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The response of statutory financial auditors in Libya to environmental issues

An initial and exploratory study

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Abstract

Purpose – The consideration of corporate environmental responsibility (CER) has been in existence for more than a decade now, rising to prominence as a result of the upsurge in environmental auditing (EA). Despite the many international claims that auditors are positioned to play a pivotal role in the design and conduct of EA, no previous study has been undertaken in the Libyan context. The purpose of this paper is to gain insights into the preparedness of Libyan financial auditors to handle EA within the conventional auditing framework.

Design/methodology/approach – The paper comprises an exploration of the views and experience of 93 practitioners in the 27 largest auditing offices in Tripoli. A questionnaire was chosen for this study. It was pre-tested by nine members of staff in accounting departments at Libyan universities and 11 practitioners. The final Arabic copies of the questionnaire were distributed in the final survey. The number of questionnaires distributed was 93 and the response rate was 87.1 per cent (usable questionnaires 81).

Findings – The results of this research are reflective of contemporary international studies, suggesting that, although the Libyan financial auditors recognised the influence of environmental issues on the different stages of auditing, they are conspicuously absent from EA. This can be attributed to: their lack of competence in such an area; a lack of professional standards and guidance; a lack of research in this area; EA not being required by laws; limited public demand for environmental reports; and the low level of environmental disclosure by Libyan companies.

Originality/value – It is envisaged that this initial study will add to the limited literature on EA in developing countries and provide a useful framework for further studies, especially those in the Arabic region.

Keywords Libya, Auditing, Corporate governance, Responsibility accounting, Corporate environmental responsibility, Environmental auditing, Libyan financial auditors, Environmental disclosure.

Paper type Case study

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Introduction

To reduce the confusion surrounding the terminology used in the literature, the term Environmental Auditing (EA) as applied by the ISO 14010 Guidelines for Environmental Auditing: General Principles (ISO 14010, Para 3.9) is chosen for the purpose of this paper. It refers to EA as a "systematic, documented verification process of objectively obtaining and evaluating audit evidence to determine whether specified environmental activities, events, conditions, management systems or information about these matters conform with audit criteria, and communicating the results of this process to the client". The auditing profession has argued that financial auditors are

qualified to play a significant role in the provision of environmental audit services. Such relevance is based on auditors' expertise in audit procedures, processes and techniques that can be applied to many types of assessment, including EA (Lightbody, 2000). Thus, the central theme of this paper is the potential role of Libyan financial auditors in handling EA within the conventional auditing framework. On the basis of this discussion, this paper proceeds as follows. The next section identifies and reviews the literature review and develops hypotheses; the third section deals with the research method and sample; the fourth section discusses the findings. The conclusions of this research are summarised in the final section.

Literature review and development of hypotheses

In recent years the environment crisis has become a global issue. Nowadays, there is a growing pressure for businesses to consider environmental effects of their operations. As a result, environmental accounting and then EA have been emerging as an important dimension of corporate accountability. The Institute of Chartered Accountants in England and Wales (ICAEW, 1992, p. 3) pointed out that "where environmental factors will impact on a company's policy and activities and will impose costs on the company, or affect its asset values or liabilities, actual or contingent, the financial consequences need to be accounted for or reported in accordance with existing accounting requirements". Later on, ICAEW (2000, p. 1) indicated that "the importance of the environmental is increasingly recognised. Environmental issues often have implications for business and cannot be ignored by auditors. Auditors need a general awareness of the risk that environmental issues may have an impact on financial statements".

Attempts to establish the relevance of accountants' knowledge and skills to the practice of EA are widespread in the accounting literature (Akers and Klos, 1995; Bebbington *et al.*, 1994; Deegan *et al.*, 1996; CICA, 1992; Collison, 1996; Collison *et al.*, 1996; Collison and Gray, 1997; Wang *et al.*, 1997; Wycherley, 1997; Dixon *et al.*, 2004; Fédération des Experts Comptables Européens (FEE), 1995; ICAEW, 1992, 2000; Lightbody, 2000; Lodhia, 2003; Moor and Beelde, 2005; Wilmshurst and Forst, 1998). For example, Wilmshurst and Forst (1998, p. 22) stated that: "while accountants may not have the range of skills necessary to conduct an environmental audit, they are well positioned to play a pivotal role as part of the audit team. The accountant is able to provide input with regard to verification of financial data, cost-benefit analysis, compliance status and the design and implementation of EMS to capture and utilise the required environmental information". However, the evidence from the literature indicates that financial auditors' participation in the area of EA is limited by some obstacles. Dixon *et al.* (2004) suggested that these obstacles have two aspects. The first is related to auditors and the auditing profession including: accounting education; the ethical and social aspects in accounting education; research in the accounting and auditing profession; the experience, skills and training of financial auditors; professional guidance for environmental matters; and auditors' attitudes towards performing environmental audits. The second factor is related to lack of demand for environmental reporting from companies.

