

THE USE OF ANALYTICAL PROCEDURES BY YEMENI AUDITORS

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Abstract

This study sets out to investigate the extent to which Yemeni auditors use analytical review procedures during the audit of client's financial statements. It also examines the stage of auditing procedure in which Yemeni auditors implement analytical review procedures. Moreover, the study determines the relationships between the importance's factors and the use of analytical review procedures. The findings of the study have indicated that the Analytical Procedures were utilized on high percentage by audits in larger and high experienced audit firms compared to small and low experienced audit firms where the results have shown low percentage. Nevertheless, the role of auditors' perception towards Analytical Procedures has proved to have a significant effect of usage of Analytical Procedures.

Keywords: Analytical Procedure, Auditing Standard, Republic of Yemen, Audit Quality Big Four

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1 Introduction

Audit profession in the Republic of Yemen has substantially changed during the last two decades due to the change of policies implemented by the government. These changes include the privatization policy in 1995 which has changed the structure and ownership of public companies in Yemen. The period also witnessed the issuance of the 'Commercial Companies Law'⁴ that regulates companies' incorporation in the Republic of Yemen. The legislation has mandated the audit of companies' financial statements by external auditors. As a result of this requirement, the demand for audit services in Yemen has increased substantially and this has led the Yemeni government to issue the Law of the Central Organization for Control and Auditing (COCA) No. 39 and the Auditing Law No.26 in 1999 (to check – is it Audit Profession Practicing Act No. 26?) which is meant to regulate the work of auditor in the republic.

Interesting though, the Audit Profession Practicing Act No. (26), also states that it is not mandatory for auditors to comply with the International Auditing Standards (IAS). As a consequent to that, until nowadays, Yemen neither has adopted International Auditing Standards nor it has developed its own national standards. Despite the absence of auditing standards for auditors' references, it however, has stated in the Audit Profession Practicing Law (26/1999) that auditors are subject to

work under the shed of 'basic auditing rules'. The passing of this law, unfortunately, has fuelled the profession with a great amount of ambiguity since it has never outlined the real concept and meaning of the 'basic auditing rules'. Literally, it leaves auditors to decide what is the basic auditing rules and as a consequent, ones might question the quality and the consistency of audit work by Yemeni auditors.

One important aspects of audit work quality is the use of appropriate audit procedure to collect audit evidence. These procedures include inspection, observation, inquiry, confirmation, recalculation, re-performance, and the use of analytical procedures. Interesting enough to note, analytical procedures is one of the cheapest and most basic audit procedures. The procedure is referred to as the analysis of significant ratios and trends including the resulting investigations of fluctuations and relationships that are inconsistent with other relevant information or which deviate from predicted amounts (Chow, 2009).

Substantive Analytical Procedures are in fact widely used in practice and are an increasingly important source of audit evidence (Asare and Wright, 2001). For instance, Kreutzfeldt and Wallace (1986) report that 40% of the errors encountered during an audit engagement were detected by use Analytical Procedures. However, despite the importance and effectiveness of Analytical Procedures, its usage in the context of Yemeni audit practice is relatively unknown. Moreover, given the absence of auditing standards, the usage of analytical procedures might vary across audit firms and auditors. Thus, it is the

⁴ Yemen Law No.22/ 1997 on Commercial Companies

purpose of the study to document the implementation of Analytical Procedures among external auditors in Yemen and to identify the factors that influencing the usage. Specifically, this paper aims to answer the following research questions: (i) To what extent do the Yemeni audit firms use the Analytical Procedures? (ii) What are the determinants factors that affect the usage of analytical Procedures? And (iii) What is the auditor's perception towards the usage of Analytical Procedures.

The rest of this paper is organised as follows. The next section provides discussion on Analytical Procedures and reviews relevant prior studies. Section 3 outlines the research method, while section 4 outlines the research design. Results are discussed in section 4 and section 5 is summary and conclusions.

2 Studies of analytical procedures and the formulation of research questions

The studies of O'Donnell (2002); Senoon (1992); Biggs & Wild (1984); Lin & Fraser (2003); and Fraser *et al.*, (1997) find that the extent use of the analytical procedures are significantly influenced by factors such as auditor experience and audit firm size. For instance, (They) assert that large international firms are obliged internationally by their partners to apply auditing standards which include the implementation of analytical procedures. In addition during the time auditor's knowledge and understanding of importance and effectiveness will increase toward Analytical Procedures.

