

## THE EFFECTS OF EXPERIENCE AND EDUCATION ON THE PERFORMANCE OF THE EXTERNAL AUDITOR

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### Abstract

The nature of the client-auditor relationship is a critical issue for stakeholders and other users of the audited financial statements. This type of relationship is predicated on trust; however, it is susceptible to differing motives, conflict of interest, and information asymmetries. and quality performance of the external auditor is crucial to users of audited financial statements A number of factors and impact the quality performance of the external auditor, This study investigates Factors that may affect the quality of the performance of the external auditor in Libya To achieve study of the objectives the following hypotheses were developed,

H1: audit quality performance correlates positively with audit experience and continuing education . To accept or reject these hypotheses, Questionnaire was used to collect data, was used (correlation coefficient) to test hypotheses of the study if they are statistically significant or not.

Key word: External Auditor, Experience ,Continuous performance education

المؤلف المرسل:

### 1-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 .

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The seniority doesn't mean that the auditor has 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 Frederick 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).

## **2-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 cases 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

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the difference of governance, which is calculated on the basis of six factors and interactions of the first class didn't not 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 Kramer1980 :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 (Ashton and Kramer, 1980, pp1-40).

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

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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)

The study of Tabor1983 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-accustomed 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)

### **3-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

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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?*

#### **4-Study's methodology and data analysis**

The main goal when choosing a sample of the study is to obtain a representative sample includes all elements and attributes of the original community under study, so as to contain the sample in the end, the appropriate number of individuals to represent the community under study ,So have been distributed 200 copies of the questionnaire in its final form have been delivered to all participants in the study were obtained on 147 ,copies of which 17 are not valid for analysis and 130 other valid for analysis ,Where the sample was divided into two groups by Gender ( Male, Female ), And the sample was divided by age into sex groups (Less than 25 years old, From 25-34 years old, From 35-44 years old , From 45-54 years old, From 55-64 years old, More than 65 years old) , and the sample was divided according to qualification into five groups (High school diploma -Bachelors accounting - Masters accounting -Doctorate accounting -other. Please specify ) ,and the sample was divided according to experience into five groups (Less than 3 years - From 3 to less than 5 years- From 5 to less than 10 years - From 10 to less than 15 years -of 15 years and over) ,And the sample was divided according to the profession of the participant into four groups (Practicing the profession of auditing in the private office-Auditor inspecting authority and control- Academic – other),and the sample was divided by Employment status within the Office into four groups(owner of the office - President of the auditors in the office - The auditor's first - Auditor under training) .

#### **5- Validity and reliability of data on variable experience and continuing education for the quality of the performance of the external auditor in Libya**

Validity and reliability of measurement data of the study Method 1 (space saver) will be used for this analysis. Stability is an indicator of the degree of precision or control of data collection for the study and the process of measurement fundamental taken into account when assess the quality of test Equation has been used Cronbach's Alpha as follows:

$$a = \left[ \frac{N}{N-1} \right] \left[ 1 - \frac{\sum \sigma_q^2}{\sigma_t^2} \right]$$

Reliability Coefficients

N of Cases = 130.0

N of Items = 28

Alpha = .8156

Applying the equation using the sample on this variable is the ratio of 82% consistency it calls for a degree of confidence in the answers of the participants variable experience and continuing education for the external auditor in Libya .

### 6-The style of Inferential Statistics

Relied on deductive analysis to analyze the data collected by the second part of the questionnaire, Which contains a set of parts to test hypotheses of the study, has been The drafting of the questionnaire according to the measure of the LIKERT ever five degrees, and test each hypothesis of the study hypotheses were used statistical test Correlations, Where the Having extracted common factors, one can turn right around and try to reproduce the correlation matrix from the factor loading matrix

### 7-The Correlation Coefficient

Is a measure of the degree of relationship between two variables Y, X has the symbol r, and achieves varying linear correlation coefficient:

$$-1 \leq r \leq 1$$

This means that the value of the correlation coefficient is restricted between -1, +1 indicates a value on the degree of relationship between two variables or variables under study in that it is strong, medium, or weak, and the signal they describe the quality of the relationship you are the inverse or direct correlation, The reference negative indicate the presence of The inverse relationship of positive and indicative of a positive relationship between the two variables under study If the value of the correlation coefficient equal to zero (r = 0) this indicates that there is no linear correlation between two variables under study, in the sense that if we knew the direction of a change .

**The first hypothesis relating to the auditor by a factor of experience and continuing education .**

**Null hypothesis:**

**H0: The quality of the performance in Libya of the auditor is not associated with a positive experience and continuing education.**

**H1: audit quality performance in Libya correlates positively with audit experience and continuing education.**

Measure the total				
Input each factor	Statistical decision	The potential value P-Value	The correlation coefficient	
0.392	Statistically significant	0.000	0.626	experience and continuing education

Note from the table the potential value (P-Value) of all the dependent variables experience and continuing education are 0.000 less than 0.05 and this means that there is a strong correlation between independent variables (experience and continuing education), and the dependent variable (of the performance in Libya of the auditor). We also note from the table (13-6) that the value  $r$  of the variable of experience and continuing education is 0.626 which is smaller than +1 and it rejects the null hypothesis and accept the alternative hypothesis, which states that The quality of the performance in Libya of the auditor is not associated with a positive experience and continuing education.

**8-Results**

This section discusses the results reached in this study on the basis of the theoretical study and descriptive analysis and statistical tests of hypotheses of the study of the data collected, Which was reached the following results:

the value  $r$  of the variable of experience and continuing education is 0.626 which is smaller than this means the experience and continuing education a direct impact on the quality of the performance audit in Libya, Thus, the experience and continuing education a direct impact on the quality of the performance audit in Libya, whenever any auditor had the experience and continued education as the auditor's work was more quality

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