

## Assessing the Impact of External Auditing on Corporate Governance: Evidence from Libya

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### تقييم أثر المراجعة الخارجية في تعزيز ممارسات حوكمة الشركات: دراسة تجريبية مستندة إلى بيانات من البيئة الليبية

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#### Abstract:

This study examines the impact of external auditing on corporate governance in Libya from the perspective of external auditors, with a focus on four core governance dimensions: transparency, accountability, compliance with laws and regulations, and fraud prevention. Grounded in agency, stakeholder, and institutional theories, the study adopts a quantitative, post-positivist, and deductive research design. Primary data were collected through a structured online questionnaire distributed to external auditors operating across Libya. From an estimated population of 550 external auditors, 227 questionnaires were distributed, resulting in 186 valid responses suitable for analysis. Data were analyzed using the Statistical Package for the Social Sciences (SPSS), employing descriptive statistics, reliability analysis, Pearson correlation, and multiple regression techniques.

The empirical results indicate that external auditing has a significant and positive impact on overall corporate governance. Specifically, the findings reveal that external auditing significantly enhances transparency, accountability, compliance with laws and regulations, and fraud prevention, with compliance emerging as the strongest predictor of corporate governance effectiveness. These results suggest that, despite institutional and regulatory challenges, external auditing functions as a substantive governance mechanism in the Libyan context rather than merely a formal compliance requirement.

This study contributes to the existing literature by providing national-level empirical evidence from a developing economy and by incorporating the perspectives of external auditors, a group that has received limited attention in prior research. The findings have important implications for regulators, policymakers, and audit practitioners, highlighting the need to strengthen auditor independence, audit quality, and regulatory enforcement to enhance governance outcomes. The study also provides a foundation for future research on auditing and corporate governance in emerging and transitional economies.

**Keywords:** External auditing; Corporate governance; Audit quality; Auditor independence; Transparency; Accountability; Fraud prevention; Libya.

#### المخلص:

تتناول هذه الدراسة أثر المراجعة الخارجية على حوكمة الشركات في ليبيا من منظور المراجعين الخارجيين، مع التركيز على أربعة أبعاد أساسية للحوكمة: الشفافية، والمساءلة، والامتثال للقوانين واللوائح، ومنع الاحتيال. وانطلاقاً من نظريات الوكالة، وأصحاب المصلحة، والمؤسسات، اعتمدت الدراسة منهجاً بحثياً كمياً، ما بعد الوضعية، واستنتاجياً. جُمعت البيانات الأولية من خلال استبيان إلكتروني وُزِعَ على المراجعين الخارجيين العاملين في مختلف أنحاء ليبيا. من بين مجتمع البحث والمقدر بـ 550 مراجعاً خارجياً، وُزِعَ 227 استبياناً كعينة للدراسة، حيث أسفرت عن 186 استجابة صالحة للتحليل. خُلّت البيانات باستخدام برنامج SPSS الإحصائي، بتطبيق الإحصاء الوصفي، وتحليل الموثوقية، ومعامل ارتباط بيرسون، وتقنيات الانحدار المتعدد.

تشير النتائج التجريبية إلى أن للمراجعة الخارجية أثراً إيجابياً وهاماً على حوكمة الشركات بشكل عام. وتحدد، تكشف النتائج أن المراجعة الخارجية تحسن بشكل ملحوظ الشفافية، والمساءلة، والامتثال للقوانين واللوائح، ومنع الاحتيال، حيث برز الامتثال كأقوى مؤشر على فعالية حوكمة الشركات. تشير هذه النتائج إلى أنه على الرغم من التحديات المؤسسية والتنظيمية، فإن المراجعة الخارجية تعد آلية حوكمة جوهرية في السياق الليبي، وليس مجرد متطلب امتثال شكلي.

تُسهّم هذه الدراسة في الأدبيات الموجودة من خلال تقديم أدلة تجريبية على المستوى الوطني من اقتصاد نامٍ، ومن خلال دمج وجهات نظر المراجعين الخارجيين، وهي فئة لم تحظ باهتمام كافٍ في البحوث السابقة. وتحمل النتائج دلالات مهمة للهيئات التنظيمية، وصناع السياسات، وممارسي المراجعة، إذ تُبرز الحاجة إلى تعزيز استقلالية المراجع، وجودة المراجعة، وإنفاذ اللوائح التنظيمية لتحسين نتائج الحوكمة. كما تُوفّر الدراسة أساساً للبحوث المستقبلية حول المراجعة وحوكمة الشركات في الاقتصادات الناشئة والانتقالية.

**الكلمات المفتاحية:** المراجعة الخارجية، حوكمة الشركات، جودة المراجعة، استقلالية المراجع، الشفافية، المساءلة، منع الاحتيال، ليبيا.

## 1. Introduction

Corporate governance has emerged as a critical issue for organizations worldwide, particularly in an era characterized by increasing financial complexity, heightened stakeholder expectations, and recurring corporate failures (Solomon, 2020). Effective corporate governance frameworks are widely recognized as essential for ensuring transparency, accountability, regulatory compliance, and the integrity of financial reporting (Salehi et al., 2023). Within this framework, the importance of external auditing cannot be overemphasized as a monitoring strategy that limits managerial opportunism within the corporate structure.

In recent years, many cases of financial scandals have highlighted the weaknesses of governance structures in terms of preventing financial misrepresentation and fraud, which has reignited interest in the role of external auditing in corporate governance (Van Driel, 2019). It is increasingly argued that external auditing should not only be seen as a regulatory requirement, but should be recognized as a means of improving corporate governance and facilitating ethical corporate practices (Rakipi and D'Onza, 2024).

This phenomenon can be more evident in developing and transitional economies, in which the institutional environment under which the governance structures work might be characterized by weak enforcement, fragmentation, and a lack of professional oversight (Tan, 2022). In these environments, the role of external auditors in improving governance outcomes might be affected. According to Selmi (2025), Libya represents a particularly compelling and underexplored context for this research, given that its corporate governance environment remains in a state of transition. However, the governance role of external auditing in developing economies has received limited empirical attention, particularly from the perspective of external auditors (Velte, 2019). Most of the research that has been undertaken has focused on developed markets and is based on archival data (Manita et al., 2020).

According to Gerged and Masli (2025), in the Libyan setting, the development of corporate governance structures is yet in its early stages, and the regulatory and enforcement structures have not yet achieved balance. Although there is a requirement for external audits, there have always been doubts about the extent to which the process has added value in terms of transparency, accountability, and the prevention of fraud, among other areas (Elshahoubi et al., 2019). In particular, the role and perceptions of external auditors have not yet received attention. The absence of empirical research examining external auditors' perceptions of their governance role in Libya represents a significant gap in the literature (Hussein et al., 2020). Addressing this gap is essential for understanding whether external auditing functions as a substantive governance mechanism or merely as a symbolic compliance tool within the Libyan institutional environment.

Accordingly, the primary objective of this study is to examine the impact of external auditing on corporate governance in Libya from the perspective of external auditors. Specifically, the study investigates how external auditing contributes to transparency and accountability, assesses the relationship between audit quality and corporate governance effectiveness, examines the influence of auditor independence on governance practices, and evaluates the role of external auditing in fraud prevention and regulatory compliance.