The International Standard in Auditing No. 520 "Analytical Procedures", defines the procedure as evaluations of financial information through analysis of plausible relationships among both financial and non-financial data. The standard stresses that it is important to identify fluctuations or relationships that are inconsistent with other relevant information or that differ from expected values by a significant amount (IFAC, 2009). Techniques of the AP include scanning of the financial statements and regression analysis. The former is the most simple and straight forward while the later is more demanding and sophisticated (Fraser et al, 1997). Analytical review procedures is considered as a diagnostic process of identifying and determine the cause of unexpected fluctuations in accounts balances and financial ratios.

The Analytical Procedures are powerful tools that have the potential to increase the efficiency of audit. It is a relatively low-cost procedure that have considerable power in identifying errors or irregularities and in guiding audit. Also, it helps auditors to understand the client's industry and business, and to assess going concern (Chow, 2009). The benefit associated with analytical procedure is considered substantial if they are proven to reduce the most expensive audit tasks (namely, the test of details), decrease the risk that a material error will go undetected, and if they are constructed to be stable

across companies and time horizons (Hoitash et. al., 2006).

Accordingly, Chow (2009) states that the timing and purpose of Analytical Procedures may be performed at any of all three stages in the audit procedures - i.e. the planning stage, the testing stage and the completion stage. During the planning stage, Analytical Procedures can be used as risk assessment process. They help external auditors identify significant matters requiring special consideration later in the audit engagement, such as: (1) to understand the client's industry and business, (2) to assess going concern, (3) to identify possible error in statements, and (4) to reduce detailed tests. While during the testing stage, analytical review procedures can be used as substantive procedures in collecting appropriate audit evidence. During the completion stage, analytical review procedures can be used as part of an overall review of the financial statements for the auditors to reach conclusions about the fair presentation of the financial statements. The procedures help the external auditors to take a final review objectively and help auditor especially to assess client's going.

A number of studies have been undertaken to study the use and application of analytical review procedures due to its importance. Some of these studies focus on the extent of , while the others focus on effects of Analytical Procedures in detecting fraud and errors. Generally, these studies found that respondents regard Analytical Procedures as a powerful tool in auditing that help the auditors throughout the audit process.

Prior studies have documented that majority of auditor do apply Analytical Procedures in the audit works. For instance, Fraser et al. (1997) and Lin & Fraser (2003) report the extensive use of analytical procedure by auditors in the UK and Canada, respectively. Ameen and Strawser (1994) report that big firms tend to allocate more audit time for this procedure than the smaller firms. Similarly, Senoon (1992) finds that 72.1% of Egypt auditors use the Analytical Procedures above of the average level . Meanwhile, Asha (1992) reports the tendency of Jordanian's auditors to use non-quantity analysis and simple quantity analysis more than use advanced analysis.

To date, as far as we are concern, there is no study undertaken to study the extent usage of Analytical Procedure in a setting where neither accounting nor auditing standards is adopted. Thus, it is of our interest to provide answer to the following research question in the context of Yemen auditing environment: To what extent do the Yemeni audit firms use the Analytical Procedures?

2.1 Auditor perception towards analytical procedures

The auditor's confidence in analytical review procedures is expected to have an effect on the utilization of such procedures during the course of an audit. As Mckee (1982) notes, "many of the new analytical techniques were not taught in most undergraduate programs as recently as a decade ago. Consequently, many practitioners do not possess an adequate understanding of such techniques and do not use them". The auditor's knowledge of analytical review techniques, including the understanding of when such procedures are applicable and the expertise necessary to carry out the procedures and interpret the results, is crucial to analytical review utilization.

According to Lin & Fraser (2003) although Canadian external auditors appear to place more reliance on Analytical Procedures to justify reductions in substantive testing, there are limits to this reliance, which suggest that while auditing firms may have increased their use of Analytical Procedures with the expectation of efficiency gains, these may be realized at present only partially. Ameen and Strawser (1994) studied the Use of Analytical Procedures in large audit firms (Big six in that time) and small audit firms in U.S. They investigated usage of six procedures. The results indicate that auditors perceive Analytical Procedures to be more appropriate than substantive tests of details in certain situations. This reflects of auditor's perception for Analytical Procedures.