However, most of these prior studies focused on the developed and newly industrial countries. There is a considerable lack of literature on EA in Arabic countries, especially those that seek the views of statutory financial auditors on this phenomenon. The researchers have, therefore, taken the initiative to examine the extent to which statutory financial auditors are involved in encouraging environmental responsibility

and auditing of their clients in Libya as an Arabic and developing country, and to bridge this gap in the EA literature. Libya, a country of 5.7 million people (2006 census), bounded by the Mediterranean Sea to the north, Egypt and the Sudan to the east, Chad and Niger to the south and Algeria and Tunisia to the west and covering an area of 1.8 million square kilometres, including a large portion of the Northern Sahara desert, became an independent state in 1951, after successive periods of Ottoman and Italian imperial rule and seven years of government under a UN mandate, becoming a Republic in 1969. Libya witness a new revolution in 17 February 2011, which finished Qaddafi regime, and starts a new free country. In addition to being a major oil exporter, Libya also has substantial manufacturing, construction and service sectors (for more details see Ahmad and Handley-Schacher, 2008).

Corporate environmental disclosure and auditing in Libya have been given, as mentioned earlier, little attention in the literature. For example, Ahmad (2004), by studying the period of 1998-2001, found that there is no evidence of corporate environmental disclosure in terms of either its quantity or its quality in Libya, especially if the health and safety category is excluded. Later on, Ahmad and Mousa (2010) found that corporate environmental disclosure in Libya, in terms of both its quantity and its quality has been developed over the period of 2001-2007. As such, the following main hypothesis was suggested:

H1. Statutory financial auditors in Libya are familiar with the requirements of EA.

However, to be tested this main hypothesis was divided into three sub-hypotheses, namely:

H1.1 Statutory financial auditors in Libya are familiar with the requirements of planning of EA.

H1.2 Statutory financial auditors in Libya are familiar with the requirements of implementation of EA of economic unit activities.

H1.3 Statutory financial auditors in Libya are familiar with the requirements of reporting the results of EA.

Research method and sample

In general, case studies are the preferred strategy when the researcher has little control over events, and when the focus is on a contemporary phenomenon within some real-life context (Yin, 2003). This study comprises an exploration of the views and experience of 93 practitioners in the 27 largest auditing offices in Tripoli regarding their reorganisational response to the requirements of EA. A questionnaire was chosen for this study. In order to test the previously mentioned hypotheses the questionnaire comprised four sections which sought information and views on the background of the respondent; the requirements of the planning of EA; the requirements of the implementation of EA; and the requirements of reporting the results of EA. The questionnaire was pre-tested by nine members of staff in accounting departments at Libyan universities and 11 practitioners. The final Arabic copies of the questionnaire were distributed in the final survey. The number of questionnaires distributed was 93. The response rate was 87.1 per cent (usable questionnaires 81).

Research findings

Background information of respondents

Table I indicates that 49 (60.5 per cent) of respondents had professional experience exceeding five years. Furthermore, the non-preparedness of auditors in handling environmental issues was noted by this survey, since Table II indicates that the majority of the participants (66.7 per cent) were not subjected to any training courses or programmes to improve their knowledge about EA. Based on these results and in accordance with the literature (Bebbington *et al.*, 1994; Derwent, 1989; Dixon *et al.*, 2004; Haniffa and Cooke, 2002; Hambrick and Mason, 1984; Lodhia, 2003), one can say that statutory financial auditors in Libya are ill-equipped in handling EA. This is not to say that they are incapable of change, but that they are ill-prepared through their training and education to reflect upon and respond to challenges that lie outside their existing knowledge. This was supported by this survey itself, where the majority of them recognise the requirements of EA.

Hypothesis testing

This part of the study is concerned with analysing the data collected from subjects as to statutory financial auditors' awareness of the requirements to audit activities of economic units using statistical methods to test hypotheses.

