Assessing the Measures of Effectiveness of External Audit from the Viewpoint of Kuwaitis’

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Abstract

The profession of auditing practiced by audit firms of all sizes is considered the mirror for the financial and economic performance of economic and service establishments. In addition, they shoulder the responsibility of verifying and checking the results of these establishments and their financial position in order to form an opinion of no ambiguity about the validity and justice of the desired financial data as a true reflection of the financial position of the establishment to help the users of this data in making the right decisions without misleading.

This study has focused on assessing and evaluating the standards of the effectiveness of audit from the viewpoint of external auditors in the State of Kuwait by answering the following questions:

1- The lack of quality control elements concerning auditing in the audit firms operating in the State of Kuwait adversely affects the effectiveness of the audit.
2- The lack of auditor independence elements in the audit firms operating in the State of Kuwait adversely affects the effectiveness of the audit.
3- The lack of the elements of the appropriateness of the continuity period of the auditor in the audit firms operating in the State of Kuwait adversely affects the effectiveness of the audit.
4- The lack of a scientifically and practically qualified staff of auditors in the audit firms operating in the State of Kuwait adversely affects the effectiveness of the audit.

The previous studies, which dealt with the same subject, have been clarified in addition to their recommendations. The distinguishing characteristics of this study have been demonstrated, as well. These characteristics include the following: 1 - Search assessing the effectiveness of external audit standards for the audit firms in the State of Kuwait, and the extent of efficiency from the viewpoint of the auditors themselves, and to identify measures of the effectiveness of external audit. 2 - Identify the factors that affect the independence of the external auditor, and therefore the effectiveness of the audit, and the role the Kuwaiti legislature in maintaining its independence. 3 - Statement of the impact of the length of the continuity of the work of the auditor of companies under scrutiny on the
effectiveness of external audit. 4 - Scientific and practical qualifications and required to be provided for effective scrutiny is high. 5 - To address the audit profession practicing law in the State of Kuwait and the focus on the auditor's registration requirements and attributes and duties. 6 - Take auditing standards for external audit effectively and in particular standard of quality control for audits of financial statements (220), as well as what you need the study of the paragraphs contained in ISA 230 Audit Documentation. 7 - To do a field study of the external audit firms operating in the State of Kuwait to verify the hypotheses of the study.

The theoretical study in the first chapter has dealt with the emergence of the profession of audit in the State of Kuwait and clarified the concept of the effectiveness of the audit. The first chapter has also dealt with the basic elements of the effectiveness of external audit that would ensure a high level of effectiveness; those elements are (quality control on the work of external audit, the independence of the external auditor, the continuity of the external auditor, qualifications of the external auditor). It has also demonstrated the importance of quality control on the work of audit, its elements and the factors affecting the quality control system; and displayed the Kuwaiti legislation regarding the independence of the auditor. The continuity of the external auditor has been handled in this chapter in terms of the factors affecting the change of the auditor by the management of company being audited and by the audit office itself in addition to mentioning what was stated in Kuwaiti law No. (5) for the year 1981 about the sustainability of the external auditor. The first chapter has dealt with the qualifications of the external auditor in terms of presenting the conditions and the duties to which the external auditor must adhere according to what was stated in the Kuwaiti law.

A practical study has been conducted on audit firms operating in the State of Kuwait (under study) to derive the actual results of discussing the hypotheses of the study concerning the four axes associated with the proposed questions to evaluate the effectiveness of external audit through using the analytical and descriptive approach because of its suitability for the purposes of this study.

Regarding sources of data collection, we have relied on primary and secondary sources. In order to gather preliminary data, the field study method was used; a questionnaire was prepared and distributed to the study sample consisting of a number of 200 workers in some external audit firms working in the State of Kuwait. As for the secondary data, it was drawn from the review of various studies, theses, books, periodicals, and Web sites related to the subject of the study; and were mentioned in the reference list.

After collecting data, SPSS program (Statistical Program for social Sciences) has been used for conducting the following processes:
• Descriptive Statistics (frequency - the mean - standard deviation)
• One sample test “s”
• Pearson’s correlation coefficient
• Cronbach alpha formula
• Spearman Brown formula

As the theoretical study has dealt with four hypotheses, the analysis results of the answers of the study sample on the questions regarding these hypotheses are as follows:
- The effectiveness of the external audit impact positively when the measures of quality control are access on the audit in the audit firms operating in the state of Kuwait.
- The effectiveness of the external audit impact positively when the measures of auditors in supervision are access on the audit in the audit firms operating in the state of Kuwait.
- The effectiveness of the external audit impact positively when the measures of auditors continuity period are access on the audit in the audit firms operating in the state of Kuwait.
- The effectiveness of the external audit impact positively when the measures of auditors scientifically and practically qualified are access on the audit in the audit firms operating in the state of Kuwait.

In light of the findings of this study and the conditions and procedures of field application, the researcher has developed a set of recommendations summarized as follows:
1 - work to develop control procedures adopted by audit firms to confirm that provide reasonable assurance that the policies and procedures for supervision and quality completed effectively and efficiently. 2 - focus on the quality of audit in accordance with international auditing standards and versions of associations and bodies in many countries of the world for the purpose of improving effective performance of the offices of the external audit by improving their professional performance and to ensure an objective audit in accordance with the requirements of quality control for the purpose of reassuring the beneficiaries (third party) than that of the audit Outer committed to independence and impartiality and to ensure no conflict of audit work performed by any other work such as providing financial advice to the client or the keeping of accounting books, which will increase the effectiveness of the audit. 3 - Paying attention to the audit offices of departments to work to consolidate the professional conduct of their employees by creating a working environment filled with respect, appreciation and motivation, which drives them to achieve the highest levels of performance. 4 - to the Assembly of Kuwaiti auditors to work on to make decisions binding to activate the task of
quality control on the audit of the offices of the external audit guided by international standards for auditing and quality control which will lead to improving the auditing profession in the State of Kuwait and its development.

5 - The necessity of audit firms for their members and strengthen the confidence of their abilities and skills of creative and intellectual through motivating them physically and morally and to create all that would consolidate the association and affiliation of the profession, which exercise it, which will have a clear impact in improving the profession and thus to strengthen the effectiveness of external audit.

6 - The commitment of all offices of the external audit standards of the International Auditing of audit quality audit and applied effectively to ensure the performance of their duties away from all the suspicions and accusations of being behind a financial crisis, and work to improve the performance of auditors to their professional duties in a manner consistent with the standards of accounting, auditing, international, and a commitment to ethics and professional conduct, and restore confidence among the beneficiaries of accounting information.

7 - Audit firms need to adopt training programs for employees and all levels to increase their competence and qualifications of scientific and practical professional include all new auditing standards at the local level and international level.

8 - The need for concerted efforts among audit firms, professional associations and academic facilities and research bodies in the State of Kuwait to intensify the studies and research in the field of audit quality in order to strengthen confidence and credibility in the financial reports of companies under scrutiny, and issued by audit firms to become of such quality that meets the needs of its users.