The extent of analytical review procedures utilized in an audit would depend upon the auditor's knowledge of analytical review procedures and their perception of the effectiveness of analytical review procedures. Analytical review procedures applied in the planning stages of the audit can change the entire course of the audit, since the results of such procedures are used to plan the extent of both substantive analytical review procedures and substantive tests of detail. Thus, auditors will tend to perform extensive preliminary analytical review, and will tend to rely upon the results of those procedures, only when they feel comfortable with analytical review. Thus, the extent of analytical review procedures performed in the planning stages of the audit should bear a positive relationship to the auditor's knowledge of analytical review and their perception of its effectiveness (Tandy, 1987). Also Asha (1992) indicate in his study, the Jordanian's auditors whose perception of the importance and benefits of using Analytical Procedures are more usage of Analytical Procedures. On the other hand AL-Hamoud, & AL-Samurai (1998) wanted in their study to know the interest of Libya auditors for Analytical Procedures, extent of use Analytical Procedures and what the obstacles that prevent the usage are. They found in their study, 83% of the auditors perceptive of the importance of analytical review procedures. and 17 % of Libyan auditors less

usage of Analytical Procedures because the perception of effectiveness by them is less than those have more perceptive of Analytical Procedures. In the context of Yemeni audit environment, we aim to provide the answer to the following research question - What is the auditor's general perception towards Analytical Procedures?

2.2 Auditor experience

Experience refers to the nature of the events someone or something has undergone. Experience is what is happening to people all the time - as they long they exist. Auditing experience refers to auditing events that undergone on auditors during time. In other words, auditor experience indicates to the number of years auditing work is practiced by the auditor. With respect to the Analytical Procedures and its correlation with the auditor experience, several studies have been carried out to investigate this issue (Cho& Lew, 2000).

According to O'Donnell (2002), examined whether error specific experience can improve auditors performance during analytical procedure. In afield experience used analytical procedure to diagnose the reason for an unexpected interperiod change in an account balance. The researcher Have been classified the experience to the following types. (1) General audit experience was measured by the number of months of work by the auditor in the auditing profession. (2) Industry experience was measured by the number of industrial companies that have been checked using the Analytical Procedures. (3) Error-specific experience was measured by the number of previous engagements during which a participant was involved in making adjusting entries for overhead allocations. The sample included 28 participants with 2 to 13 years of general audit experience. They are used the analytical review procedures explanation of the decrease in gross profit. The researcher distribute questionnaire to the participants to explain the reasons of decrease the profit. The researcher found that, for participants with high experience, (experience in identify error by Analytical Procedures) were the best in explanation, determine the errors than the participants with less experience.

According to Biggs & Wild (1984), through their study in United States of America to investigate the extant American auditors use the Analytical Procedures. They found that there is a strong relationship between auditor's experience and the use of Analytical Procedures, especially using the advanced procedures. Also, Senoon (1992) examined the extent of using Analytical Procedures by Egyptian auditors. This study indicates that there is a strong correlation between the use of Analytical Procedures and auditor's experience. On the other hand, Asha (1992) investigated the using of the three levels of Analytical Procedures; namely; non quantity analysis,

simply quantity analysis, and advanced quantity analysis, among Jordanian auditors. It was found that there is no relationship between the use of Analytical Procedures and auditor's experience.

