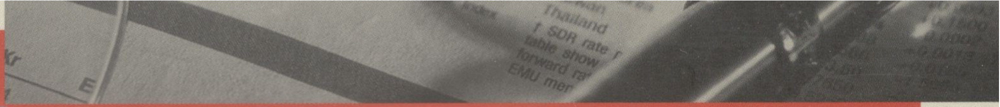

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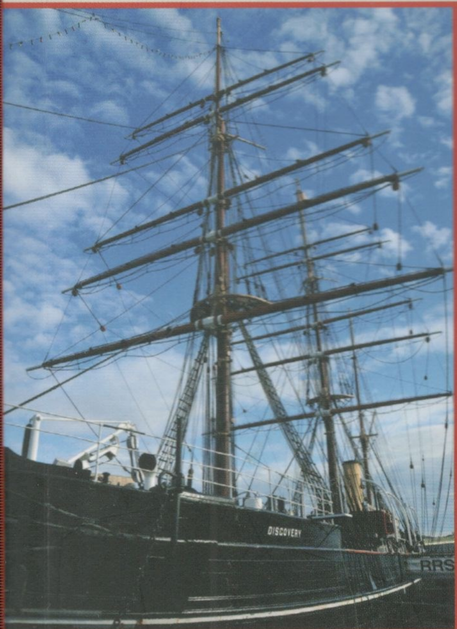

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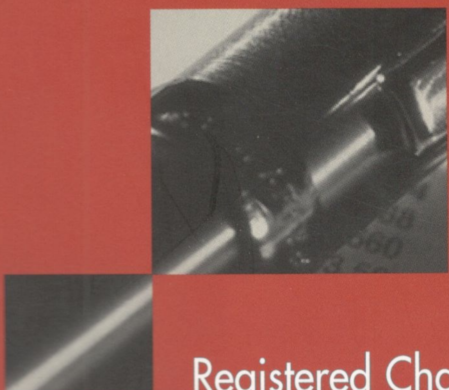

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Reliability of the Audited Financial Statements: The Case of Libya

Submitted and Presented by Shamsaddeen Faraj (University of Liverpool)

Reliability of accounting information, contained in the audited financial statements, forms a crucial part on which users and decision makers form their exceptions and make their decisions. However, the corporate collapse of Enron in 2002 and the collapse of Lehman Brothers in 2008 and others have put financial statements under criticism. The importance of this issue is because reliable financial statements enable investors to make rational financial decisions. Moreover, reliability of audited financial statements is based on maintaining an independent audit. However, lack of independence would result in collaboration between agents and auditors who may mislead the principals and supply false accounting information. This study, therefore examines the effect of eight variables which may affect the independence of auditors and consequently decrease the reliability of financial statements. These variables include, audit firm size, audit fee size, audit tenure, audit committee, non-audit services, competition, legal incentives, and socio-culture relationships. A sample of 199 individuals including owners, investors, lenders, managers and auditors are chosen to respond to a questionnaire survey conducted in Libya. The results suggest that all eight variables have a significant impact on the perceived reliability of audited financial statements.

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