Guided by these objectives, the study seeks to answer the following central research question: *What impact does external auditing have on corporate governance in Libya?* This overarching question is further explored by examining how external auditing enhances transparency and accountability, how audit quality relates to governance effectiveness, how auditor independence influences governance practices, and the extent to which external auditing reduces fraud and financial misreporting within Libyan organizations.

## 2. Literature Review

The role of external audit has been viewed as an essential part of the process of corporate governance, especially in terms of improving the credibility of financial statements and supervising management activities (Koutoupis et al., 2018). In the context of Agency Theory, the problem of ownership and control creating incentives for management to indulge in opportunistic behaviour, and thereby creating a need for an independent monitoring system, external audit has been viewed as an important tool to minimize information asymmetry and protect stakeholder interests (Yusuf et al., 2018).

The recent years have witnessed increased academic focus on the role of external audits in the context of corporate failures and financial scandals that reached the public domain with intensity (Ugoani and Ibeonwo, 2022). As argued by to Agyemang et al. (2020), the role of external audits should not be limited to mere regulatory requirements with the onset of corporate failures and financial scandals. Senan (2024) also asserts that effective governance is reinforced through the role of audits and increased reliability of financial reporting.

The literature reveals that the effectiveness of external audit on governance is not consistent within different institutional frameworks as stated by Algabry et al. (2020). Khalid (2020) argues that the effectiveness of audit on governance matters is highly contingent on enforcement, regulation, and professional supervision. The empirical evidence on the effectiveness of external audit on governance matters within the context of developed economies has been found to be better, while the evidence within the context of transitional economies has been inconclusive (Anaman et al., 2023).

There is an increasing call to place emphasis on the analysis of governance mechanisms from the perspective of the institutions that contain them. According to Gong et al. (2020), the formal structure of governance cannot be

comprehensively understood outside the context of the institutions that contain such structures. Contrary to this view, the governance function of external audits in the developing economy is an area that has not been fully investigated (Anaman et al., 2023). As a result, this literature review integrates the previous studies on external auditing and corporate governance in order to identify four main aspects of corporate governance: transparency, accountability, adherence to laws and statutes, and fraud prevention. Through this literature review, the previous studies have been identified in order to create a platform for discussion of the effect of external auditing on corporate governance in the Libyan context.

## 2.1 Conceptual Overview of External Auditing

External auditing is generally described as the independent examination of the financial statements of an entity with the aim of forming an opinion about the fairness and true view of the financial statements as presented, according to the accounting standards (Kesimli et al., 2019). Although the definition of external audit is dominated by the issue of financial reporting assurance, current research is increasingly conceptualizing the process of external audit as being embedded in the control systems of the organization.

According to Hope et al. (2021), the role of external auditing is two-fold, as it increases the credibility of financial reports and also acts as a mechanism of monitoring, which limits managerial opportunism. Based on this theory, the role of auditing is to reduce agency costs by increasing the chances of detecting and disclosing financial irregularities (Behbahaninia, 2024). The independence of auditors is an important antecedent for the success of the auditing process, as lack of independence affects the role of the audit as a mechanism of monitoring.

The quality of audit has emerged as a prominent theme in the literature on auditing. According to Francis (2023), the quality of audit represents a multi-faceted construct that depends on engagement-level attributes, including the skills and skepticism of the auditors, and firm-level and institutional attributes, including reputation, litigation risk, and regulatory environment. A high quality of audit leads to the detection of material misstatements and increased transparency in reporting, thereby improving governance outcomes (Johl et al., 2021).

Apart from the technical aspect of assurance, the relational and institutional nature of external audits has been emphasized by various scholars. Drawing on the work of Dzomira (2020), the role of the auditor is embedded in the governance structure that also involves the board of directors, the audit committee, and other external participants. Therefore, the efficiency of the process of auditing as a governance function is also dependent upon the relationship between the auditors and the other institutional mechanisms of governance that they interact with. The literature advises that the presence of external audit does not necessarily ensure the effectiveness of governance. Usman et al. (2023) posit that the effectiveness of audit depends on the strength of enforcement, the level of auditor independence, and the nature of the institutional setting. Under a setting that lacks strong regulation or is subject to political interference, auditors face challenges that hinder them from enforcing transparency and accountability.

As emphasised by Koch (2022), in emerging markets, there is often ambiguity of regulations, lack of enforcement, as well as limitations of professional capacity. This leads to a significant difference between the impact of governance of auditing and that of developed markets. This theoretical framework is used to explore the impact of external auditing on corporate governance in Libya, as is done in this study.

## 2.2 Conceptual Foundations and Dimensions of Corporate Governance

The definition of corporate governance is usually given as the set of principles, practices, and procedures that govern the direction and control of organizations. Corporate governance defines the division of rights and responsibilities between the key players, who include shareholders, boards, management, and other stakeholders (Zaid et al., 2020). The role played by corporate governance is that it is the framework that determines the accountability and management of organizations.

One of the main focal points in corporate governance studies is how to address the issue of agency conflicts that exist because of the separation between ownership and control. According to Bjurstrom (2020), the main goal of having governance systems in organizations is to ensure that the actions of managers are in line with those of the principals. In order to achieve this goal, different mechanisms are employed.

Transparency is viewed as being central to effective corporate governance (Salehi et al., 2023). As Esch et al. (2019) state, financial transparency increases the information environment by ensuring that there is less information asymmetry between the inside and outside groups, thus ensuring that there is effective monitoring and decision-making. This not only ensures that market discipline is enhanced but also ensures that the integrity of the decision-making process is enhanced. Accountability is another important aspect of governance, and it relates to the need for managers to be answerable for their actions and decisions to the people who supervise them. As argued by Pilon and Brouard (2023), accountability is necessarily a relationship and requires the presence of accurate information and an independent verification process. It is in this context that accountability processes are closely tied to the process of external auditing, which offers assurance with respect to the financial information used by boards and shareholders to make decisions about the performance of managers.

Drawing on the work of Roberts et al. (2020), obeying the law, legislation, or governance codes forms the next vital foundation for the concept of corporate governance. Roger, (2020) argues that formal governance structures

are not adequate without the presence of legal enforcement, stressing the point that compliance indicates the strength of the legal framework, whether in terms of monitoring or the imposition of sanctions.

Fraud prevention and the promotion of corporate integrity as an issue of corporate governance has recently received considerable attention, especially in the context of corporate failures (Onesti and Palumbo, 2023). Robust governance frameworks minimize the risk of fraud, and the chances of detection also improve. The four aspects of transparency, accountability, and compliance, as well as fraud prevention, can be considered as related concepts that form the basis for analysis of the role of external audits in governance.

### 2.3 Theoretical Foundations

The linkages and relationships that emerge and are established between external auditing and corporate governance are supported and facilitated through the use of a number of different theoretical approaches and perspectives. These approaches include agency theory, stakeholder theory, and institutional theory.

#### Agency Theory

The most widely accepted framework for analysis in relation to corporate governance and auditing is that of agency theory. In 1976, Jensen and Meckling suggested that when separation between ownership and control occurs, managers are apt to behave in an opportunistic fashion, thereby incurring costs for shareholders in the form of an agency cost (Jensen and Meckling, 2019).