Requirements of environmental audit process planning

Respondents' answers to the questions relating to the hypothesis "Statutory financial auditors in Libya are familiar with the requirements of the planning of environmental auditing" were analysed using the following statistical methods:

- frequency distribution and mean; and
- single-sample Wilcoxon signed-rank test.

First – frequency distribution and mean. Table III shows frequency distribution, percentages and mean of respondents on "How familiar are statutory financial auditors with the requirements for planning an environmental audit process". The mean was

Years of experience (years)	Number of participants	%
<5	32	39.51
5-10	12	14.81
11-15	8	9.88
>15	29	35.8
Total	81	100

Table I.
Professional experience of participants

Number of training programmes in EA	Number of participants	%
None	54	66.67
One programme	16	19.75
Two programmes	5	6.17
Three programmes	6	7.41
Total	81	100

Table II.
Training programmes in environmental auditing

Necessary proposed requirements for planning environmental audit	1 No.	1 %	2 No.	2 %	3 No.	3 %	4 No.	4 %	5 No.	5 %	Mean	Order
1. Auditor should be sufficiently familiar with local environmental laws and legislations	3	3.7	2	2.5	8	9.9	19	23.5	49	60.5	4.35	1
2. Auditor should be sufficiently familiar with environmental management system	1	1.2	2	2.5	14	17.3	27	33.3	37	45.7	4.20	3
3. An environmental management system is important in economic unit as the basis of environmental audit	2	2.5	3	3.7	22	27.2	27	33.3	27	33.3	3.91	7
4. Consistence of environmental management system with internal control structure	2	2.5	4	4.9	16	19.8	29	35.8	30	37	4	6
5. Existence of an environmental policy reflecting environmental values and general principles and resulting in application the last of art technical technologies and best environmental practices	2	2.5	4	4.9	18	22.2	32	39.5	25	30.9	3.91	7
6. Existence of internal control structure monitoring compliance with environmental policies and legislations	2	2.5	0	-	19	23.5	26	32.1	34	42	4.12	4
7. Existence of binding vocational standards organising environmental audit service performance in Libya	3	3.7	3	3.7	8	9.9	24	29.6	43	53.1	4.25	2
8. Existence of binding legislation as the case with familiar financial statements audit	2	2.5	7	8.6	11	13.6	27	33.3	34	42	4.04	5

Table III.
Frequency distribution and likely mean of agreement degree of study subjects on Libyan statutory financial auditors' awareness of the requirements to plan environmental audit

used to arrange requirements based on their familiarity for subjects of study. They were as follows:

- requirements 1, 7, 2, 6, 8 and 4 were ranked in that order from first to sixth with averages 4.35, 4.25, 4.20, 4.12, 4.04 and 4.00, respectively; and
- requirements 3 and 5 were ranked equal seventh with the mean 3.91.

As all of the above-mentioned means are above the minimum degree of agreement (3.5), it can be concluded that the subjects of the study general agree that such requirements should be met in planning an environmental audit operation.

Second – single-sample Wilcoxon signed-rank test. In addition to the use of frequency distribution and means to identify how aware the subjects of the study are of the requirements of environmental audit planning, a Wilcoxon test was also used for the same purpose to testing the hypothesis: "The median of respondents' degree of agreement is >3.5 for the requirements of environmental audit planning"; against the alternative hypothesis: "The median of respondents' degree of agreement is <3.5 for the requirements of environmental audit planning".

Results shown in Table IV indicate that calculated p-value opposite phrases related to "how aware the subjects of the study are of the requirements of environmental audit

Necessary proposed requirements for planning environmental audit	Agreement median	95 per cent trust interval for community median	Zero hypothesis	Alternative hypothesis	Test degree	*p*-value
1. Auditor should be sufficiently familiar with local environmental laws and legislations	4.5	(4.5, 4.5)	Median $\geqslant$ 3.5 median	Median $<$ 3.5 median $<$ 3.5	2,863.0	1.000
2. Auditor should be sufficiently familiar with environmental management system	4.5	(4.5, 4)			2,824.0	1.000
3. Existence of management system in economic unit as the basis of environmental audit	4	(4, 4)			2,416.5	1.000
4. Consistence of environmental management system with internal control structure	4	(4.5, 4)			2,542.0	1.000
5. Existence of an environmental policy reflecting environmental values and general principles and resulting in application the last of art technical technologies and best environmental practices	4	(4, 4)			2,441.0	1.000
6. Existence of internal control structure monitoring compliance with environmental policies and legislations	4	(4.5, 4)			2,723.0	1.000
7. Existence of binding vocational standards organising environmental audit service performance in Libya	4.5	(4.5, 4)			2,782.5	1.000
8. Existence of binding legislation as the case with familiar financial statements audit	4	(4.5, 4)			2,532.5	1.000

Table IV.
Results of Wilcoxon test of agreement degree of study subjects on Libyan statutory financial auditors' awareness of the requirements to plan environmental audit

planning" is $>\alpha$ *p*-value. This entails to accept the hypothesis and that the median degree of agreement is >3.5 for all phrases. This confirms also the result reached by using frequency distribution and likely mean indicating respondents' awareness of all requirements of environmental audit operation planning.

