

THE COMPLIANCE OF THE PALESTINIAN AUDITORS WITH THE REQUIREMENTS OF ISA 520 “ANALYTICAL PROCEDURES”

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Abstract

The aim of this study is to investigate how the Palestinian auditors use ISA 520 (analytical procedures) in conducting audit engagements. Furthermore, the effectiveness of these procedures, the frequency of their usage, and the obstacles that limit their use by the Palestinian auditors are explored. Auditors from local and international audit firms were sampled and surveyed to collect data. Findings indicate that the usage of the analytical procedures is affected by the type of the audit firm and the phase in which the APs are used. Moreover, the results indicated that there are many obstacles facing the application of APs in Palestine. Lack of experience and competence of the auditor about the application of APs were identified as the obvious obstacles. Overall, the findings of this study reveal differences in the use of APs between firm's type, experience level, and audit phase.

Keywords: Analytical procedures, ISA 520, Auditing, Auditing standards, International standards, Palestine.

1. Introduction

Although analytical procedures are rooted in audit practice, a continues interest in them have not been stopped. The need to improve audit efficiency has influenced the development of audit techniques and accordingly these techniques have witnessed significant changes (Hatherly, 1999). This development includes the analytical procedures technique which is considered as a low cost technique in addition to its quality. This is what auditors have been looking for in recent years, with the rising need to improve the effectiveness and efficiency of audit (Calderon and Green, 1994; Cho and Lew, 2000). APs are relatively low-cost procedures which have the ability to identify unusual and a great capacity to guide the auditor's work and provide relevant evidence to support his conclusions (Calderon and Green, 1994). Furthermore APs are useful in detecting significant proportion of material errors and fraud (Hylas and Ashton, 1982).

According to Samaha and Higazy 2010), the introduction and application of risk-based auditing requires the use of APs. Risk-based audit requires auditors to evaluate different types of audit and business risks when conducting the different phases of the audit (planning, testing and review). APs provide several means by which auditors evaluate the internal and external risks either they are internal. Without sufficient knowledge of APs and mastering its techniques, the objectives of risk-based audit approach may not be achieved effectively, resulting in a significant increase in audit costs, time, and efforts.

There is a consistency between ISA 520 and Statement of Auditing Standards (SAS) No. 56 (issued by the American Institute of Certified Public Accountants) in defining analytical procedures. Both of them assert that APs include the evaluation of financial information through relationships between financial and non-financial information (AICPA, 1988). ISA 520 classifies analytical procedures into two categories: (i) Comparisons of financial information, including information from prior years, comparisons with the auditors' budgets, forecasts or even ratios (relationships) between the entity under audit and the sector values for similar-sized companies; and (ii) Establishment of relationships between the financial data of the company under audit (including gross income, gross added value or asset profitability) or between financial data and non-financial data (such as average salaries).

The use of the APs has been recommended by the professional bodies including the ancient organizations such as the AICPA in the US (AICPA, 1988) and Auditing Practices Board (APB) in the UK (APB, 1995). Accordingly, the reliance on the APs has increased notably. Thus, auditors are required to be skillful in completing such tests. Furthermore, it is argued by Cho and Lew (2000) that the practice of analytical procedures is necessarily influenced by environmental factors. Each environment has its own unique attributes and empirical AP issues must, therefore, be resolved on its own merits.

Asare and Wright (2001) and Hirst and Koonce (1996) emphasized the importance of conducting studies to understand the APs and improve its practice. Especially that this practice is influenced by the environmental diversity (Cho and Lew, 2000). In fact, many studies on the use of APs have been conducted in different settings such as Tabor and Willis (1985) and Ameen and Strawser (1994) in the USA, (), Mulligan and Inkster (1999) in the UK, Lin and Fraser (2003) in Canada, Mahathevan (1997) in Singapore, , Cho and Lew(2000) in Hong Kong, Booth and Simnett (1991) in Australia, and Samaha and Hegazy (2010) in Egypt.