External auditing has been considered an important monitoring system in the agency theory structure. Dimitrijevic et al. (2021) suggested that the quality of auditing enhances the expected costs of financial misrepresentation by increasing the probability of detection and punishment, making the incentives of managers and shareholders converge. However, recent studies such as Aksom and Tymchenko (2020) suggest that any forecast made using agency theory is dependent upon the institutional framework that prevails. The research argues that if enforcement is weak and there is a lack of oversight, it can weaken the disciplining role of external auditing, which implies that agency-based governance structures could function differently depending upon the institutional framework.

#### Stakeholder Theory

Stakeholder theory is a widening of the governance paradigm because the organization is responsible not only to shareholders but to a wide range of stakeholders (DesJardine et al., 2023). Effective governance structure should mediate between the interests of different stakeholders such as employees, debt-holders, the state, and society. From the perspective of stakeholder theory, the role of external auditing in the organization is important in improving trust, legitimacy, and integrity. As argued by Cunningham and Stein (2025), external auditing helps increase the confidence of different stakeholders because of the independence of the audit process and the accuracy of the financial reports. This is especially important in the aspects of compliance and fraud prevention because any shortcomings in this regard result in costs being imposed upon different stakeholders.

#### Institutional Theory

Institutional theory focuses on the role of formal rules, norms, and enforcement structures in defining and shaping the behavior of organizations. According to David et al. (2019), governance structures are embedded in institutional environments, and these environments affect the interpretation and enforcement of rules, creating a situation where the same governance structures can produce different results depending on the institutional environment. More recent studies have utilized institutional theory to explain the differences in the effectiveness of auditing. Drawing on the work of Ogunkan (2022), in environments with low enforcement, organizations are likely to employ audit practices merely to demonstrate their legitimacy and not necessarily to strengthen their governance structures. In low enforcement environments, the impact of audit practices is likely to be symbolic, without much effect on transparency and accountability. This particular viewpoint would be applicable to transitional economies, including Libya, as these economies are developing their regulatory structures and institutions.

### 2.4 External Auditing and Corporate Governance

There is a considerable amount of literature that defines external auditing as an important component of the corporate governance framework. Schäuble (2019) argues that external audits are complementary to internal governance structures, as they work to strengthen monitoring and reduce agency costs stemming from management discretion. In their role of providing an independent check on financial reporting, external auditors help to ensure a better information environment, thereby enabling efficient monitoring by boards and shareholders.

According to Xiao et al. (2020), the quality of the audit is essential to the extent that it influences the governance value of the audit process. This is because quality audits help to enhance the reliability of the financial reports and the ability to monitor the governance process. Evidence from empirical research shows that companies audited by reputable audit companies have good governance properties such as better disclosure and lower earnings management (Shahwan, 2021.). Ashfaq and Rui (2019) suggest that the effectiveness of external auditing as a governance mechanism is context-dependent and relies on the complementarity of other governance institutions,

such as the presence of an audit committee, regulatory authorities, and enforcement agencies. In environments where the complementarity of these institutions is weak, the effectiveness of external auditing as a governance mechanism may be limited.

Emerging economies' empirical research provides inconclusive results. Arslan and Alqatan (2020) state that the lack of adequate regulations and enforcement power may impede the role of external auditing in corporate governance and lead to mere compliance with it. The results of the research indicate that the relationship between corporate governance and external auditing remains an issue to be explored in the context of developing institutions.

### 2.5 External Auditing and Transparency

The Transparency is one of the most widely investigated outcomes of governance by auditing studies (La Rosa et al., 2019). Financial transparency helps mitigate asymmetry of information between management and outside parties, besides improving market discipline. According to Al-Omush et al. (2025), external auditing is important in increasing transparency by confirming the accuracy and completeness of financial statements.

As stated by Jachi and Yona (2019), auditor independence is a significant factor in promoting transparency in the reporting of the company, as only an auditor who is independent has the ability to raise objections and point out material misrepresentation in the company's reports. There is evidence of a strong and positive relationship between the quality of audits and transparency-related variables, such as the quality of disclosure and information asymmetry. However, the extent of this association can differ based on the context of the institution. Sulaiman (2023) assert that if the context features a lack of enforcement as well as a degree of uncertainty, the transparency advantage of external audit may be limited. In such a context, the audit process may be useful for fulfilling transparency obligations, although it would not lead to any improvement in the inherent quality of the information.

### 2.6 External Auditing and Accountability

Being accountable is one of the key goals that are associated with corporate governance and are closely connected with the task of monitoring in the context of external auditing (Solomon, 2020). As argued by Rogala et al. (2024), it is necessary that the systems of accountability are based on credible performance measurement and independent verification, both of which are provided by external audits. In addition, Rajgopal et al. (2021) contends that quality audits enhance accountability by raising the chances of inappropriate management behavior being reported. Evidence from empirical research has shown that companies that are subject to stringent external audits tend to be less opportunistic and have more disciplined managers.

However, current studies such as Nasution and Ostermark (2020) and Jachi and Yona (2019) indicate that the accountability that follows the audit process remains dependent on the auditor's independence. Auditors who are operating in an environment characterized by politics, economic dependence, or regulatory oversight may experience challenges that impede the accountability of the management. Such environments are common in developing economies, where accountability systems are still not institutionalized.

### 2.7 External Auditing and Compliance with Laws and Regulations

External auditing refers to the process obedience to laws, regulations, and governance codes forms the essential element of corporate governance (Almasria, 2022). External audit is viewed as having the ability to induce obedience through adherence to accounting standards and regulations. Nalukenge et al. (2022) assert that audit quality has been positively related to regulatory obedience in countries with strong enforcement of laws.

Recent evidence suggests that auditors are important agents in the process of non-compliance identification and correction (Jeppesen, 2019). Ahmad et al. (2023) assume that independent audits increase the extent of compliance by increasing the expected costs of non-compliance. This is particularly the case when auditors are subject to strong professional and legal accountability. By contrast, the empirical evidence emerging from emerging economies is that the level of compliance is highly contingent on enforcement mechanisms (Lampton et al., 2023). In this context, it can be argued that in environments that lack robust legal structures, the impact of audits on compliance can be questionable, in that violations of the rules can go unenforced. In these environments, external auditing can be more of a formality than an instrument of governance.

### 2.8 External Auditing and Fraud Prevention

Prevention of fraud has been identified as a key issue within the context of auditing and corporate governance, particularly due to recent fraud-related corporate scandals (Hassan et al., 2025). Despite the fact that auditors' main objective is not fraud detection, the literature has shown that fraud risk can be reduced by improved audits, as a result of increased fraud detection probability. Prianthara et al. (2023) argue that auditor independence and professional skepticism have a key role to play in countering earnings manipulation fraud as well as fraudulent financial reporting.

Research has demonstrated that companies that are audited by quality auditors experience fewer instances of financial misreporting and fraud-related restatements (Sievers and Sofilkanitsch, 2019). Another indirect way that external auditing helps in fraud prevention is by ensuring that internal controls are in place. However, the literature

has identified the existence of an expectations gap with respect to auditors' fraud prevention responsibilities. This view has been supported by the argument offered by Abubakr et al. (2025), who suggest that the expectations held by stakeholders about auditors' responsibilities in fraud prevention are overstated, especially where institutional safeguards are weak.

## 2.9 External Auditing in Developing Economies and the Libyan Context

Research on external auditing in developing and emerging economies consistently highlights the influence of institutional constraints, regulatory ambiguity, and weak enforcement mechanisms on audit effectiveness. According to Masoud (2025), auditing in such contexts often operates within fragmented regulatory environments where legal protections for auditor independence are limited and enforcement of professional standards is inconsistent. As a result, the ability of external auditors to exercise professional judgment and challenge managerial behaviour may be constrained, thereby reducing the governance value of the audit function.