The researchers conclude from the analysis of the first hypothesis of study that statutory financial auditors in Libya are familiar with the requirements of planning environmental audit processes, with a general agreement among the subjects of the study in the audit offices surveyed on the necessity of meeting all of the above-mentioned requirements for better environmental audit performance, particularly scientific efficiencies and practical experiences in the fields of accountancy and audit. Accordingly, the first hypothesis of the study stating that "statutory financial auditors in Libya are familiar with the requirements of planning of environmental auditing" is accepted.

Requirements of implementation of environmental audit process

Respondents' answers to the questions relating to the hypothesis stating that "statutory financial auditors in Libya are familiar with the requirements for the implementation of environmental auditing of economic unit activities" were analysed using the same statistical methods used with the first hypothesis of the study. The test results are as follows.

First – frequency distribution and likely mean. Table V shows frequency distribution, percentages and likely mean of responses to questions on "how familiar

Necessary proposed requirements for implementing environmental audit	1		2		3		4		5			
	No.	%	No.	%	No.	%	No.	%	No.	%	Mean	Order
1. Availability of scientific efficiencies and practical experiences to form an environmental audit team including different specialisations (engineering, health, geology, management systems, occupational audit, legislative aspects, statistics, etc.	3	3.7	7	8.6	15	18.5	19	23.5	37	45.7	3.99	4
2. Identify and evaluate environmental risks due to continuous change to activities and policies of economic units	0	–	5	6.2	17	21	32	39.5	27	33.3	4	3
3. There should be in place an accounting system assessing and recording environmental activities and events	2	2.5	9	11.1	19	23.5	22	27.2	29	35.8	3.83	5
4. There should be a documentary set to establish (enter) all environmental events and operations	1	1.2	6	7.4	13	16	26	32.1	35	43.2	4.09	2
5. Disclosure of environmental activities and practices in financial statements	3	3.7	10	12.3	20	24.7	23	28.4	25	30.9	3.70	6
6. Full understanding by auditor of procedures and methods used by management when drafting important accounting forecasts	1	1.2	2	2.5	16	19.8	32	39.5	30	37	4.09	2
7. Response to the requirements of generally accepted audit norms and guidelines as applicable to environmental audit	1	1.2	2	2.5	10	12.3	32	39.5	36	44.4	4.23	1

Table V.
Frequency distribution and likely mean of agreement degree of study subjects on Libyan statutory financial auditors' awareness of the requirements to implement environmental audit

external auditors are with the requirements for implementation of environmental auditing of economic unit activities". Likely mean was used to arrange requirements based on their familiarity for the subjects of the study. Requirement 7 comes first with a mean of 4.23; Requirements 4 and 6 come equal second with the same mean (4.09); Requirements 2, 1, 3 and 5 take the fourth, fifth, sixth and seventh places with averages of 4.00, 3.99, 3.83 and 3.70, respectively.

As all of the above-mentioned means are above the minimum degree of agreement (3.5), it can be concluded that the subjects of the study general agree that such requirements should be met to implement the environmental audit operation.

Second – single-sample Wilcoxon signed-rank test. In addition to the use of frequency distribution and likely mean to identify how aware the subjects of the study are of the requirements of environmental audit planning, a Wilcoxon test was also used for the same purpose to test the hypothesis: "The median of respondents' degree of agreement is >3.5 for the requirements of environmental audit implementation" against the alternative hypothesis: "The median of respondents' degree of agreement is <3.5 for the requirements of environmental audit implementation".

Results shown in Table VI indicate that calculated p-value for phrases related to "how aware the subjects of the study are of the requirements of environmental audit implementation" is $>\alpha$ p-value. This leads to acceptance of the hypothesis that the median of the degree of agreement is >3.5 for all phrases. This confirms the result reached by using frequency distribution and likely mean indicating respondents' awareness of all requirements of environmental audit operation implementation.