According to Samaha and Hegazy (2010), conducting research in different countries with different environments may lead to results with no restriction on the generalization. In Palestine, the lack of similar studies push us to address this issue in order to enrich understanding of this important topic. Furthermore, our study may contribute to the current literature by identifying the perceptions of the Palestinian auditors on the use of APs in Palestine.

Following the prior studies (Mahathevan, 1997; Cho and Lew, 2000; Lin and Fraser, 2003; and Samaha and Hegazy, 2010), our study investigates the differences in the auditors' perceptions regarding the use of APs in the different phases of audit engagement and how this use affected by the type of audit (local audit firm versus international audit firm), the experience of the auditor (high versus low experience) and the audit phases in which APs are used). Furthermore, the survey addresses the audit objectives that can be achieved by the use of APs, the effectiveness of these procedures, the frequency of their usage, and the obstacles that limit their use by the Palestinian auditors are explored..

The rest of this study is organized as follows. The next a reviews the related previous studies and develops the relevant hypotheses. Section three explains the research methodology. Section four presents the statistical findings and discusses the research

results. Finally, the conclusion of the study and its limitations are presented in Section five.

2. Literature Review and Hypotheses Development

Since the 1970s, Analytical Procedures (APs) have been an important technique of audit practice. The use of APs has increased significantly and become more widespread (Biggs and Wild 1984). Importance of APs is highlighted by their extensive use by auditors internationally.

Furthermore, the prominent professional bodies assert this importance in their related announcements. Statement on Auditing Standards (SAS) No. 56 issued by the AICPA obligates auditors to use analytical procedures at both the planning and final review phases and recommends the use of them in the testing phase of an audit (AICPA, 1988). It also identifies criteria to be applied by auditors when selecting and evaluating APs. A later amendment to SAS No. 56 requires specific documentation when APs are used as the principal substantive test of a significant financial statements assertion (AICPA, 2001).

In the same line, the Auditing Practices Board (APB) in the UK issued SAS No. 410 in 1995 which extends the scope of the 1988 Guideline by mandating the use of APs during the planning and final review phases of the audit (APB, 1995).. Neither SAS No. 56 nor SAS No. 410, however, specifies the extent of APs required or sets limits to the reliance that may be placed on them (Lin, 2003).

Since the International Standards on Auditing are applied in Palestine, ISA 520 is considered. This international audit standard deals with risk-assessment procedures conducted by the auditor to understand the entity and its environment; substantive procedures when their use might be more effective or efficient than detail tests in reducing to an acceptably low level the risk that the claims have been materially distorted; and an overall review of financial statements in the final phase of the audit (ISA 520).

2.1 Extent of use of APs

Analytical procedures (APs) are useful in the different phases of the audit. Prior literature (e. g. Tabor & Willis, 1985; and Samaha and Hegazy, 2010) indicates that use of APs varies in terms of its extent and phases in which auditors use them.

During the planning stage, APs are used as attention-directing tool to determine the existence of unusual fluctuations which may require further investigation (Cho and Lew, 2000). According to Turley & Cooper (1991), large firms had more fully integrated APs into the audit process and that this evidences itself most obviously at the audit planning stage. In the detailed testing or field work phase, APs may improve the overall efficiency of the audit by replacing more time-consuming procedures. It may also enhance audit effectiveness. However, the need for APs in this stage may be limited if good internal control exists. McDaniel and Simmons (2007) indicated that auditors assess precision lower for the less predictable account (i.e. allowance for loan losses) against the more predictable account (i.e. interest income). During the final review stage, auditors used APs to assess the conclusions reached in an audit and in evaluating the overall financial statement reasonableness (Mahathevan, 1997; ISA 520; Cho and Lew, 2000).

Kinney and Felix (1980) argue that the use APs is fixed at the planning phase. However, the need for them in the field work phase depends primarily on internal

control efficiency. The study adds that, the importance of the analytical procedures is reduced in the final phase for reasons of internal control as well as preceding use of APs in planning an audit.

