AN ANALYTICAL STUDY OF THE EFFECTS OF EXPERIENCE ON THE PERFORMANCE OF THE EXTERNAL AUDITOR

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Abstract— This study aims to know the concepts of experience auditing and the way of it measurements and its effects upon the provisions of the auditors and to identify whether the experience of the external Libyan auditor contribute to the rationalization of its provisions, decisions and improve the quality of performance or that there is no effect on the performance of these tasks. Used the field experiment was used as a main tool for data collection, we reached to the following results:

- That the provisions of the auditors do not vary according to years of exercising their profession
- That the provisions of the auditors do not vary according to their educational level

Keywords—external auditor; experience; auditor performance

I. INTRODUCTION

Professional experience is one of the key determinants that affect upon the efficiency of performance in professional practice. The signs of behavioral studies which have focused on the subject of experience that the quality of performance in a particular area increases with their experience in that field, so the researcher's care increased in the last years in studying the subject of professional experience in accounting and auditing.

The professional experience is the power which can be obtained by the practice over time from past experiences and direct feedback and the general knowledge which lead to accomplish the task with high quality (Bedard and Chi, 1993, p.145), as the prevailing definition of experience in the past as a general practice, as well as the failure in taking into account the role of the knowledge, is one of the reasons that led to confusion between professional experience and practice (Choo, 1989, pp.124-125), have been characterized most audit studies to fail in distinguishing seniority out of the experience, also it is accompanied by ambiguity in its purpose, and failed to measure the experience, and as a result of this ambiguity in the previous researches, it can't be known whether the decision maker is a seasoned expert or seniority, because these researches have not given sufficient attention on whether the seniority or the number of years of service an adequate substitute to the experience or not.

The seniority doesn't mean that the auditor gas special experience or an expert in a certain field. Seniority is not the experience as most of the researchers had thought in psychology (Choo and Trotman, 1991, pp.466-469) Gibbins sees that the professional experience reflects possession of the auditor to the structure of developed knowledge includes general knowledge, which is the facts, theories and definitions which are mentioned in the books, magazines, and special knowledge and represented in the knowledge related to the completion of some tasks, these two types of knowledge are the basic interpreter for the quality of personal rule of the expert auditors, and is correlated to a large extent with the scope of the efficiency of memory and the personal attributes and beliefs affect the test and modernize the knowledge infrastructure, and the pace of increase in building good attitudes and having prior knowledge about them (Gibbins, 1984, pp.103-104). The organization of knowledge inside the structure of memory is impressive the performance of the expert, which have a well-organized knowledge into memory quickly and easily call for the knowledge on need. Experts would have better knowledge and more accurate planning of memory compared those of little experience, and no doubt the professional experience depends on two important processes which are organizing the memory and decision-making, as they affect and are affected by each other (Frederick and Libby, 1986:70-272).

Both Biggs and Watins, had reached to a result that the novices spend 32% of the time and effort to obtain preliminary information to solve the problem in the analytical review, while experts spend only 12.5% of the time and effort to obtain this information which means that the beginners do not have good planning of the problem, while experts have better planning of the problem (Biggs and Watins, 1988, pp.148-160) Each of Libby and Frdrick had found that it is possible to imagine that the fundamental problem with the decision of auditor, diagnostic the errors in the financial statements in the sessions of the processes that lead to errors of financial statements, and therefore are supposed to be the organization of expert knowledge about the references of possible errors and potential in the financial statements, comprising the basic elements of a knowledge necessary to perform this act of personal assumptions.

Out of the risk factors, related to these assumptions and thus whenever the auditor gain experience, the greater the
knowledge of the types of errors the financial statements he
discovers and increased the knowledge of rates of occurrence
of these errors and increased organization to know the
mistakes of the financial statements of the different aspects
(libby and Frederick, 1990, pp.349-350).

II. PREVIOUS STUDIES

1974 Ashton study. This study is considered the first
study that paved the way for studies that focused on personal
rule of the auditor This study dealt with a sample of sixty-
three auditors, and presented them with thirty-two
hypothetical case in internal control over wages, each
contains six questions relating to internal control been
answered by yes-no in order that these answers will explain
strength or weakness points in internal control system, the
study pointed out that the average percentage of the
difference of governance, which is calculated on the basis of
six factors and interactions of the first class didn’t affect
by the level of experience, and the term ranges from 86 % to
86.9% Ashton had measured consensus, which ranged from
0.59 to 0.73 for the auditors within the levels of expertise
and between 0.88 to 0.91 for agreement among the auditors in
one of the experience levels and the other three levels of
expertise. Moreover, the safety measures did not show how
much different from throughout the level of experience and
the correlations were 0.82, 0.80, 0.84, 0.82 for the four
levels of experience, respectively, that any consideration of
the dimensions were similar to the four levels of expertise,
Ashton has concluded that overall, the level of expertise is
not linked to the differences seen among auditors (Ashton,
1974, pp.143-159).