2.3 Audit firm size

Audit firm size categorize audit firms according to sizes of firms, the major categorization is big firm and non big audit firm, big firm present biggest firms around the world, and non big firms present another sizes like local auditor in specific country and another international audit firms. According to previous studies that studied the relationship between the audits firm size and extent of use Analytical Procedures, some of these studies distribute audit firm size to big and small and others distribute to big, medium and small firm. According to Lin, and Fraser (2003) which studied the relationship between use of Analytical Procedures and audit firm size in Canada. They distributed the firms to Big five (in that time) and non Big five. Researchers also distributed non Big five to large medium and small local audit firms. They indicate in their study to, at the planning and substantive testing stages, differences of use analytical review procedures are apparent between larger and Big 5 (in that time) firms and smaller firms (small firms and medium-sized) in other words; the use of Analytical Procedures in large firm is high than small and medium size firm. Also Fraser *et al.* (1997) studied the relationship audit firm size and use Analytical Procedures in U.K., also researches categorized the sizes of firms to Big 6 (in that time) and non Big 6 (large, medium and small). The researchers found the usage of analytical review procedures are consistently high among all sizes of audit firms. But the research indicates that usage of analytical review procedures by small firms at final review stage of the audit is limited than large firms. Gharaibeh (2003) wanted in his study to identify the extent use Analytical Procedures by Jordanian auditors through apply International Standards on Auditing No. 520 on the analytical procedure; he studied the relationship between the use of analytical review procedures and each of experience and size of audit firm. The researcher found in this study, there is no relationship between the size of the firm and the use of Analytical Procedures. There are difference of usage the analytical review procedures but not refer to sizes of firms. Accordingly, it is the purpose of the present study to provide insight into the important

determinants of analytical procedure usage. As such, the following research question is posed to be answered :- What are the determinants factors that affect the usage of analytical Procedures? In particular, this study aims to answer the following specific research questions (i) *Does the size of Yemeni audit firms associate with the usage of Analytical Procedures and (ii) Does Yemeni auditor experience associate with the usage of Analytical Procedures?*

3 Research method

3.1 Instrument

The questionnaire developed by Lin and Fraser (2003) has been adapted as a tool for data collection. However, since majority of the Yemeni people do not speak or understand English, we translated the questionnaire into Arabic language. The questionnaire consists of nine questions that aim to measure the extent of Analytical Procedures usage among external auditor in Yemen.

3.2 Sample selection

The present study has been conducted in the year 2009. During the year, it has been reported that a total number of 113 auditors have renewed their licenses (Yemeni Chartered Accountant Journal, 2009). Despite the small number of auditors in Yemen, they are scattered all around the country and can be categorised into Big 4 and non-Big 4 offices. The non-Big Four is made up of international and local auditors.

Due to logistic challenge and political instability during the year, the study focuses on auditors having offices in *Sanaa, Aden, Ta'izz* and *Al Mukalla*. These are the four biggest cities in Yemen and are the centre of economic activities. A number of 70 auditors has been identified to reside in these cities (Certified Public Accountants Association, 2009) and thus, has been selected as respondents for the study. Out of the 70 distributed questionnaires, a number of 51 questionnaires have been returned. This number represents 73% of return rate or 45% of the total population. The highest response rate is reported from *Sanaa*, i.e. Yemen capital city. The city also recorded the highest number of auditors (i.e. 39 auditors). Table 1 illustrates the number of questionnaires distributed (which is also the number of auditor residing there) and returned, as well as the response rate from each city.

Table 1. Survey distribution and responses

City	Questionnaires sent (n)	Questionnaires Returned (n)	Response rate (%)
Sanaa	39	30	77
Aden	15	8	53
Ta'izz	9	7	77
Al Mukalla	7	6	86
Overall	70	51	73

4 Results

4.1 Extent and frequency of use

We asked respondents to indicate the proportion of audits on which Analytical Procedures are used. As can be seen in Table 2, the results indicate wide variation in the use of Analytical Procedures, ranging from less than 20% to more than 80%. Overall, 23.5% of respondents indicate that they use Analytical

Procedures on between 21 and 40% of audits and 41.2% reported use of Analytical Procedures on between 41 and 60% and a further 25.5% reported use of Analytical Procedures on between 61 and 80%. Overall, the mean extent of use is 51%. Analytical Procedures are utilized on 70% of audits carried out by Big 4 firms as compared to 44% of audits conducted by small firms.