The existing literature (e. g. Tabor and Willis, 1985; Turley and Cooper, 1991; Ameen and Strawser, 1994; Mahathevan, 1997; Mulligan and Inkster, 1999; Cho and Lew, 2000; and Lin and Fraser, 2003) clearly suggest that the use of analytical procedures is affected by factors such as size of the audit firm, the experience and perception of auditors.

Based on the above discussion, we develop the following hypothesis:

H1: The use of APs in the different phases of audit is affected by the type of the audit firm.

H2: The use of APs in the different phases of audit is affected by the auditors' experience.

2.2 Effectiveness of AP in achieving audit objectives

According to Cho and Lew (2000), the reliance on analytical procedures as an attention-directing, a test-reducing, and a general reasonable check of the fair presentation of financial statements will improve the effectiveness and efficiency of audits. Most of the existing literature that evaluate the effectiveness of analytical procedures address the ability of the APs to detect errors of the financial statements (Calderon and Green, 1994). At the planning phase, the main purpose of APs is highlight areas of the financial statements that require special attention from the auditors. In the testing phase, APs is considered as a test reducing ; its purpose is to provide audit evidence about the completeness, accuracy and validity of the financial statements. At the final phase (review), APs are used as an overall reasonableness check when reaching a true and fair opinion (Fraser, 1997).

Based on the above discussion the following hypotheses were developed:

H3: Achieving audit objectives using APs is affected by the type of the audit firm.

H4: Achieving audit objectives using APs is affected by the experience of the auditor.

2.3 Types of APs used

Analytical procedures contain different types of procedures. According to Law and Willett (2004), auditors should choose the most appropriate type of the procedures to achieve the desired audit objective. These types range from “simple” procedures to “sophisticated” procedures (Mahathevan, 1997; Lin and Fraser, 2003; Samaha and Higazy 2010). The simple procedures include simple comparisons, ratio analysis, common size statements and trend statements. These procedures provide an understanding about the client, and simplify the risk assessment. Furthermore, the simple procedures are used in assessing the extent of audit tests and in confirming conclusions and ascertain the reasonableness of financial information. On the other hand, the sophisticated procedures are time series analysis and modeling, regression analysis, and financial modeling.

The above discussion leads to the following hypothesis:

H5: The type of the analytical procedures used by the Palestinian auditors is affected by the type of the audit firm.

2.4 Obstacles of the application of APs in Palestine

The use of the analytical procedures may be hindered by many obstacles. According to Samaha and Higazy 2010, APs require a high degree of knowledge of mathematics and computing skills that, as a rule; auditors in non-big 4 firms do not possess.

3. Methodology

3.1 Sample

This study seeks to provide an understanding of the use of the analytical procedures in Palestinian A relevant questionnaire was designed based on the results of the previous studies and the requirements of ISA 520, and conducted to collect the needed. The questionnaire was designed based on a five-point Likert-type scale The study targeted auditors from local and international audit firms. Partners, or managers, or seniors in these firms were asked to provide their perceptions about the study issues. A total of 60 questionnaires (divided equally between local and international audit firms) were distributed by e-mail or personally. Thirty one questionnaires were received, 8 from international firms and 23 from local firms (see Table I)

Table I. Questionnaire distribution and response

Firm type	No. of questionnaires distributed	No. of Respondents	%	Partners	Managers	Seniors
Local (Big 4)	30	8	25.8	2	3	3
International (Non-Big 4)	30	23	74.2	13	3	7
Total	60	31	100	15	6	10

