

The Impact of Professional and Regulatory Factors on the Accuracy of External Auditor Reports Regarding the Going-Concern of a Firm-A Study of a Sample of Auditors in Algeria Province

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Abstract: The going concern assumption represents one of the cornerstones of financial reporting and external auditing, as it directly influences the reliability of financial statements and the confidence of stakeholders. This study examines the extent to which professional and regulatory factors affect the accuracy of external auditors' opinions regarding an entity's ability to continue operations. Using a field study based on a sample of 80 auditors, accountants, and financial experts in Algeria, the research analyzes the role of disclosure in audit reports and the influence of variables such as audit firm size, audit fees, industry specialization, auditor independence, experience, and the disclosure practices of audited firms.

The results reveal that both disclosure and professional factors play a decisive role in shaping the reliability of continuity assessments. High agreement among respondents emphasizes the responsibility of auditors to disclose continuity concerns in their reports and highlights that firm size, audit fees, auditor independence, and fear of client loss significantly influence the accuracy of such disclosures. The findings underscore the importance of strengthening professional practices, enhancing independence, and improving disclosure standards to ensure that auditors' reports remain a trustworthy basis for decision-making.

Keywords: Going Concern Assumption; External Auditing; Disclosure in Audit Reports; Professional and Regulatory Factors; Disclosure Standards.

JEL Classification Codes: M42, M41, C83

ملخص: يفترض استمرارية النشاط أحد الركائز الأساسية لإعداد التقارير المالية والمراجعة الخارجية، حيث يؤثر بشكل مباشر على موثوقية القوائم المالية وثقة أصحاب المصلحة. تبحث هذه الورقة في مدى تأثير العوامل المهنية والتنظيمية على دقة آراء مراجعي الحسابات الخارجيين فيما يتعلق بقدرة المنشأة على مواصلة عملياتها. باستخدام دراسة ميدانية تعتمد على عينة من 80 مراجعًا ومحاسبًا وخبيرًا ماليًا في الجزائر، تحلل الورقة دور الإفصاح في تقارير المراجعة وتأثير متغيرات مثل حجم شركة المراجعة، وأتعاب المراجعة، والتخصص في الصناعة، واستقلالية المراجع، والخبرة، وممارسات الإفصاح في الشركات التي يتم مراجعتها.

دلت النتائج أن كلاً من الإفصاح والعوامل المهنية يلعبان دورًا حاسمًا في تشكيل موثوقية تقييمات الاستمرارية. يؤكد الإجماع الكبير بين المستجيبين على مسؤولية المراجعين في الكشف عن مخاوف الاستمرارية في تقاريرهم، ويسلط الضوء على أن حجم الشركة، وأتعاب المراجعة، واستقلالية المراجع، والخوف من فقدان العميل تؤثر بشكل كبير على دقة هذه الإفصاحات. تؤكد النتائج على أهمية تعزيز الممارسات المهنية، وتعزيز الاستقلالية، وتحسين معايير الإفصاح لضمان أن تظل تقارير المراجعين أساسًا موثوقًا لاتخاذ القرارات.

كلمات مفتاحية: فرض الاستمرارية؛ تدقيق خارجي؛ الإفصاح في تقارير التدقيق؛ عوامل مهنية وتنظيمية؛ معايير الإفصاح تصنيفات

JEL: M42, M41, C83

1. Introduction

The future and continuity of an enterprise depend on its financial position and its ability to address future events. Therefore, the topic of an entity's continuity is a critical matter for all stakeholders, both within and outside the enterprise. The going concern assumption is one of the fundamental principles governing the preparation of financial statements. Given its importance, many countries and professional organizations have outlined the responsibilities of external auditors when enterprises face challenges regarding their ability to continue operations by issuing professional standards.

These standards clarify the procedures and indicators relied upon by auditors, the stages they go through when assessing an entity's ability to continue, and the additional procedures they undertake when events affect continuity. Since the auditor's report is the outcome of the audit process and due to its significance, international professional organizations have issued a set of standards to guide the preparation of this report. One of the critical aspects that must be disclosed in this report is the entity's ability to continue, despite various factors that may influence this disclosure.

The accuracy of external auditors' reports regarding an entity's continuity is a key factor in enhancing the confidence of financial information users and ensuring the stability of the business environment. However, this accuracy may be affected by a range of professional and regulatory factors related to the audit environment and the nature of the practices followed. Hence, the main research question arises:

To what extent do professional and regulatory factors affect the accuracy of external auditors' reports regarding an entity's continuity?