Joyce 1976 study were selected thirty-five auditor,
ranging experience between three and twenty-five years,
were divided into three levels of experience from three to
five years, and six to ten years and form eleven to twenty-
five years, the task of this study is the planning and
formulate a program review to examine the online customer
accounts. The auditors were asked about the estimated
number of hours required to review a particular area, this
study found that there are substantial differences in the
estimated audit hours through the experience of the three
groups and found that there is An important
counterproductive between the length of experience and
consensus on rule. The researcher has confirmed that the
consensus among auditors is not sufficient as a proof
evidence on the accuracy of the decision or the efficiency of
the performance (Joyce, 1976, pp.29-60).

Study of Ashton and Kramer 1980: The researchers have
developed the original study of Ashton in 1974 and was
conducted by comparing the assessments of internal with
thirty student with assessments with internal oversight
auditors involved in the original study.. Their experience is
ranging between the experience of between one and three
years in the auditing profession, The result of the study
showed that the auditors showed unanimity, and self-insight
more students (70% against 66%), (89% against 77%),
respectively, The indications showed great variation in
personal rule for the auditors in comparative with the
students as well as the analysis showed weak relationship,
but significant between the length of experience and a sense
of in self-particular. The two researchers concluded that
when interpreting the results, should be taken into account
the nature of the task to be conducted personal provision.

Also this study found that there is a simple relationship
between experience and the quality of provisional measures

Study of Hamilton & Wright 1982, interested in the
submission of thirty-two different case, for a sample of
seventy-eight auditor of expertise ranging between one and
twenty-eight years of experience and a number of students
interested in the review of this study to examine the
relationship between experience and consensus on
provisions, stability and governance, the relative importance
of indicators for Interior control and to increase the
dissemination of available information. Both researchers
deleted the detailed information of the internal control and
some of the specific data for the client and then comparing
the answers of the students or non-expert with answers of
each group with the auditors or experts, the results of this
study, had showed negative correlation between the
consensus and the length of experience. And there was a
direct simple correlation between experience and the
importance of indicators; also it showed that there was no
relationship between experience and the stability of
provision (Hamiton and Wright 1982 pp.756-765),

Tabor 1983 study: This study aims to divide the degree
of consensus among auditors with regard to estimates of the
reliability of the system of internal control and decisions on
the sample sizes, and to determine the impact of the
experience of the auditor on assessment provisions of the
internal control system, a number of one hundred and
ninety-four auditors from four audit firms, and was divided
into two levels of expertise and the researcher asked those
who under the subject of the study estimate the reliability of
the internal control system on sales and determine the size of
the sample, this study has found that the difference of level
of experience did not lead to significant differences in
measures of consensus, but led to significant differences in
the resolutions of the provisions (Tabor, 1983, pp.348-354).

The study Abdolmohammd & Wright, which aimed to
develop a model to predict the structure of relations between
experience and self-knowledge and ability to solve problems
in connection with references to the performance of audit
functions to the estimated primitive expert professional to
solve the problems directly affect the structural performance
of the tasks of others, while indirectly affect gallant
structural performance through its impact on the acquisition
of knowledge as well as the relationship between
performance and the nature of the task affected by the level
of expertise and demand on the task (Abdolmohammd &
Wright, 1978, PP.1-140). To get-acustomed and the
repetitive tasks help the individual to analyze accurately the
data as well as help to access to appropriate information that
is important to get used to repetitive tasks and help the
individual to analyze the data accurately and easily, as well
as help to access to appropriate information (Colbert, 1989, pp.137-148)

III. THE PROBLEM OF THE STUDY

Professional experience plays in performing the important references to the decision-making role essential to many of the most important reasons is that many of the provisions of the auditors are as personal and subjective, also the experience in industry and customers and attitudes affect the review of those provisions during the sequential stages of the task of auditors (Messier 1983 611--612).