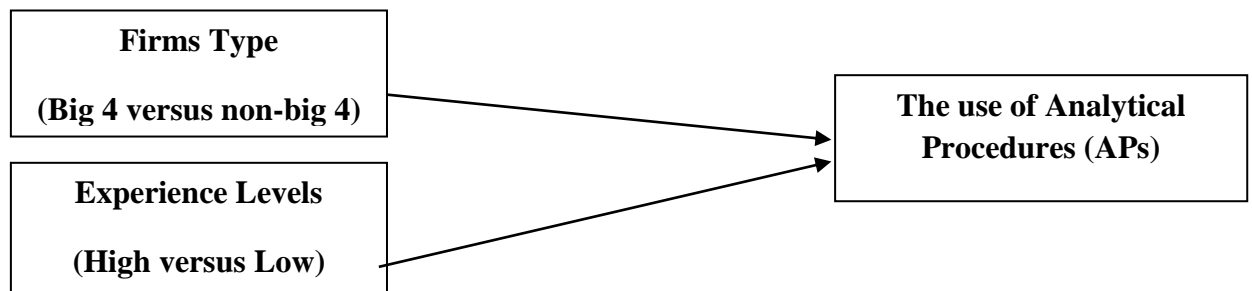
3.2 Design of the questionnaire

The questionnaire contains twenty three questions cover different -areas including the extent and frequency of APs use, effectiveness of AP in achieving audit objectives, types of APs used, and obstacles of the application of APs in Palestine.

3.3 Data Analysis Methods:

For achieving objectives of this study and testing its hypotheses, the statistical methods have been used are Descriptive Statistic which include frequencies, means, and standard deviations. Moreover, independent sample T-test.

Figure1. Research Model



4. Findings, analysis, and discussion

4.1 Extent of use of APs

4.1.1 Overall, extent of use.

It is noticed from Table II that a variation in the overall use of APs exists. The use ranges from less than 20% to more than 90%. Overall, 5% of respondents use APs on between 81% and 100% of audits, On the other hand, the results show that 8% use APs on between 61 and 80%. The mean of extent of use is 3.22%. It is noticed that the use of APs by Palestinian auditors is very low. This result which is similar to the results of Samaha and Higazy (2010) can be attributed to the lack of knowledge and experience about the application of AP, especially the use of statistics and computers' programs.

Table II. Percentage of audits on which APs used

Percentage of audits on which APs used	Number in Big 4	%	Number in non-Big 4	%	Overall Number	Overall %
0-20	0	0	2	8.7	2	6.5
21-40	1	12.5	6	26.1	7	22.6
41-60	2	25	7	30.4	9	29
61-80	3	37.5	5	21.7	8	25.8
81-100	2	25	3	13.1	5	16.1
Total	8	100	23	100	31	100
Mean(%)	3.7500		3.0435		3.2258	
Sig. = .009 which less than .01						

The overall mean of the use of APs by international firms equals 3.75 of the audits compared to overall mean equals 3.0435 of audits conducted by local audit firms. This is consistent with the results reported in Egypt which indicate that APs were used on 59 percent of audits carried out by international firms as compared to 49 percent of audits conducted by local firms. Using the t-test for all five levels of the frequency tested, our results indicate statistically significant differences at the 1 percent level, indicating that the two groups of users are significantly different in their usage of APs in the audit process.

4.1.2 Extent of use by different types of auditors.

Table III shows the percentage of audits on which APs are used at each audit phase by different types of auditors (international versus local). Palestinian auditors use APs in all phases of audit (mean percentage of usage in various stages: planning: 1.89; fieldwork: 1.64; final review: 1.94). This result is consistent with the results in the UK, Singapore, Hong Kong, Canada and Egypt (Fraser et al., 1997; Mahathevan, 1997; Cho and Lew, 2000; Lin and Fraser, 2003; Samaha and Hegazy 2010). Our findings indicate that APs are more frequently used in the final phase (mean percent is 1.94) compared to the other two phases. This confirms results from an earlier Hong Kong and Egypt surveys (Cho and Lew, 2000; Samaha and Hegazy, 2010). This is due to auditors needs for additional assurance after evaluating the results of fieldwork tests.