Table 2. Auditors' usage of analytical procedures by different size of firms

Percentage of audits on which Analytical Procedures used	Number and percentage of auditors									
	Big 4		6- 20 partners*		Less than 6*		Sole proprietor*		Overall	
	n	(%)	n	(%)	n	(%)	n	(%)	n	(%)
0-20							2	7	2	4.0
21-40					2	14	10	33	12	23.5
41-60	1	25	2	67	5	36	13	43	21	41.0
61-80	2	50	1	33	5	36	5	17	13	25.5
81-100	1	25			2	14			3	6.0
Total	4	100	3	100	14	100	30	100	51	100
Mean extent of use (%)		70		57		60		44		51

Note: non-big 4 firms only

These results are comparable with those from research conducted in the U.S. (Ameen and Strawer, 1994). One partial explanation for the greater use of Analytical Procedures by larger firms is the client size. Larger clients are more likely to have strong internal control structures that facilitate the generation of reliable accounting data and supporting documents for Analytical Procedures use (Hirst and Koonce, 1996; Mulligan and Inkster, 1999).

Also, we asked respondents to indicate their working experience in auditing and linked it with the proportion of Analytical Procedures were used. Table 3 which presents the usages of Analytical Procedures

by auditor's experience, indicates wide variation in the use of Analytical Procedures, ranging from less than 20% to more than 90%. Overall, 23.5% of respondents indicated that they used Analytical Procedures on between 21 and 40% of audits and 41.2% reported use of Analytical Procedures on between 41 and 60% and a further 25.5% reported use of Analytical Procedures on between 61 and 80%. The mean extent of use was 51%. Analytical Procedures were utilized on 47% of audits carried out by less than 5 years experience as compared to 77% of audits conducted by 20 years and above experience.

Table 3. Analytical procedures usage depending on auditor's experience

Percentage of audits on which Analytical Procedures used	Auditor's Experience											
	Less than 5 years		5-10 years		10-15 years		15-20 years		20 years & above		Overall	
	n	(%)	n	(%)	n	(%)	n	(%)	n	(%)	n	(%)
0-20	1	3.5	1	8	0	0	0	0.0	0	0	2	4.0
21-40	10	36	2	15	0	0	0	0.0	0	0	12	23.5
41-60	10	36	7	54	3	75	1	33.3	0	0	21	41.0
61-80	6	21	3	23	1	25	1	33.3	2	67	13	25.5
81-100	1	3.5	0	0	0	0	1	33.3	1	33	3	4.0
Total	28	100	13	100	4	100	3	100	3	100	51	100
Mean extent of use (%)		47		48		55		70		77		51

Panel A of Table 4 reports the proportion of audits on which Analytical Procedures were used at each audit stage and provides a direct comparison between stages. It can be seen that use at the planning and testing stages was 43 and 42%, respectively. At

the final review stage usage was almost universally extensive, with a mean of 48%.

At the final review stage, usage was almost universally extensive, with a mean of 48%. At the planning, substantive testing and review stages the differences were apparent between larger firms and

smaller firms. Analytical Procedures were utilized on 70%, 60%, and 70% of planning, substantive tests, and review stages respectively, carried out by Big 4 firms as compared to 35%, 33%, and 38% of planning,

substantive tests, and review stages audits respectively, conducted by small firms. In these areas of the audit, smaller firms utilized Analytical Procedures far less extensively than did larger firms.

Table 4. Extent, frequency and effectiveness of use of analytical procedures in Yemen

<i>Panel A: Percentage of audits on which Analytical Procedures are used.</i>					
	Big 4	6- 20 partners	Less than 6	Sole proprietor	Mean (%)
Planning	70 %	63%	49%	35%	43%
Substantive tests	60%	50%	54%	33%	42%
Review	70%	63%	59%	38%	48%
<i>Panel B: Procedures used: frequency by firm size. (1 = very often, 5 = never)</i>					
	Big 4	6- 20 partners	Less than 6	Sole proprietor	Mean
Scanning analysis	1.75	1.66	1.86	2.20	2.04
Trend analysis	1.25	1.33	2.00	2.27	2.06
Ratio analysis	1.75	1.66	2.21	2.33	2.22
Reasonableness test	1.00	2.00	2.43	2.66	2.43
Regression	1.25	2.33	2.29	2.66	2.43
<i>Panel C: Procedures used: effectiveness by firm size. (1 = effective, 5 = least effective)</i>					
	Big 4	6- 20 partners	Less than 6	Sole proprietor	Mean
Scanning analysis	3.50	3.66	1.86	1.93	2.14
Trend analysis	2.25	1.33	3.00	2.30	2.43
Ratio analysis	1.75	2.66	3.14	2.60	2.69
Reasonableness test	3.00	3.33	2.71	3.70	3.35
Regression	4.50	4.00	4.29	4.47	4.39