Scholars further such as Tetteh et al. (2023) and Karabayev et al. (2021) argue that in developing economies, external auditing is frequently shaped by political, economic, and social pressures that differ markedly from those observed in developed markets. In this context, it can be argued that the weak investor protection and limited regulatory oversight can reduce the expected costs of financial misreporting, which in turn weakens the disciplining role of audits. In such environments, auditing may serve more as a symbolic compliance mechanism than as a substantive governance tool, particularly when sanctions for non-compliance are rare or ineffective.

Within this broader context, Libya presents a particularly relevant case for examining the governance role of external auditing. Corporate governance and regulatory frameworks in Libya continue to evolve in response to ongoing institutional and economic challenges (Gerged and Masli, 2025). Existing studies suggest that weaknesses in legal enforcement, professional oversight, and regulatory coordination may affect the effectiveness of governance mechanisms, including external auditing. Shtiwi (2025) argue that strengthening the auditing profession, enhancing regulatory capacity, and clarifying legal responsibilities are essential prerequisites for improving corporate governance practices in Libya.

Despite the significance of these issues, empirical research on external auditing and corporate governance in Libya remains limited. Prior studies have largely focused on formal regulatory structures or macro-level governance challenges, offering little insight into how auditing operates in practice. In particular, there is a notable lack of research examining external auditors' own perceptions of their role in enhancing transparency, accountability, compliance, and fraud prevention. Addressing this gap is important, as auditors' perceptions reflect the practical constraints and opportunities shaping audit effectiveness in the Libyan context. This study responds to this gap by empirically examining the governance role of external auditing from the perspective of external auditors operating in Libya.

## 2.10 Hypotheses Development

The above literature review highlights the important role of external auditing in corporate governance, though it also shows inconsistencies in empirical findings, especially in developing and transitional economies. Agency theory argues that external auditing helps reduce agency conflicts by minimizing asymmetry of information and limiting managerial opportunism (Khalid and Sarea, 2021), while stakeholder theory focuses on the role of external auditing in improving accountability and trust-building between a wide range of stakeholders (Aderibigbe et al., 2024). Institutional theory further argues that the role of external auditing is affected by the environment in which it operates (Vadasi et al., 2020).

However, after conducting an exhaustive search regarding the topic of external auditing and corporate governance, there are still some research gaps. Firstly, the majority of the empirical research is based on developed countries, and this makes the findings difficult to generalize to the developing environment. Secondly, the majority of the research is based on archival research and governance proxies, and this makes the findings difficult to generalize to the views of the external auditors. Thirdly, there is limited research based on the empirical context of Libya.

Based on the above-mentioned theoretical frameworks and empirical evidence, the hypotheses that test the effect of external auditing on corporate governance from the perspective of external auditors in the Libyan context have been formulated.

## External Auditing and Corporate Governance

The literature has shown that the contribution of external audit to corporate governance has been identified as improving monitoring, financial reporting, and mechanisms of control. This has been shown to improve the credibility of financial reports, thus facilitating the adoption of effective corporate governance mechanisms. Therefore, the main hypothesis for this study can be posited as follows:

*H<sub>1</sub>: External auditing has a significant positive impact on corporate governance in Libya.*

### External Auditing and Transparency

Prior studies indicate that external auditing enhances transparency by improving disclosure quality and reducing information asymmetry between management and stakeholders. Independent auditors are more likely to identify and report material misstatements, thereby promoting transparent financial reporting. Based on this reasoning, the following hypothesis is formulated:

*H1.1: External auditing has a significant positive effect on transparency in Libyan organizations.*

### External Auditing and Accountability

The monitoring role of external auditing is closely linked to accountability within organizations. By providing independent verification of financial information, auditors enable boards and shareholders to hold management accountable for their decisions and performance. Consistent with this view, the following hypothesis is proposed:

*H1.2: External auditing has a significant positive effect on accountability in Libyan organizations.*

### External Auditing and Compliance with Laws and Regulations

External auditing is widely regarded as a mechanism that promotes compliance with accounting standards, legal requirements, and corporate governance codes. High-quality audits increase the likelihood that non-compliance will be detected and addressed. Accordingly, the following hypothesis is developed:

*H1.3: External auditing has a significant positive effect on compliance with laws and regulations in Libyan organizations.*

### External Auditing and Fraud Prevention

Although auditors are not primarily responsible for fraud detection, prior research suggests that external auditing contributes to fraud prevention by increasing the probability of detection and discouraging opportunistic behaviour. Independent and professionally conducted audits strengthen governance mechanisms that reduce fraud risk. Therefore, the final hypothesis is proposed:

*H1.4: External auditing has a significant positive effect on fraud prevention in Libyan organizations.*

## 3. Research Methods

This study adopts a quantitative research approach grounded in a post-positivist research philosophy, which assumes that social phenomena can be objectively examined through empirical measurement while acknowledging the influence of contextual and institutional constraints. In line with this philosophical stance, a deductive research design was employed, whereby hypotheses derived from established theoretical frameworks and prior empirical literature were empirically tested using primary quantitative data.

The target population of the study comprised external auditors operating across Libya. Based on professional records and estimates from regulatory and professional bodies, the population size was approximately 550 external auditors. To collect data, a structured online questionnaire was used as the primary research instrument. This method is appropriate for quantitative research seeking to capture standardized perceptions from a professional group and facilitates efficient access to respondents across different geographic regions.

The questionnaire was distributed to 227 external auditors, representing a substantial proportion of the target population. The questionnaire was administered primarily through a Microsoft Forms online link, while an additional 35 questionnaires were distributed in printed form to accommodate respondents with limited access to online platforms. A total of 186 valid responses were received and deemed suitable for analysis, resulting in a response rate of approximately 81.9%, which exceeds commonly accepted thresholds for questionnaire-based quantitative research in accounting and corporate governance studies. The questionnaire employed a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree), and was designed to measure four core constructs related to external auditing: transparency, accountability, compliance with laws and regulations, and fraud prevention.

Data analysis was conducted using the Statistical Package for the Social Sciences (SPSS). Descriptive statistics were used to summarize respondents' demographic characteristics and general perceptions. Inferential statistical techniques, including reliability analysis (Cronbach's alpha), Pearson correlation analysis, and multiple regression analysis, were employed to test the study's hypotheses. Multiple regression analysis was specifically used to assess the impact of the external auditing dimensions on corporate governance. The adopted methodological approach ensures empirical rigor, internal consistency, and alignment with the study's research objectives, enabling a systematic examination of the role of external auditing in enhancing corporate governance within the Libyan context.

## 4. Data Analysis and Results

### 4.1 Introduction to Data Analysis

This section presents the statistical analysis and empirical results of the study examining the effect of external auditing on corporate governance in Libya from the perspective of external auditors. The analysis is based on primary data collected through a structured online questionnaire, which yielded 186 valid responses from external auditors operating across Libya. The collected data were coded, screened, and analysed using the Statistical Package for the Social Sciences (SPSS).