Table III. Percentages of audits on which APs are used at each audit stage by Big 4 versus non-Big 4 firms

Audit Stages	Big 4 (%)	Non-Big 4 (%)	Mean (%)
Planning	2	1.78	1.89
Fieldwork	1.75	2.13	1.64
Final review	1.50	2.17	1.94

This is similar to the results of previous studies (Mahathevan,1997; Lin and Fraser, 2003; Samaha and Hegazy 2010), auditors from international firms are found to use APs to a greater extent (planning 2 percent, fieldwork 1.75 percent, final review 1.50 percent) compared with auditors from local firms (planning 1.78 percent, fieldwork 2.13 percent, final review 2.17 percent). This difference could be justified by referring to the differences in the client size as argued by Mahathevan (1997) , Lin and Fraser (2003) and Samaha and Hegazy (2010).

4.1.3 Extent of use by different types of auditors.

Table IV. Extent of use of AP by different levels of auditors

Auditors by ranks	1	2	3	4	5
During planning stage					
Partners	41.2	46.9	11.9	-	-
Managers	40.7	39	10.3	6	4
Seniors	36.2	31	12.8	18	2
During fieldwork stage					
Partners	12.1	72	6.5	9.4	-
Managers	19.1	53.7	20.2	7	-
Seniors	20.2	55.8	14	4	6
During final review stage					

Partners	65	22	10	3	-
Managers	37	55.2	5.8	2	-
Seniors	40.4	32.6	16	3	8

Notes: In percentage of responses by rank; mode of response: 1 – to a very large extent; 2 – to a large extent; 3 – to some extent; 4 – to a lesser extent; 5 – none at all.

Table V. Extent of use of APs among different level of auditors at all stages of audits

Audit Stages	Partners %	Managers %	Seniors %
Planning	88.1	79.7	67.2
Fieldwork	84.1	72.8	76
Final review	87	92.2	73

Tables IV and V show the individual and combined percentages of the use of APs by different levels of auditors (partners, managers, and seniors) in different phases (planning, fieldwork, and review stages). The use of APs tends to vary by level or position. Auditors at higher levels tend to use APs more than senior auditors. This finding is applicable for both the planning and review phases with a minor exception found at the fieldwork in which seniors record slightly higher use of APs (76 percent) than managers (72.8 percent). The greatest extent of APs use by partners and managers occurs at the planning and review phases. This is most likely to be done in the planning and the overall review that are usually taken by more experienced auditors while less experienced auditors are generally concerned with the detailed testing phase (Mahathivan, 1997). The result of extensive use of APs at the final review stage by more experienced auditors (i.e. partners and managers) is also consistent with Choand Lew (2000). Partners and managers are more involved in the final review of an audit before the audit opinion is issued.

4.2 Effectiveness of APs in achieving audit objectives

Table VI. Effectiveness of APs in achieving audit objectives

Audit objectives	1	2	3	4	5
1-1 Obtain knowledge of the business and industry	39	35	12	14	-
1-2 Identify potential financial and operational weaknesses	47.3	43.7	9	-	-
1-3 Identify significant fluctuations in the FS	74.4	23.6	2	-	-
2-1 Determine the nature, extent and timing of substantive testing	33	45.1	10.2	11.7	-
2-2 Determine errors and misstatements in FS	35	39.8	24.1	1.1	-
3-1 Assess reasonableness of specific account balances	52.3	44.2	3.5	-	-
3-2 Assess overall fairness of presentation	39	31.3	20	7.3	2.4

Note: Scale of response: 1= Extremely effective ; 5= Not at all

Seven audit objectives have been addressed to identify auditors' perception about the usefulness of APs. These objectives which are shown in Table VI are broadly grouped by their major functions as follows:

- 1 Attention-directing:
 - 1.1 Obtain knowledge of the business and industry
 - 1.2 To identify potential financial and operational weaknesses.
 - 1.3 To identify significant fluctuations in financial statements.
- 2 Test-reducing:
 - 2.1 To determine the nature, extent, and timing of substantive tests.
 - 2.2 To detect errors and misstatements in financial statements.
- 3 Assessing fairness:
 - 3.1 To assess the reasonableness of specific account balances.
 - 3.2 To assess fairness of financial statements as a whole.

