-.41	.36
		Internal Auditor	-.418	.158	.065	-.85	.02
		Academic	-.060	.154	.995	-.48	.36
		Regulator	-.097	.196	.988	-.64	.44
	State Auditor	External Auditor	.026	.139	1.000	-.36	.41
		Internal Auditor	-.392	.172	.157	-.87	.08
		Academic	-.034	.169	1.000	-.50	.43
		Regulator	-.071	.208	.997	-.64	.50
	Internal Auditor	External Auditor	.418	.158	.065	-.02	.85
		State Auditor	.392	.172	.157	-.08	.87
		Academic	.358	.185	.301	-.15	.87
		Regulator	.322	.221	.592	-.29	.93
	Academic	External Auditor	.060	.154	.995	-.36	.48
		State Auditor	.034	.169	1.000	-.43	.50
		Internal Auditor	-.358	.185	.301	-.87	.15
		Regulator	-.037	.218	1.000	-.64	.56
	Regulator	External Auditor	.097	.196	.988	-.44	.64
		State Auditor	.071	.208	.997	-.50	.64
		Internal Auditor	-.322	.221	.592	-.93	.29
		Academic	.037	.218	1.000	-.56	.64
The strong stock exchange	External Auditor	State Auditor	-.112	.154	.950	-.54	.31
		Internal Auditor	-.226	.175	.698	-.71	.26
		Academic	-.195	.171	.787	-.67	.28
		Regulator	-.197	.218	.895	-.80	.40
	State Auditor	External Auditor	.112	.154	.950	-.31	.54
		Internal Auditor	-.114	.191	.976	-.64	.41
		Academic	-.082	.188	.992	-.60	.43
		Regulator	-.084	.231	.996	-.72	.55
	Internal Auditor	External Auditor	.226	.175	.698	-.26	.71
		State Auditor	.114	.191	.976	-.41	.64
		Academic	.031	.205	1.000	-.53	.60

		Regulator	.029	.245	1.000	-.65	.70	
	Academic	External Auditor	.195	.171	.787	-.28	.67	
		State Auditor	.082	.188	.992	-.43	.60	
		Internal Auditor	-.031	.205	1.000	-.60	.53	
		Regulator	-.002	.242	1.000	-.67	.67	
	Regulator	External Auditor	.197	.218	.895	-.40	.80	
		State Auditor	.084	.231	.996	-.55	.72	
		Internal Auditor	-.029	.245	1.000	-.70	.65	
		Academic	.002	.242	1.000	-.67	.67	
	The lack of legislation imposed by international financial institutions (e.g. IMF)	External Auditor	State Auditor	-.007	.143	1.000	-.40	.39
			Internal Auditor	-.177	.163	.813	-.63	.27
			Academic	-.113	.159	.955	-.55	.33
Regulator			-.350	.202	.419	-.91	.21	
State Auditor		External Auditor	.007	.143	1.000	-.39	.40	
		Internal Auditor	-.170	.178	.875	-.66	.32	
		Academic	-.105	.175	.975	-.59	.38	
		Regulator	-.342	.215	.503	-.93	.25	
Internal Auditor		External Auditor	.177	.163	.813	-.27	.63	
		State Auditor	.170	.178	.875	-.32	.66	
		Academic	.065	.191	.997	-.46	.59	
		Regulator	-.173	.228	.943	-.80	.46	
Academic		External Auditor	.113	.159	.955	-.33	.55	
		State Auditor	.105	.175	.975	-.38	.59	
		Internal Auditor	-.065	.191	.997	-.59	.46	
		Regulator	-.237	.226	.831	-.86	.38	
Regulator		External Auditor	.350	.202	.419	-.21	.91	
		State Auditor	.342	.215	.503	-.25	.93	
		Internal Auditor	.173	.228	.943	-.46	.80	
		Academic	.237	.226	.831	-.38	.86	
The complexity of ISA's that	External Auditor	State Auditor	-.001	.152	1.000	-.42	.42	

affect its understandability		Internal Auditor	-.104	.172	.975	-.58	.37
		Academic	.301	.168	.386	-.16	.76
		Regulator	.216	.214	.851	-.37	.81
	State Auditor	External Auditor	.001	.152	1.000	-.42	.42
		Internal Auditor	-.103	.188	.982	-.62	.41
		Academic	.301	.185	.479	-.21	.81
		Regulator	.217	.227	.875	-.41	.84
	Internal Auditor	External Auditor	.104	.172	.975	-.37	.58
		State Auditor	.103	.188	.982	-.41	.62
		Academic	.404	.202	.269	-.15	.96
		Regulator	.320	.241	.676	-.34	.98
	Academic	External Auditor	-.301	.168	.386	-.76	.16
		State Auditor	-.301	.185	.479	-.81	.21
		Internal Auditor	-.404	.202	.269	-.96	.15
		Regulator	-.085	.238	.997	-.74	.57
	Regulator	External Auditor	-.216	.214	.851	-.81	.37
		State Auditor	-.217	.227	.875	-.84	.41
		Internal Auditor	-.320	.241	.676	-.98	.34
		Academic	.085	.238	.997	-.57	.74
	Difficulty of translating The international standards	External Auditor	State Auditor	-.094	.144	.965	-.49
Internal Auditor			-.253	.163	.530	-.70	.20
Academic			-.128	.160	.929	-.57	.31
Regulator			-.106	.203	.985	-.66	.45
State Auditor		External Auditor	.094	.144	.965	-.30	.49
		Internal Auditor	-.159	.178	.900	-.65	.33
		Academic	-.034	.175	1.000	-.52	.45
		Regulator	-.012	.215	1.000	-.60	.58
Internal Auditor		External Auditor	.253	.163	.530	-.20	.70
		State Auditor	.159	.178	.900	-.33	.65
		Academic	.125	.191	.966	-.40	.65
		Regulator	.147	.229	.968	-.48	.78

	Academic	External Auditor	.128	.160	.929	-.31	.57
		State Auditor	.034	.175	1.000	-.45	.52
		Internal Auditor	-.125	.191	.966	-.65	.40
		Regulator	.022	.226	1.000	-.60	.64
	Regulator	External Auditor	.106	.203	.985	-.45	.66
		State Auditor	.012	.215	1.000	-.58	.60
		Internal Auditor	-.147	.229	.968	-.78	.48
		Academic	-.022	.226	1.000	-.64	.60
The high cost of implementation of the international standards	External Auditor	State Auditor	.031	.153	1.000	-.39	.45
		Internal Auditor	.016	.173	1.000	-.46	.49
		Academic	.162	.169	.875	-.30	.63
		Regulator	.085	.215	.995	-.51	.68
	State Auditor	External Auditor	-.031	.153	1.000	-.45	.39
		Internal Auditor	-.015	.189	1.000	-.54	.51
		Academic	.131	.186	.955	-.38	.64
		Regulator	.053	.228	.999	-.58	.68
	Internal Auditor	External Auditor	-.016	.173	1.000	-.49	.46
		State Auditor	.015	.189	1.000	-.51	.54
		Academic	.146	.203	.952	-.41	.71
		Regulator	.069	.243	.999	-.60	.74
	Academic	External Auditor	-.162	.169	.875	-.63	.30
		State Auditor	-.131	.186	.955	-.64	.38
		Internal Auditor	-.146	.203	.952	-.71	.41
		Regulator	-.077	.240	.998	-.74	.58
Regulator	External Auditor	-.085	.215	.995	-.68	.51	
	State Auditor	-.053	.228	.999	-.68	.58	
	Internal Auditor	-.069	.243	.999	-.74	.60	
	Academic	.077	.240	.998	-.58	.74	