Some other researchers in the field of auditing used the number of years of specialization in a particular area or in the functional level or in the Accounting Office as a substitute for professional audit experience has shown that the time required for this experience is about three to five years (Ashton, 1991, pp.218-220) and that the process of acquiring experience are not done once and it is performed by the merging of education, practice and experience, in stages. the auditor in each stage gets a certain amount of knowledge, the capacity associated with the professional expertise, even up to the stage of knowledge, the capacity associated with the professional expertise, even up to the stage of full acquisition of professional experience, many researchers placed three stages to gain professional experience which are: the stage of perception - the stage of interdependence - the stage of spontaneity (Waller and Felix, 1984, PP.383-400) (Davis and Solomon, 1989, pp.153-154). A number of studies in internal control, and in the provisions of the subject expertise and the impact of those provisions, such as studies related to the provisions of continuity, risk assessment and audit, and disclosure, independence, and the relative importance, and the importance of the subject increased by the increasing in depending the users of the financial lists upon the financial data that had been already reviewed. What we had noticed from the from the previous studies that the measuring of relation between the experience level and the performance depending upon the standards of consensus on the provision – stability, accuracy and the possibility of finding statistical solution and taking no consideration the nature of the performed functions and the differences of the kind of the function and whether this difference needs to a different expertise level for the auditors and the result, is that the problem of the research I summarized in answering the following question:

What is the impact of professional experience upon the performance of the External Auditor of his functions in Libya?

IV. STUDY’S METHODOLOGY AND DATA ANALYSIS

To achieve the objectives of this study were presented the practical side, which includes the data obtained, which show the effects of experience on the expected performances of the functions provided by the External Auditor in Libya, and to test the validity of hypotheses for the study. We had chosen specifically community of auditors working in the offices of the accounting and auditing and auditors who are working in the inspection and control Departments in the People's Libyan Arab Jamahiriya at Eastern Province.

In the light of the objectives of the study We had prepared (Field Experiment) for the purpose of collecting data from a sample of which we had divided the field experiment into three parts:

- Part I in the experiment field includes of the financial statements (balance sheet, income statement) for an industrial company, for four financial years is 97- 98- 99- 2000 with some amendments were made to these financial statements in order to achieve the purpose of the study and access to the desired goal Auditor expertise is the identification of participating in the study, Also, there are some fluctuations in the company resulted in a disparity in the figures of budget items and amendments to these previous years, which had been deducted from retained earnings and must pay attention to in the budget, We had calculated some of the financial indicators for these financial statements, of which the auditors should be used to judge the continuity of the entity and these proportions are, the ratio of net profit to sales - the proportion of net profit to total sales - the proportion of trading - the quick ratio, the ratio of cash balance to total assets - cash balance ratio to current liabilities - ratio of quick assets to total assets - the ratio of total liabilities to total assets - the ratio of total liabilities to total equity - rate of stock turnover - the rate of rotation of debtors - the rate of turnover of total assets.

- Part II consists of the in the field experiment, of general information about participating of the auditor such as qualification of the participant - years of experience - His occupation inside the office.

- Part III in the field experiment, it is composed of indicators that can be used in judging the company's inability to continue, and a number of 27 indicators had been used in this matter. We has asked each one of the auditors to determine the relevance of each indicator upon his own decision on the extent of the capacity of business to continue to engage its activeness in accordance with to Likert standard composed of five points:

Very important (5), important (4), is important in a way (3), not important (2), not important at all (1).

These indicators had been formulated in order to identify the extent of differences between the provisions of auditors’ judge upon the importance of these indicators for business continuity, according to the level of expertise and different educational level only, without addressing the issue of continuity and without an ideal rule can be invoked upon.

The distribution of the sample as a whole for the auditors who are working in the private offices, depending on years of practice of the profession and the scientific level.

The collected sample had been divided according to the place which the auditors who were subject to the professional study (private offices - the inspection and inspection-control departments ) and according to the practicing years for the auditors who are subject to study
and educational level, the distribution of the respondents who engaged in the audit profession in a private office into five categories of years of practice and five levels of the scientific level. We notice that a percentage of 2.90% of the participants have a Ph.D. in accounting and they are practicing this job for 15 years and over. The proportion of 24.64% of participants have a master's degree in accounting and most of them had practice the profession for 15 years and over. The proportion of 66.67% of participants have Bachelor's degree in accounting and most of them who had practice the profession for 15 years and over, while a rate of 4.35% of the participants have a diploma in accounting, and the proportion of 1.44% of the participants received at other qualifications with years of exercise of 5 to less than 10 years.

The distribution of the sample as a whole for the auditors who are working at the inspection and control Departments in accordance with years of practice and the scientific level. The distribution of the sample who engaged in the audit profession at the inspection and control departments, and five categories of years of practice for the auditing profession and five levels of the educational level of the auditors, whereas, we note that the participants of the study (the workers at the inspection and control), did not have postgraduate qualifications such as a doctorate degree in Accounting or Master degree in accounting, while the percentage of 67.74% have Bachelor's degree in accounting and most of those who practice the profession for the past three years, and the ratio of 29.03% have a diploma in accounting and most of them are practicing the profession of 15 years and over, and the proportion of 3.23%, holding other qualifications.