The purpose of this section is to systematically and objectively analysed the collected data in order to address the study's research objectives, answer the research questions, and test the proposed hypotheses. To achieve this aim, both descriptive and inferential statistical techniques are employed. Descriptive statistics are used to summarize respondents' demographic characteristics and general perceptions of external auditing and corporate governance. Inferential statistical methods are then applied to examine relationships among the study variables and to test the hypothesized effects.

The analysis proceeds in a structured manner. It begins with data screening and preparation to ensure the accuracy and suitability of the dataset for statistical analysis. This is followed by descriptive statistical analysis and reliability testing to assess the internal consistency of the measurement scales. Subsequently, correlation and multiple regression analyses are conducted to explore the relationships between external auditing dimensions and corporate governance and to empirically test the study's hypotheses. The results are presented in tabular form and interpreted in accordance with accepted statistical conventions and relevant literature on external auditing and corporate governance.

### 4.2 Data Screening and Preparation

Prior to conducting the main statistical analyses, the collected data were subjected to a comprehensive screening and preparation process to ensure accuracy, consistency, and readiness for empirical analysis. This step is essential in quantitative research, as the validity of statistical findings is highly dependent on the quality of the dataset.

The data were obtained from 186 external auditors, and all questionnaire responses were carefully reviewed and coded. Each statement was measured using a five-point Likert scale, with response options ranging from 1 (strongly disagree) to 5 (strongly agree). Consistent with established practice in accounting and corporate governance research, Likert-scale data were treated as interval-level measurements, allowing the application of parametric statistical techniques.

The questionnaire statements were structured around four key constructs derived from the study's hypotheses: transparency (statements 1–10), accountability (statements 11–20), compliance with laws and regulations (statements 21–30), and fraud prevention (statements 31–40). Composite scores for each construct were calculated by computing the mean of the relevant statements, providing aggregate measures of respondents' perceptions. An overall corporate governance score was subsequently derived by averaging the four construct scores.

The dataset was examined for missing values, outliers, and data entry errors. The screening process revealed no missing responses that could materially affect the analysis, and all values fell within the expected range of the Likert scale. In addition, no extreme outliers were detected. Given the adequate sample size and the absence of problematic data issues, the dataset was deemed suitable for further analysis.

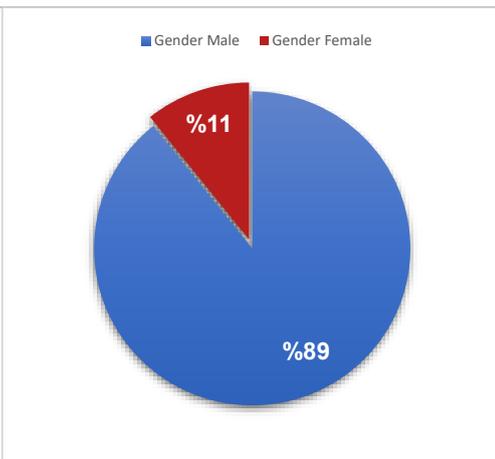
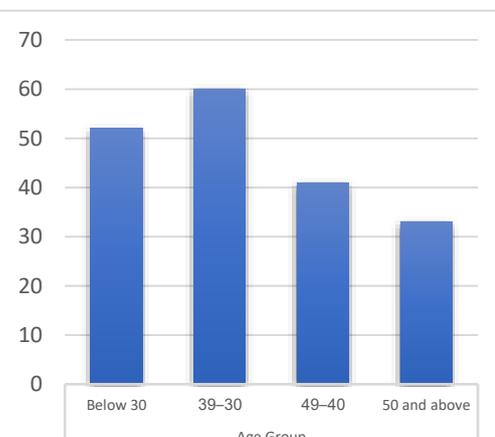
Preliminary diagnostic checks were conducted to assess the appropriateness of the data for parametric testing. The distribution of responses did not exhibit severe deviations from normality, supporting the use of correlation and regression analyses in subsequent sections. Overall, the data screening and preparation process confirmed that the dataset was reliable and appropriate for addressing the study's research objectives and testing the proposed hypotheses.

### 4.3 Descriptive Statistics of Respondents (Demographic Profile)

This section presents the demographic profile of the respondents to provide a clear understanding of the sample characteristics and to assess the representativeness of the participants in relation to the research objectives. Descriptive statistics in the form of frequencies and percentages were used to summarize the demographic attributes of the respondents. Understanding the demographic composition of external auditors is important, as personal and professional characteristics may influence perceptions of external auditing practices and corporate governance.

**Table 1:** Gender and age group

Variable	Category	Frequency	Percentage (%)
Gender	Male	166	89.2 (%)
	Female	20	10.8 (%)
Age Group	Below 30	52	28.0 (%)
	30–39	60	32.3 (%)
	40–49	41	22.0 (%)
	50 and above	33	17.7 (%)

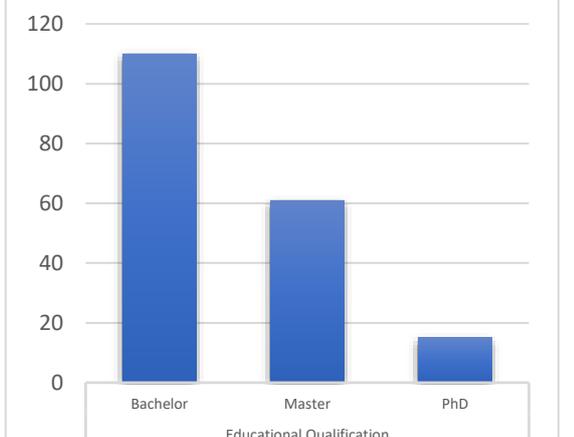



As shown in Table 1, the sample is predominantly composed of male auditors, who represent approximately 89% of the respondents, while female auditors account for about 11%. This distribution reflects the current structure of the auditing profession in Libya, where male participation remains substantially higher, and is consistent with patterns reported in similar developing economy contexts.

In terms of age, respondents are relatively well distributed across different age groups. The largest proportion falls within the 30–39 age group (32.3%), followed by auditors below 30 years of age (28%). This indicates that the sample includes both early-career and mid-career professionals, while the presence of respondents aged 40 years and above ensures representation of more experienced practitioners.

**Table 2:** Educational qualification and auditing experience

Educational Qualification	Bachelor	110	59.1
	Master	61	32.8
	PhD	15	8.1



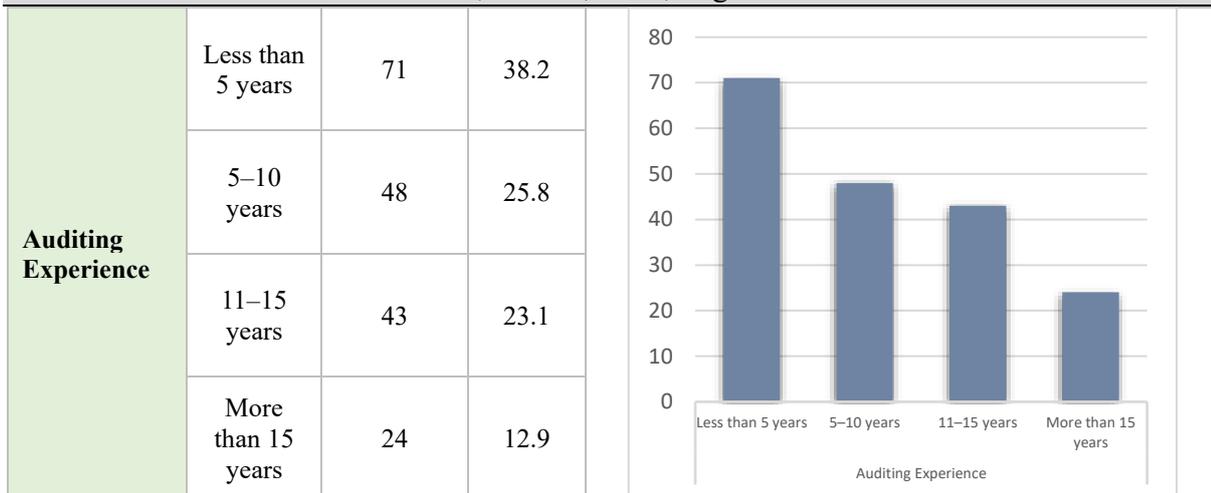


Table 2 shows that more than half of the respondents hold a Bachelor’s degree (59.1%), while a substantial proportion possess postgraduate qualifications, with 32.8% holding a Master’s degree and 8% holding a PhD. This indicates a relatively high level of academic preparation among the participating auditors.