Table 4 of Panel B gives the respondents' use of different Analytical Procedures techniques (Scanning analysis, Trend analysis, Ratio analysis, Reasonableness test, and Regression analysis) split by different size of firm. Table 4 shows that, scanning and trend analysis to be regarded as more feasible at audit. On the other hand, Trend and Ratio analyses dominate in large firms than small firms. Overall, Big 4 and large firms trend to high usage of all techniques, and tend small firms to medium usage of these techniques. When compared to the earlier U.K. survey (Fraser et al., 1997), our results show little

movement towards the use of more quantitatively-based techniques.

Table 5 demonstrates that a clear majority of respondents (49%) believed that Analytical Procedures provide either positive assurance (as for tests of detail) and (29%) believed that Analytical Procedures provide both positive and negative type assurance (less assurance than tests of detail). A minority (22%) of those auditors who responded to the survey would reduce the level of detailed testing when the results of Analytical Procedures are favourable.

Table 5. Types of assurance

Types of assurance provided	Big 4	6- 20 partners	Less than 6 partners	Sole proprietor	Mean (%)
Positive assurance	75	100	50	40	49
Negative-type assurance	0	0	36	20	22
Both positive- and negative-type assurance	25	0	14	40	29
No assurance	0	0	0	0	0

Table 6 shows the importance of various factors for the increased use of Analytical Procedures over that period. "Overall Increased use of computers" is considered to be the most important factor contributing to the increased use of Analytical Procedures. In general, respondents rated "the influence of the auditing standard" as the least important driver of change. However, the standard

appears to be significantly more influential for Big 4 and large firms as compared with small firms.

Furthermore, small firms acknowledge fee pressures, increased reliance on Analytical Procedures as a direct source of evidence, and changes in audit approach to be less important than do Big 4 and other large firms.

Evidence from both the U.K. (Mulligan and Inkster, 1999) and the U.S. (Ameen and Strawer,

1994; Blocher and Loebbecke, 1993) suggests that auditing standards on Analytical Procedures have had greater impact upon the practice of smaller firms than that of larger or Big 5 firms in that time. However,

lack of standards for regulates auditors' work in Yemen is important reason in weakly usage of Analytical Procedures.

Table 6. Importance of factors driving increased use of analytical procedures (1 = very important, 5 = very unimportant)

	Big 4	6- 20 partners	Less than 6	Sole proprietor	Mean
Increased fee pressures	2.50	2.66	2.43	2.50	2.49
Increased professional guidance	2.00	2.33	2.29	2.33	2.29
Increased reliance as a direct source of evidence	1.75	2.00	2.50	2.73	2.55
Overall change in audit approach	1.75	1.33	2.43	2.9	2.59
Influence of auditing standards	1.25	1.66	2.57	3.23	2.80
Increased use of computers	1.00	1.33	1.57	1.43	1.43

Finally, our analysis suggests that general perception toward Analytical Procedures differ cross different firms size. However, overall trend to be medium effect in audit firms in Yemen. Auditor perception appear differ between Big 4 firms and smaller firms. High perception correspondence with high use of Analytical Procedures in Big 4 firms comparable with small firms that indicated less use of Analytical Procedures in table 2 this maybe, refer to auditor's knowledge of analytical review techniques or reliance on Analytical Procedures, including the understanding of when such procedures are applicable and the expertise necessary to carry out the procedures and interpret the results, is crucial to analytical review utilization(McKee, 1982; Lin & Fraser, 2003).

5 Summary and conclusions

The purpose of this paper is to investigate the extent to which Yemeni auditors use Analytical Procedures. Specially it aims to answer the following research questions: (i) To what extent do the Yemeni audit firms use the Analytical Procedures?, (ii) Does the audit firms' size affects usage?, (iii) Do auditors experience affect of extent of use Analytical Procedures?, (iv) What are the importance's factors driving the use of Analytical Procedures? and, (v) What is the auditor's general perception towards Analytical Procedures?