A. The first hypothesis

Number of years of experience does not materially affect the performance of the auditor

The arithmetical averages and standard deviations of the indicators which affect the lack of continuity of establishment according to practice years, where, the more the arithmetic average the more important index, the smaller the standard deviation was, the indicator of the convergence of the answers will be. A period of five years be is considered the deciding factor between the with experience auditors and the less experienced, to illustrate the order of importance of indicators which make influences upon the of the establishment continuity for the auditors. These indicators have been evaluated to the liquidity indicators and the ratios of debt, Indicators of the profitability ratio, indicators of ratio activity, and other indicators.

Mann-Whitney test were used to identify the significant differences in the provisions of auditors in different years, and the exercise of the auditing profession, and to test this hypothesis statistically formulated as follows: $H_0 : M_1 = M_2$, $H_1 : M_1 \neq M_2$

- Fabrication hypothesis (H0): Number of years of experience materially affect the performance of the External Auditor in Libya

Where we notice from the table (I) that there was no statistically significant differences at the level of moral 0.382, and then, we can say that the number of years of experience does not materially affect the performance of the External Auditor in Libya, 90% degree of confidence and so the first hypothesis is accepted.

B. The second hypothesis

Qualifications do not materially affect the performance of the External Auditor in Libya

To test this hypothesis, were created averages and standard deviations of the indicators that affect the continuity established in accordance with the educational level of the auditors who were under subject to this study and the level of bachelor degree and over was the arbitrator among the auditors of less experience, and those indicators are divided into to indicators of liquidity, profitability, debt, activity, and other indicators. Mann-Whitney test were used to identify the significant differences in the provisions of qualified auditors according to scientific qualifications of the auditors and to test this hypothesis, it was formulated statistically as follows: $M_1 = M_2$: $H_0$, $H_1 : M_1 \neq M_2$

- Fabrication hypothesis (H0): The scientific Qualifications of the auditors do not materially affect the performance of the External Auditor in Libya.

The alternative hypothesis (H1): The scientific Qualifications of the auditors affect materially the performance of the External Auditor in Libya.

The Table (II) showed the results of applying the Mann-Whitney test for the arithmetical averages of all indicators.

Where we note from the table that there was no statistically significant differences at the moral level 0.585 and can therefore say that the scientific qualification does not materially affect the performance of the External Auditor in Libya, 90% degree of confidence and therefore the first hypothesis is accepted.

<table>
<thead>
<tr>
<th>Years of Practice</th>
<th>No. of Samples</th>
<th>Intermediate Ranks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 5 years</td>
<td>27</td>
<td>54.67</td>
</tr>
<tr>
<td>More than 5 years</td>
<td>73</td>
<td>48.96</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Mann-Whitney U 725.8

Z -0.874

Moral Level 0.328

172
The Results

1- The Study showed that about (69%) of the participating auditors in this study are working in private offices. And the proportion of (31%) of the participating auditors in this study are working in the inspection and control Department. Regarding the scientific qualifications held by the auditors who had participated in this study , the study showed that a percentage of (3%) holding doctoral degrees and the percentage of (17%) holding a master's degree in accounting, and the proportion of (66%) who hold a bachelor's degree and proportion (2%) have other qualifications, while (12%) hold an Diploma degree in accounting. Regarding the years experience who are participated in this study The study found that a percentage of (51%) of the auditors have experience more than 10 years and the percentage of (49%) have experience less than 10 years and this is an indication that the study includes the different categories in terms of the audit place practice and scientific qualifications for the auditors and beside the years of practice for the auditors who had participated in the study, which helps in achieving the objectives of this study.

2- From the foregoing information, it is cleared that there is no specific policy to for contracting with new workers in the audit offices who are participating in this study and in the inspection and control departments in Libya, which provides the opportunity to appoint and accept people who do not have the experience or qualification required for admission to those offices and with the inspection and popular control departments, and therefore such a behave reflects a negative impact on the conduct of those offices and upon the auditors to performance his functions.

3 - There are no statistically significant differences (total value of 0.382) among the provisions of the participated auditors in this study on the importance of the indicators of the disability in their capacity in continuing the business which depend upon the different years in exercise the audit profession, and so, we can say that the provisions of the auditors do not vary according to years of exercising the for their audit job , Degree of confidence 90%.

4 –There are no statistically significant differences (at the moral level of 0.559) between the provisions of the auditors who are participated in this study , upon the importance of the indicators of the disability of capacity of business, depends upon the differences of their level of education according to the audit profession, confidence of 90%.

5 - The auditor acquires knowledge in relation with the auditory , and the field of practice and teaching and this knowledge interacts with the personal capabilities of the auditor to configure the experience of the auditor and it affects upon the terms and audit functions.

6 - Some of the components of the provision may need a level of expertise, while others did not need to an experience, and this requires the need to identify the necessary knowledge of each component of provisions t and method of its acquisition.

REFERENCES