With regard to professional experience, approximately 62% of respondents have more than five years of auditing experience, while 38.2% report less than five years. This distribution suggests that the findings are informed by a combination of relatively experienced and early-career auditors, providing a balanced and credible perspective on external auditing practices and corporate governance issues in Libya.

#### 4.4 Descriptive Statistics of Research Constructs

This section presents the descriptive statistical analysis of the main constructs examined in the study, namely transparency, accountability, compliance with laws and regulations, and fraud prevention. The analysis reflects respondents’ perceptions of the role of external auditing in promoting corporate governance in Libya. Descriptive statistics are reported in terms of mean values, standard deviations, and minimum and maximum scores, providing an overview of both central tendency and variability in responses.

All constructs were measured using a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree). Composite scores for each construct were computed by averaging responses to the relevant questionnaire statements. An overall corporate governance index was then derived by averaging the four construct scores.

**Table 3:** Descriptive Statistics of Research Constructs

Construct	Statements	Mean	Std. Deviation	Minimum	Maximum
Transparency	10	3.18	0.41	2.00	4.50
Accountability	10	3.10	0.37	2.10	4.40
Compliance	10	3.24	0.39	2.00	4.60
Fraud Prevention	10	3.15	0.36	2.00	4.50
Overall Corporate Governance	40	3.17	0.21	2.50	3.90

Table 3 provides a detailed summary of respondents’ perceptions regarding the four dimensions of external auditing and their overall assessment of corporate governance. The inclusion of minimum and maximum values allows for a clearer understanding of the range of opinions expressed by external auditors, while the relatively small standard deviations suggest a reasonable level of agreement among respondents.

The transparency construct records a mean score of 3.18, indicating that respondents generally perceive external auditing as having a moderately positive effect on enhancing transparency. The standard deviation of 0.41 suggests moderate variability in perceptions, with responses ranging from relatively negative to strongly positive assessments.

The accountability construct yields a mean score of 3.10, reflecting a slightly positive perception of the role of external auditing in strengthening managerial accountability. Although the mean exceeds the neutral midpoint, the relatively small standard deviation indicates that respondents’ views are fairly consistent, suggesting shared perceptions regarding the accountability role of external audits.

With respect to compliance with laws and regulations, the mean score of 3.24 is the highest among the four constructs. This finding suggests that external auditors perceive auditing as particularly effective in promoting compliance with regulatory and legal requirements. The observed variability indicates that while most respondents view auditing as supportive of compliance, some differences in perception remain.

The fraud prevention construct records a mean of 3.15, suggesting that respondents believe external auditing contributes to reducing fraud and financial misreporting to a moderate extent. While auditors recognize the preventive role of auditing, the findings also reflect an awareness of the limitations of audits in fully preventing fraud, particularly in environments with enforcement challenges.

Finally, the overall corporate governance index has a mean value of 3.17 with a relatively small standard deviation of 0.21, indicating a higher level of consensus when governance dimensions are considered collectively. This suggests that, overall, external auditors perceive external auditing as contributing positively—though moderately—to corporate governance in Libya.

In summary, the descriptive statistics indicate that all constructs score above the neutral midpoint, suggesting generally positive perceptions of the governance role of external auditing. These findings provide an important empirical foundation for the subsequent inferential analyses, which further examine the relationships between external auditing dimensions and corporate governance outcomes.

#### 4.5 Reliability Analysis (Internal Consistency - Cronbach's Alpha)

Reliability analysis was conducted to assess the internal consistency of the measurement scales used in the study. Internal consistency refers to the extent to which statements within a construct measure the same underlying concept. Cronbach's alpha coefficient is the most widely used indicator for evaluating internal consistency in social science research. An alpha value of 0.70 or higher is generally considered acceptable, while values above 0.80 indicate good reliability.

The reliability analysis was performed using SPSS for the four main constructs of the study: transparency, accountability, compliance with laws and regulations, and fraud prevention, as well as for the overall instrument.

**Table 4: Reliability Statistics for Research Constructs**

Construct	Number of statements	Cronbach's Alpha
Transparency	10	0.82
Accountability	10	0.79
Compliance	10	0.85
Fraud Prevention	10	0.80
<b>Overall Instrument</b>	40	0.91

As shown in Table 4, all constructs exhibit acceptable to high levels of internal consistency. The Cronbach's alpha values range from 0.79 to 0.85, indicating that the statements within each construct are strongly correlated and reliably measure the intended dimensions. The overall instrument demonstrates excellent reliability, with a Cronbach's alpha of 0.91, suggesting a high degree of consistency across all questionnaire statements.

These results confirm that the measurement scales used in the study are reliable and suitable for further statistical analysis. Consequently, the constructs were retained for subsequent correlation and regression analyses.

#### 4.6 Correlation Analysis

Correlation analysis was conducted to examine the strength and direction of the relationships between the dimensions of external auditing and overall corporate governance. Pearson's correlation coefficient was employed, as the study variables are continuous and derived from Likert-scale statements treated as interval data. Correlation coefficients range from -1 to +1, where values closer to +1 indicate a stronger positive relationship. Statistical significance was assessed at the 0.05 and 0.01 levels.

**Table 5: Pearson Correlation Matrix of Study Variables**

Variables	Transparency	Accountability	Compliance	Fraud Prevention	Corporate Governance
Transparency	1.000				
Accountability	0.42**	1.000			
Compliance	0.39**	0.45**	1.000		
Fraud Prevention	0.36**	0.41**	0.47**	1.000	
<b>Corporate Governance</b>	0.58**	0.61**	0.65**	0.60**	1.000

Note:  $p < 0.01$

Table 5 presents the Pearson correlation coefficients among the four external auditing dimensions and overall corporate governance. The results reveal statistically significant and positive relationships between each external auditing dimension and corporate governance.

Transparency is moderately and positively correlated with corporate governance ( $r = 0.58$ ), indicating that higher perceived transparency is associated with stronger governance practices. Accountability also shows a strong positive correlation with corporate governance ( $r = 0.61$ ), suggesting that effective accountability mechanisms contribute meaningfully to governance quality. Compliance with laws and regulations exhibits the strongest

correlation with corporate governance ( $r = 0.65$ ), highlighting the central role of regulatory adherence in strengthening governance outcomes. Fraud prevention is likewise positively correlated with corporate governance ( $r = 0.60$ ), indicating that stronger audit-related fraud prevention mechanisms are associated with better governance.