The researchers conclude from the analysis of the second hypothesis of study that "statutory financial auditors in Libya are familiar with the requirements of implementation of environmental auditing of economic unit activities", a general agreement among the subjects of the study on the necessity of meeting all of the above-mentioned requirements to implement environmental audit operations. Accordingly, the second hypothesis of study stating that "statutory financial auditors in Libya are familiar with the requirements of implementation of environmental auditing of economic unit activities" is accepted.

Requirements for disclosure in environmental audit reports

Respondents' answers to the questions relating to the hypothesis stating that "statutory financial auditors in Libya are familiar with the requirements of reporting the results of environmental auditing" were analysed with the same statistical methods used with the first and second hypotheses of the study. The test results are as follows.

First – frequency distribution and likely mean. Table VII shows frequency distribution, percentages and likely mean of responses on "how familiar external auditors are with the requirements for disclosure in the environmental audit report". Likely mean was used to arrange requirements based on their familiarity for the subjects of the study. Requirements 2 and 10 come first and second with means of 4.84 and 4.19, respectively, Requirements 1 and 7 are ranked equal third with the same mean (4.12), while Requirements 4, 8, 9, 11, 5, 3 and 6 come fourth, fifth, sixth, seventh, eighth, ninth and tenth, respectively, with means of 4.04, 4.01, 4.00, 3.99, 3.91, 3.80 and 3.77, respectively. As all of the above-mentioned means are above the minimum degree of agreement (3.5), it can be concluded that the subjects of the study are generally aware of these requirements for disclosure in the environmental audit report.

Second – single-sample Wilcoxon signed-rank test. In addition to the use of frequency distribution and likely mean to identify how aware subjects of study are of the

Necessary proposed requirements for planning environmental audit	Agreement median	95 per cent trust interval for community median	Zero hypothesis	Alternative hypothesis	Test degree	*p*-value
1. Availability of scientific efficiencies and practical experiences to form an environmental audit team including different specialisations (engineering, health, geology, management systems, occupational audit, legislative aspects, statistics, etc.	4	(4.5, 4)	Median $\geqslant 3.5$ median	Median < 3.5 median < 3.5	2,423.0	1.000
2. Identify and evaluate environmental risks due to continuous change to activities and policies of economic units	4	(4, 4)			2,568.5	1.000
3. There should be in place an accounting system assessing and recording environmental activities and events	4	(4, 3.5)			2,216.5	0.996
4. There should be a documentary set to establish (enter) all environmental events and operations	4	(4.5, 4)			2,620.0	1.000
5. Disclosure of environmental activities and practices in financial statements	4	(4, 3.5)			2,031.0	0.960
6. Full understanding by auditor of procedures and methods used by management when drafting important accounting forecasts	4	(4.5, 4)			2,719.0	1.000
7. Response to the requirements of generally accepted audit norms and guidelines as applicable to environmental audit	4.5	(4.5, 4)			2,902.0	1.000

Table VI.
Results of Wilcoxon test of agreement degree of study subjects on Libyan statutory financial auditors' awareness of the requirements to implement environmental audit

requirements to be disclosed in environmental audit report, a Wilcoxon test was also used for the same purpose to test the hypothesis that "the median of respondents' degree of agreement is >3.5 for the requirements of environmental audit disclosure" against the alternative hypothesis that "the median of respondents' degree of agreement is <3.5 for the requirements of environmental audit disclosure". Results shown in Table VIII indicate that calculated p-values for phrases related to "how aware the subjects of the study are of the requirements for disclosure in the environmental audit report" is $>\alpha$ p-value. This leads to acceptance of the hypothesis that the median of the degree of agreement is >3.5 for all phrases. This confirms the result reached by using frequency distribution and likely mean indicating respondents' awareness of all requirements for disclosure in the EA report.