Sub-questions:

- What are the most significant professional factors affecting the accuracy of the external auditor's opinion?
- Do external auditors perform additional audit procedures when events affect continuity?
- To what extent do external auditors comply with disclosing the entity's ability to continue in their reports?

Hypotheses:

- External auditors perform additional audit procedures when events affect continuity.
- External auditors disclose the entity's ability to continue operations in their reports.
- There are factors that affect the accuracy of external auditors' opinions regarding the assessment of an institution's continuity.

2. Literature review

The topic of the external auditor's role in assessing an entity's ability to continue its operations has attracted significant attention in accounting literature. Numerous theoretical and applied studies have focused on how external auditing contributes to identifying risks that limit the economic entity's continuity.

(Junaidi, 2010) examined the factors affecting going concern reporting in Indonesia and beyond. These factors include audit tenure, auditor reputation, disclosure, and client company size. The study used a sample of 89 companies listed on the Indonesian Stock Exchange from 2003 to 2008. Logistic regression analysis showed that audit tenure, auditor reputation, and disclosure significantly impact going concern reporting, while client company size has no effect on such reporting¹.

(Mahdi Omidfar and Mahdi Moradi, , 2015) investigated the relationship between industry specialization in auditing and the type of auditor's report using financial information from companies listed on the Tehran Stock Exchange between 2004 and 2012. The study's results indicated a significant positive relationship between auditors' industry specialization and conservative audit reports. The evidence supported the notion that audit firm specialization can enhance the quality of financial information for capital markets. Additionally, the results showed that audit firm size, negative return on assets, the size of the audited company, and its performance in the previous year are related to the type of auditor's report.

(Mohamed Dinouri Sali and Fatima Alaq,, 2017) focused on presenting a model for the role of the external auditor in reducing creative accounting practices in financial statements from the perspective of practicing auditors registered with the National Register of Chartered Accountants and the National Chamber of Certified Accountants under Law 10-01.

(Fabrizio Bava, Melchior Gromis di Trana, 2019) sought to identify the most effective financial indicators in auditors' opinions for assessing going concern, focusing on the indicators outlined in Auditing Standard ISA 570. The study surveyed two groups of auditors: those from the Big Four firms and those not affiliated with them. The perspectives of both groups were found to be aligned.

3. External auditing and the going concern assumption

3.1. The concept of external auditing

Numerous definitions of external auditing exist, varying depending on the individuals or entities providing them. Below, we outline some of these definitions:

¹ The Sarbanes–Oxley Act is a law enacted by the U.S. Congress in 2002 with the aim of protecting investors from accounting errors and fraudulent practices in companies, as well as improving the accuracy of disclosures. This law was introduced as a result of a series of financial scandals that occurred in companies such as WorldCom and Enron.

“External auditing is a process conducted by individuals outside the entity who have no functional, personal, or financial interest in it. This type of auditing, also referred to as neutral or independent auditing, aims to provide an impartial technical opinion on the fairness of the presentation of the balance sheet and final accounts reflecting the results of operations for a specific financial period” (Othman, 2011, p. 18).

“External auditing is defined as a systematic and critical examination of internal control systems and a technical review of documents supporting recorded transactions in books and records to verify and ensure the accuracy of financial operations within specific periods and to confirm that they were conducted in accordance with proper procedures.” (Mohamed Fadl Masad Khaled and Raeb Al-Khatib, 2009, p. 36)

From the above definitions, it can be stated that external auditing is a systematic examination of a set of information conducted by an independent auditor, unaffiliated with the entity, with the objective of expressing a technical opinion on the accuracy and integrity of the entity’s financial statements, enabling external parties to benefit from them.

3.2. The concept of external auditor

The external auditor is defined as "an independent individual appointed by the general assembly, unaffiliated with the company whose accounts are being audited, with the purpose of providing an impartial technical opinion on the accuracy of the financial statements in reflecting the company’s operational results and financial position. The auditor submits their report to the general assembly that appointed them and determined their fees." (Shehata, 2016, p. 119)

Thus, the external auditor is an independent individual appointed from outside the entity, characterized by independence and neutrality, tasked with providing an impartial technical opinion on the extent to which the financial statements reflect the true financial position of the entity during a specific period, practicing their profession in accordance with the law.