The inter-correlations among the independent variables are positive but remain below commonly accepted thresholds for multicollinearity concerns. This suggests that while the constructs are related, they are conceptually distinct, supporting their inclusion in the subsequent regression analysis.

Overall, the correlation analysis provides preliminary empirical support for positive associations between external auditing dimensions and corporate governance. These findings justify the use of multiple regression analysis to further examine causal relationships and to formally test the study's hypotheses.

#### 4.7 Regression Analysis and Hypothesis Testing

Multiple linear regression analysis was employed to test the main and sub-hypotheses concerning the effect of external auditing dimensions on corporate governance. Regression analysis is appropriate for this study as it enables the examination of the predictive power of multiple independent variables on a single dependent variable while controlling for the effects of other predictors. In this model, corporate governance serves as the dependent variable, while transparency, accountability, compliance with laws and regulations, and fraud prevention are treated as independent variables. All analyses were conducted using SPSS, with statistical significance assessed at the 0.05 level.

**Table 6: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.72	0.52	0.50	0.17

Table 6 illustrates the summary of the regression model. The R value of 0.72 indicates a strong overall relationship between the independent variables and corporate governance. The R Square value of 0.52 suggests that approximately 52% of the variance in corporate governance is explained by the four external auditing dimensions included in the model. The adjusted R Square value of 0.50 confirms that the model retains substantial explanatory power after adjusting for the number of predictors, indicating a well-specified model.

**Table 7: ANOVA (Model Significance)**

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	4.62	4	1.16	39.82	< 0.001
Residual	4.71	181	0.03		
Total	9.33	185			

Table 7 reports the results of the ANOVA test, which assesses the overall significance of the regression model. The model is statistically significant ( $F = 39.82$ ,  $p < 0.001$ ), indicating that the set of independent variables jointly provides a meaningful explanation of variations in corporate governance. This result confirms the suitability of the regression model for hypothesis testing.

**Table 8: Regression Coefficients**

Independent Variable	Unstandardized B	Std. Error	Standardized Beta	t	Sig.
Constant	0.94	0.15	—	6.27	< 0.001
Transparency	0.23	0.05	0.26	4.60	< 0.001
Accountability	0.19	0.06	0.22	3.17	0.002
Compliance	0.28	0.05	0.33	5.60	< 0.001
Fraud Prevention	0.21	0.06	0.24	3.50	0.001

Table 8 provides the estimated regression coefficients for the independent variables. The results indicate that all four dimensions of external auditing have a positive and statistically significant effect on corporate governance. Transparency has a significant positive impact on corporate governance ( $\beta = 0.26$ ,  $p < 0.001$ ), supporting Hypothesis H1.1, which posits that external auditing positively influences transparency in Libyan organizations. Accountability is also positively and significantly associated with corporate governance ( $\beta = 0.22$ ,  $p = 0.002$ ), providing support for Hypothesis H1.2.

Compliance with laws and regulations exhibits the strongest standardized effect among the predictors ( $\beta = 0.33$ ,  $p < 0.001$ ), indicating that auditing's role in promoting regulatory adherence is a key driver of corporate governance effectiveness. This finding supports Hypothesis H1.3. Fraud prevention likewise demonstrates a positive and significant relationship with corporate governance ( $\beta = 0.24$ ,  $p = 0.001$ ), supporting Hypothesis H1.4.

The regression results confirm that the four dimensions of external auditing jointly and individually contribute to enhancing corporate governance. Accordingly, the main hypothesis (H1)—which states that external auditing has a significant positive impact on corporate governance in Libya—is fully supported.

#### 4.8 Summary of Hypotheses Testing Results

This section provides a concise summary of the hypotheses testing results derived from the multiple regression analysis. The purpose of this section is to clearly indicate whether each hypothesis is supported or rejected based on empirical evidence, without further interpretation or discussion. The study proposed one main hypothesis and four sub-hypotheses examining the impact of external auditing dimensions on corporate governance in Libya. The regression results indicate that the overall model is statistically significant and that all independent variables—transparency, accountability, compliance with laws and regulations, and fraud prevention—have positive and significant effects on corporate governance. Accordingly, the hypotheses are evaluated as follows.

**Table 9:** Summary of Hypotheses Testing Results

Hypothesis	Statement	Result
H1	External auditing has a significant positive impact on corporate governance in Libya	Supported
H1.1	External auditing has a significant positive effect on transparency in Libyan organizations	Supported
H1.2	External auditing has a significant positive effect on accountability in Libyan organizations	Supported
H1.3	External auditing has a significant positive effect on compliance with laws and regulations in Libyan organizations	Supported
H1.4	External auditing has a significant positive effect on fraud prevention in Libyan organizations	Supported

As shown in Table 9, the main hypothesis (H1) is supported, indicating that external auditing significantly enhances corporate governance in Libya. In addition, all four sub-hypotheses are supported, confirming that each dimension of external auditing contributes positively and significantly to corporate governance outcomes. These results provide a clear empirical foundation for the subsequent discussion of findings.

#### 5. Discussion of Findings

This study examined the impact of external auditing on corporate governance in Libya from the perspective of external auditors. The empirical findings indicate that external auditing exerts a significant and positive influence on corporate governance, thereby supporting the study's main hypothesis. This result reinforces the view that external auditing functions as a substantive governance mechanism rather than merely a statutory compliance requirement, even within a developing and institutionally constrained context.