A set of questionnaire was distributed to a population of 113 auditors which resides in four biggest cities in Yemen (Sana'a, Aden, Ta'izz, and Al Mukalla). The Overall respondents are 51 who answered of questionnaires. However, the percentage of respondents versus population is 45% (population are 113 auditors). Researcher arrival to the mean extent of use was 51%. Analytical Procedures were utilized on high percentage of audits carried out by Big 4 firms as compared to low percentage of audits conducted by small firms. However, at the planning, substantive testing, and review stages differences were apparent between larger firms and smaller firms. Also Big 4 and other large firms tend to high usage of all

techniques, and small firms tend to medium usage of these techniques. There is evidence of positive relationship between the audit firm size and use Analytical Procedures in every audit stages. Greater use of Analytical Procedures refers to mandate auditing standards in big firms. One partial explanation for the greater use of Analytical Procedures by larger audit firms is big size of the client size. Larger clients are more likely to have strong internal control structures that facilitate the generation of reliable accounting data and supporting documents for Analytical Procedures use (Hirst & Koonce, 1996; Mulligan & Inkster, 1999). Furthermore, high auditor's experience is leading to high use of analytical review procedures as compared with low auditors' experience. Auditing experience refers to auditing events that undergone on auditors during time. Therefore, these events that undergone during that times will increase the knowledge and the understanding of Analytical Procedures importance and effectiveness (Biggs & Wild 1984; Cohen & Kida 1989; Cho & Lew, 2000; O'Donnell 2002).

Important factors driving the use of Analytical Procedures include the increased use of computers which is considered to be the most important factor contributing to the increased use of Analytical Procedures. On the other hand, influence of the auditing standard has been identified as the least important driver of change. However, the standard appears to be significantly more influential for Big 4 and large firms as compared to small firms. This refers to the fact that there is not any mandatory basis for auditors to comply with the International Auditing Standards and yet, Yemen has neither adopted International Accounting Standards nor has it developed its own national standards.

General perception towards Analytical Procedures differs cross different firms size. However, overall trend to be medium effect in audit firms in Yemen. Auditor perception appear differ between Big 4 firms and smaller firms. The auditor's confidence in analytical review procedures is expected to have an effect on the utilization of such procedures during the

course of an audit. As McKee (1982) notes, "many of the new analytical techniques were not taught in most undergraduate programs as recently as a decade ago. Consequently, many practitioners do not possess an adequate understanding of such techniques and do not use them". The auditor's knowledge of analytical review techniques, including the understanding of when such procedures are applicable and the expertises necessary to carry out the procedures and interpret the results are crucial to analytical review utilization.

The results show that the more auditors' perception towards Analytical Procedures is weak the more it leads to less usage of Analytical Procedures. Moreover, it leads to lack of standards for regulates auditors' work. In other words, Yemeni's Act does not mandate the auditors in Yemen to follow international standards in auditing where Analytical Procedures are considered to be one of these standards or to develop the local standards. On the other hand, obstacles related to overall change in audit approach, less reliance professional guidance and lower audit fees in least role in reducing the use of Analytical Procedures.

This study is not without limitation, the sample size chosen to distribute out the questionnaires consisted of 84 auditors operating in the four biggest cities in Yemen (Sana'a, Aden, Ta'izz, and Al Mukalla). The chosen of the four biggest cities in Yemen was used because of the fact that most of the commercial activities are being practiced in these regions (Certified Public Accountants Association in Yemen, 2009). From the total sample size chosen (84), 14 auditors were excluded because there was difficulty encountered by the researcher to locate their offices. They do not have online websites and the addresses and contact numbers provided by the Certified Public Accountants Association in Yemen were invalid; although, the researcher got another list from Ministry of Industry and Trade but this list has many mistakes in addresses and contact numbers. In other words, the changed addresses and telephone numbers for auditors were not updated in the list.

The present study is limited to the extent of use of some techniques. Therefore, future studies should attempt to examine other techniques on usage of Analytical Procedures. Future studies should also investigate other factors driving increased use of Analytical Procedures like auditors industry specialist. The research used survey to investigate the usage of Analytical Procedures, but a laboratory study, which the auditors will present case study of audits, could provide further evidence on the factors important in the auditor's decision regarding the utilization of analytical review procedures. Also future research could attempt to control the environment in which the audit decisions are made.

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