Proposed requirements to be disclosed in environmental audit report	1		2		3		4		5			
	No.	%	No.	%	No.	%	No.	%	No.	%	Mean	Order
1. Environmental policy of economic unit	1	1.2	2	2.5	15	18.5	32	39.5	31	38.3	4.12	3
2. Compliance of economic units with environmental laws and legislations	0	–	1	1.2	7	8.6	25	30.9	48	59.3	4.48	1
3. How efficient and effective operational programmes and activities related to environmental	1	1.2	8	9.9	20	24.7	29	35.8	23	28.4	3.80	9
4. Efficiency of internal control structure as to performing environmental obligations	1	1.2	8	9.9	12	14.8	26	32.1	34	42.0	4.04	4
5. Sufficiency of disclosure in environmental statements and report of economic unit	2	2.5	7	8.6	18	22.2	23	28.4	31	38.3	3.91	8
6. Environmental fields, activities and programmes subjected to inspection and evaluation process	1	1.2	6	7.4	23	28.4	32	39.5	19	23.5	3.77	10
7. How available environmental accounting system assisting to attain objectives of environmental audit	1	1.2	6	7.4	10	12.3	30	37.0	34	42.0	4.12	3
8. How available environmental information system to depend on for providing suitable proof evidences	1	1.2	5	6.2	14	17.3	33	40.7	28	34.6	4.01	5
9. Nature and properties of services performed by environmental auditor and his limits of responsibility for their performance	0	–	4	4.9	14	17.3	41	50.60	22	27.2	4	6
10. How efficient economic unit to carry out environmental activities and programmes resulting to environmental protection	0	–	7	8.6	11	13.6	23	28.4	40	49.4	4.19	2
11. How to evaluate environmental issues related to activities of economic units	0	–	7	8.6	14	17.3	33	40.7	27	33.3	3.99	7

Table VII.
Frequency distribution and likely mean of agreement degree of study subjects on Libyan statutory financial auditors' awareness of the requirements to disclosed environmental audit

The researchers conclude from the analysis of the third hypothesis of study that statutory financial auditors in Libya are familiar with the requirements for disclosure in the environmental audit report, with a general agreement among the subjects of the study on the necessity of disclosing all of the above-mentioned matters in the environmental audit report. Accordingly, the third hypothesis of study, stating that "statutory financial auditors in Libya are familiar with the requirements of reporting the results of environmental auditing" is accepted. Finally, in view of the findings that

Proposed requirements to be disclosed in environmental audit report	Agreement median	95 per cent trust interval for community median	Zero hypothesis	Alternative hypothesis	Test degree	*p*-value
1. Environmental policy of economic unit	4	(4.5-4)	Median $\geqslant$ 3.5 median	Median $<$ 3.5 median $<$ 3.5	2,752.0	1.000
2. Compliance of economic units with environmental laws and legislations	4.5	(4.5-4)			3,148.5	1.000
3. How efficient and effective operational programmes and activities related to environmental	4	(4-3.5)			2,220.0	0.996
4. Efficiency of internal control structure as to performing environmental obligations	4	(4.5-4)			2,530.0	1.000
5. Sufficiency of disclosure in environmental statements and report of economic unit	4	(4-3.5)			2,358.5	0.999
6. Environmental fields, activities and programmes subjected to inspection and evaluation process	4	(4-3.5)			2,188.0	0.994
7. How available environmental accounting system assisting to attain objectives of environmental audit	4	(4.5, 4)			2,672.0	1.000
8. How available environmental information system to depend on for providing suitable proof evidences	4	(4.5-4)			2,548.0	1.000
9. Nature and properties of services performed by environmental auditor and his limits of responsibility for their performance	4	(4-4)			2,655.0	1.000
10. How efficient economic unit to carry out environmental activities and programmes resulting to environmental protection	4.5	(4.5-4)			2,722.5	1.000
11. How to evaluate environmental issues related to activities of economic units	4	(4.5-4)			2,533.5	1.000

Table VIII.
Results of Wilcoxon test of agreement degree of study subjects on Libyan Statutory financial auditors' awareness of the requirements to disclosed environmental audit

statutory financial auditors in Libya recognise the most important requirements for planning, implementing and reporting an environmental audit, the main hypothesis stating that "statutory financial auditors in Libya are familiar with the requirements of environmental auditing" is accepted.

Conclusion

This paper aims to examine the extent to which statutory financial auditors are involved in encouraging environmental responsibility and auditing of their clients in Libya as an Arabic and developing country, and to bridge this gap in the EA literature. The results indicate that the most important requirements for planning, implementation and reporting of environmental audit operations have been understood by the statutory financial auditors in Libya. However, these results reflect contemporary international studies, suggesting that although the Libyan financial auditors recognised the influence of environmental issues on the different stages of auditing, they are conspicuously absent from EA as (Al-Mabrook, 2007; Dra, 2010) found in their studies. This can be attributed to their lack of competence in such an area; lack of professional standards and guidance; lack of research in this area; EA not being required by laws; limited public demand for environmental reports; and the low level of environmental disclosure by Libyan companies.

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