***Attention-directing**

APs is perceived by 74.4 % of all auditors as effective in identifying significant fluctuations in financial statements; 47.3 % of auditors consider APs as effective in identifying potential financial and operational weaknesses and in obtaining knowledge of the business and industry is 39 %.

***Test-reduction**

For test-reduction purpose, 35% of the auditors accept APs as a highly effective in detecting errors. On the other hand, 33 % of them perceive APs as an effective technique in determining the nature, extent and timing of substantive tests.

***Assessing overall fairness**

In the final phase (review), APs is seen as being extremely effective. 52.3% of the auditors believe in the effectiveness of APs in assessing reasonableness of specific account balances and transactions, and 39 % of them indicate the effectiveness of APs in assessing overall fairness of financial statements.

For all purposes, only less than 10%) auditors do not perceive the usefulness of analytical procedures..

The mean values of the responses of the included auditors by the study, and the mean values of the responses of international versus local audit firms regarding the effectiveness for the seven audit objectives are presented in Table VII.

Table VII. Big 4 versus non-Big 4 firms ranking of APs in achieving audit objectives

Audit objectives	Big 4	Non-Big 4	Mean value
1-2 Obtain knowledge of the business and industry	1.76(5)	2.33(7)	2.06 (6)
1-2 Identify potential financial and operational weaknesses	1.14 (1)	1.44 (3)	1.34(3)
1-3 Identify significant fluctuations in the FS	1.24(2)	1.13 (1)	1.18(1)
2-1 Determine the nature, extent	2.18(6)	1.85 (4)	1.60(4)

and timing of substantive testing			
2-2 Determine errors and misstatements in FS	2.54 (7)	1.98 (5)	1.79(5)
3-1 Assess reasonableness of specific account balances	1.26(3)	1.41(2)	1.34(2)
3-2 Assess overall fairness of presentation	1.52(4)	2.31 (6)	2.29(7)

Note: Lower mean values indicating greater effectiveness.

*scale of response: 1 – extremely effective; 5 – least effective.

In consistent with Cho and Lew (2000) and Samaha and Hegazy (2010), our results featured the effectiveness of APs in identifying significant fluctuations in the financial statements. APs are also effective in assessing reasonableness of specific account balances. However, , APs were perceived to be ineffective in assessing overall fairness, understanding client’s business and for detecting errors, respectively . . Table VII also shows that auditors of local and international audit firms perceive equally the importance of APs in achieving audit objectives and . in identifying significant fluctuations in the financial statements. On the other hand, there is a significant difference between auditors of the two types of audit firm with regard to the importance of the use of APs for assessing the overall fairness of presentation and obtain knowledge of the client’s business and industry.

Auditors of international firms attach greater importance to the usefulness of APs for obtaining knowledge of the client’s business and industry (mean =1.76) compared with those of local firms (mean=2.33). Moreover, auditors of international firms attach greater importance to the usefulness of APs for assessing the overall fairness of presentation (mean =1.52) compared to auditors of local firms (mean =2.31).These results may be justified by the differences in the extent of use of APs by auditors during the three phases among international firms versus local firms.

4.3 Types of APs used

Table VIII. APs used: Frequency of use

Procedures used	local	international	Mean Values
Scanning analysis	1.94(4)	1.97(2)	1.46 (2)
Trend analysis	1.43(3)	1.99(3)	1.69 (4)
Ratio analysis	1.34(1)	1.53(1)	1.42 (1)
Simple reasonableness test	1.39(2)	2.15(4)	2.01 (3)
Regression models	2.43(5)	2.61(5)	2.46 (5)

Note: Lower mean values indicating greater frequencies

The objective of this part is to identify the commonly used APs techniques by the Palestinian auditors. Auditors were asked to identify the types of APs techniques that they generally used in performing APs.

According to Samaha and Hegazy (2010), the first three techniques (scanning analysis, trend analysis, and ratio analysis) are relatively simple techniques since they are easy to implement, however they require more subjective decisions. On the other hand tthe last two techniques (simple reasonableness test and regression model)

are quantitatively based methods that are more objective and give better precision and control but are more expensive to implement.