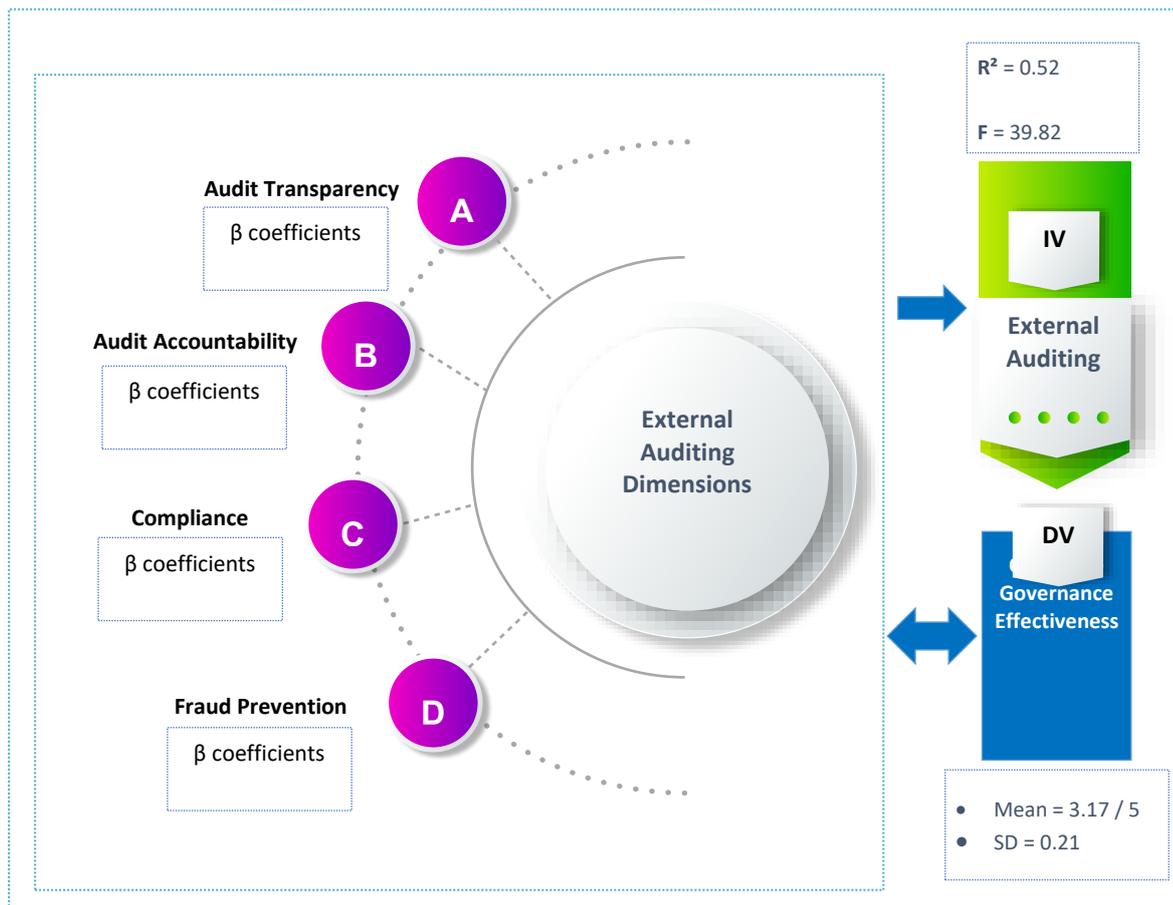
The strong explanatory power of the regression model suggests that external auditing plays a meaningful role in shaping governance practices. This finding is consistent with agency theory, which posits that independent monitoring mechanisms reduce information asymmetry and constrain managerial opportunism (Matinheikki et al., 2022; Hidayat et al., 2020). In the Libyan context, where internal governance mechanisms may be unevenly developed, external auditing appears to serve as an important complementary control (Gerged and Masli, 2025). With regard to transparency, the results reveal a significant positive relationship between external auditing and transparent reporting practices. This finding aligns with prior research suggesting that high-quality and independent audits enhance disclosure credibility and reduce information asymmetry (Salem et al., 2025; Dao et al., 2019). External auditors perceive that auditing contributes to clearer and more reliable financial reporting, thereby supporting stakeholder monitoring and informed decision-making.

The findings also demonstrate a significant positive effect of external auditing on accountability, supporting the argument that auditing strengthens governance by enabling boards and regulators to evaluate managerial performance more effectively. Mizrahi and Minchuk (2020), the results suggest that accountability relies on credible information and independent verification. However, the relatively moderate strength of this relationship indicates that accountability outcomes may still be influenced by broader institutional and enforcement constraints in Libya (Gerged and Masli, 2025).

The strongest effect identified relates to compliance with laws and regulations, highlighting the central role of auditing in promoting regulatory adherence. This result supports the argument that audits increase the expected costs of non-compliance by identifying deviations from standards and legal requirements (Hegazy and Farghaly, 2021). In environments where regulatory enforcement is developing, auditing may serve as a key mechanism for strengthening compliance.

The findings further indicate that external auditing contributes positively to fraud prevention, although this effect is relatively modest compared to compliance and transparency. This supports prior studies emphasizing the deterrence role of auditing rather than its direct fraud detection function (Singh et al., 2019). Auditors recognize that while audits reduce fraud risk, their effectiveness is influenced by institutional safeguards and enforcement capacity (Campa et al., 2015).

The findings support stakeholder theory by highlighting the trust-enhancing and accountability role of external auditing (Abubakr et al., 2025), and institutional theory by illustrating how auditing effectiveness is shaped by contextual conditions. The results demonstrate that external auditing remains a vital governance mechanism in Libya despite institutional challenges.



**Figure 1:** Conceptual model of external auditing and corporate governance

Figure 1 shows the conceptual framework and key findings from the multiple regression analyses. The values presented in the figure are standardized regression coefficients ( $\beta$ ) that reflect the strength and direction of the associations between audit transparency, audit accountability, compliance with laws and regulations, and fraud prevention and governance effectiveness. The figure also provides key statistics that indicate how well the variables explain the constructs and how significant the findings are. For instance, the compliance with laws and regulations has a significantly stronger impact than other variables, followed by audit transparency, fraud prevention, and audit accountability. This is indicative of how much governance in Libya is affected by compliance with laws and regulations.

## 6. Implications

This study provides empirical evidence on the role of external auditing in enhancing corporate governance in Libya, drawing on the perceptions of external auditors operating within an evolving institutional environment. By examining transparency, accountability, compliance with laws and regulations, and fraud prevention, the study offers a comprehensive assessment of how external auditing contributes to governance outcomes in a developing economy context.

The findings indicate that external auditing has a significant positive impact on corporate governance, confirming that auditing functions as more than a formal compliance requirement. In particular, the results highlight the importance of auditing in promoting regulatory compliance and transparency, while also contributing to

accountability and fraud prevention. These findings extend existing literature by providing national-level evidence from Libya and by incorporating auditors' perspectives, which have received limited attention in prior research. From a theoretical standpoint, the study reinforces agency theory by demonstrating the monitoring role of external auditing, while also supporting stakeholder and institutional perspectives that emphasize accountability, legitimacy, and contextual influences. The results underscore that the governance effectiveness of auditing is shaped by institutional conditions, particularly in developing and transitional economies.

The study has several practical implications. For regulators and policymakers, the findings highlight the need to strengthen audit regulation, enforcement mechanisms, and professional oversight to enhance the governance impact of external auditing. For audit practitioners, the results emphasize the importance of maintaining auditor independence and audit quality. For organizations, the findings suggest that effective engagement with external auditors can contribute to improved governance practices.

This study contributes to the growing literature on auditing and corporate governance by providing robust empirical evidence from Libya and highlighting the continued relevance of external auditing as a governance mechanism in challenging institutional environments.

## 7. Conclusion and Future Research

This study examined the impact of external auditing on corporate governance in Libya from the perspective of external auditors, focusing on transparency, accountability, compliance with laws and regulations, and fraud prevention. Using questionnaire data from external auditors across Libya and employing quantitative analytical techniques, the findings demonstrate that external auditing has a significant and positive influence on corporate governance. In particular, the results highlight the central role of auditing in promoting regulatory compliance and enhancing transparency, while also contributing to accountability and fraud prevention. These findings confirm that external auditing functions as a substantive governance mechanism rather than merely a statutory requirement, even within an institutionally challenging environment.

The study contributes to the literature by providing national-level empirical evidence from Libya and by incorporating auditors' perceptions, which have received limited attention in prior research. From a practical perspective, the findings underscore the importance of strengthening audit quality, auditor independence, and regulatory enforcement to enhance governance outcomes.

Despite its contributions, this study has limitations that suggest avenues for future research. The reliance on the questionnaire data may introduce perceptual bias, and future studies could employ mixed methods or archival data to triangulate findings. In addition, future research may extend the analysis to other stakeholder groups, such as regulators and board members, or conduct comparative studies across developing economies to further examine the contextual determinants of auditing effectiveness in corporate governance.

## Compliance with ethical standards

### *Disclosure of conflict of interest*

The author(s) declare that they have no conflict of interest.

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