The mean values of the auditors responses on the APs techniques used are presented in Table VIII. It shows that local and international audit firms of depend on subjective simple techniques (the first three techniques) compared with those on a quantitative basis.. This result is partly consistent with prior studies (e.g. Cho and Lew, 2000; Lin and Fraser, 2003; and Samaha and Hegazy, 2010). with regards to trend analysis, it is used by the Palestinian auditors with moderate frequency. Finally, it is clear that Palestinian auditors who use regression analysis in APs is a minority.

As seen in Table VIII, the t-test appears significant differences between the auditors of the two types of audit firms in using the APs techniques. The extent of using these techniques increases among international firms compared with local firms. International firms tend to use regression analysis to a greater extent than local firms due to the strong control systems existing at large clients. Ameen and Strawser (1994) provides a justification for such result that most of the clients of the international firms provide more sufficient and reliable data that enable these firms to use such sophisticated procedures in acceptable cost.

4.4 Obstacles of the application of APs in Palestine.

Table IX. Obstacles of the application of APs

Obstacles of the application of APs	Mean	Std. Deviation	t-test
1. Weak efficiency and experience of the auditor about using analytical procedures	4.192	.949	Sig.
2. Non-spread using of analytical procedures	4.124	.976	Sig.
3. Reduced audit fees	4.100	.979	Sig.
4. Lack of training courses enables the auditor to use analytical procedures	4.012	1.082	Sig.
5. Not Sufficient information provided by the client	3.924	1.14	Non-sig.
	4.0704	1.021	Sig.

Note: Higher mean values indicating greater importance

According to the perceptions of the auditors, several obstacles hinder the use and application of APs in Palestine. As shown in Table IX, The overall mean of obstacles facing the use of APs is 4.0704, which is a high percentage so the direction of the responses as a whole tends towards "agree" on the existence of obstacles and difficulties of application APs in Palestine. Descriptive statistics show that the most obstacle which restrict the use of APs is that lack of experience and adequate qualification of the auditor about application of APs which is the first statement "weak efficiency and experience of the auditor about using analytical procedures" which took the high significant (mean =4.192) and less std. deviation (= .949). On the other hand, Phrase 5 "Not Sufficient information provided by the client" has the last ranking from view of auditors, the mean of the phrase reached 3.924.

Finally, the auditors in Palestine agree confirm the existence of difficulties and obstacles that limit their use of APs in the audit.

5. CONCLUSION

The study addresses the use of analytical procedures in Palestine by relying on the perceptions of the Palestinian auditors from both local and international audit firms. It investigate the extent to which APs are used in the different phases of audit engagement, the effectiveness of the APs techniques, and the frequency of usage such procedures. Furthermore, the study identifies the obstacles hinder the application of APs.

The results show that Palestinian auditors make least use of APs in the overall stages of an audit. APs are mainly used for identifying significant fluctuations in the financial statements and to a lesser extent in assessing the overall fairness of the financial statements. It is found that, the the use of APs is affected by the type of audit firm. International audit firms tend to rely on theAPs more than local firms. Furthermore, the use of simple analytical procedures exceeds the use of sophisticated procedures However, auditors of local audit firms tend to use the simple procedures extremely compared with auditors from international firms who prefer sophisticated procedures. Finally, the results indicated that there are many obstacles facing the application of APs in Palestine. The most important obstacle is the lack of experience and adequate qualification of the auditor about application of APs.

The results of this study need to be considered in the context of a number of limitations. First, study suffers from the normal limitations that occurred when using a questionnaire survey. The percentage of response rate obtained was low. The probable reason for the low response rate is that the small number of responses from international audit firms auditors. Moreover, this problem raised the difficulty to prove that there were statistically significant differences from local auditors where differences might exist. Therefore, the results of the study may therefore be biased towards local auditors. Second, it is logical and possible that most of the responses are from auditors who support the use of APs. This would indicate a bias into the findings of the study and thus affect its external validity.

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