3.3. Objectives of external auditing

External auditing aims to achieve several objectives, including the following: (Sarah, 2019, p. 62)

- Providing an impartial technical opinion on the accuracy and integrity of financial statements in accordance with generally accepted accounting principles.
- Supplying the company’s management with information about the internal control system and highlighting its deficiencies through recommendations provided in the auditor’s report to improve its performance.

- Providing reliable financial information to users of financial statements, such as investors, creditors, banks, relevant government agencies, and others, to assist them in making appropriate decisions.
- Assisting management in developing appropriate policies and making informed decisions.

3.4. The Going concern assumption in auditing

The concept of going concern is closely tied to the fields of accounting and auditing. The going concern assumption is one of the foundational principles upon which accounting theory is built. The advancements in the accounting and auditing professions have reinforced the importance of this assumption, which serves as a fundamental pillar relied upon by accountants when performing accounting procedures and preparing financial statements. Similarly, external auditors depend on this assumption when conducting audits and issuing their reports.

Under the going concern assumption, an entity is viewed as continuing its operations, meaning there is no intention or need to curtail its activities or liquidate in the near future, typically at least one year. This assumption provides assurance and stability for all parties dealing with the entity, whether internal or external stakeholders (Hanan Abdel-Moneim Mostafa Hassan, 2021, p. 407).

According to this assumption, the entity's operations are considered ongoing, independent of the natural lifespan of its owners. This assumption is critical in preparing final financial statements, as the entity is assumed to continue, and its balance sheet is prepared accordingly unless there is doubt about the validity of this assumption. If such doubt arises, a liquidation balance sheet must be prepared instead of a going concern balance sheet. (Mohamed, 2007, p. 42)

The external auditor is required to express an opinion on whether the entity is capable of continuing its operations. In auditing, the going concern assumption refers to the auditor's impartial technical opinion on the entity's ability to continue its activities. Many external auditors have considered this responsibility inappropriate due to the uncertainties surrounding this assumption. However, in light of prevailing economic challenges, the auditor's judgment on the entity's continuity has become a central issue. This judgment depends on the auditor's ability to assess the relative significance of uncertainty conditions (Shaker, 2012, p. 36). In auditing, the going concern assumption does not require the external auditor to seek evidence to support the assumption on which the financial statements are prepared. Instead, it requires the auditor to determine whether the results of audit procedures indicate a material doubt regarding the entity's ability to continue. (D. R. Carmichael & Paul H. Rosenfield, 2003, p. 26)

External auditors have a direct professional responsibility concerning the going concern assumption. When the values presented in the financial statements are

questioned or there are doubts about the entity's continuity, the auditor issues a report addressing this concern. In theory, the audit report informs financial statement users of the auditor's doubts regarding the entity's ability to continue its operations.

4. Factors affecting the accuracy of the external auditor's report on the continuity of the entity's operations

Several studies have explored the factors influencing the accuracy of the external auditor's report regarding an entity's operational continuity. Most of these studies are based on the premise that the factors affecting the accuracy of the external auditor's report on continuity are the same as those impacting the quality of external auditing, even if the terminology differs.

4.1. Factors related to the audit firm

The factors affecting the accuracy of the external auditor's report on the continuity of an entity's operations, as related to the audit firm, are as follows:

4.1.1. Size of the audit firm: Most researchers believe that the size of the audit firm influences the degree of disclosure in the auditor's opinion regarding an entity's inability to continue operations. Audit firms can be categorized into large and small firms based on their distinct characteristics and features (Al-Adel, 2008, p. 9).

4.1.2. Audit fees: In recent times, external auditors have faced numerous pressures in their professional environment, particularly concerning their fees, due to intense competition, which impacts the accuracy of their professional judgment regarding continuity. Studies on the impact of audit fees on the accuracy of continuity reports have yielded mixed results. Studies that found a positive relationship argue that low audit fees negatively affect auditors' performance and increase the likelihood of audit failure. This is because lower fees reduce the auditor's ability to conduct audit tests, thereby limiting their capacity to detect material misstatements in financial statements (Daniel Simon and Francis Jare, 1988, p. 267).

Conversely, studies identifying an inverse relationship argue that high audit fees lead to a decline in audit quality and, consequently, the accuracy of the auditor's continuity report. This is due to the inverse relationship between the significance of fees and the auditor's ability to resist client pressures, which may compromise their independence. This, in turn, allows the institution to impose restrictions on the scope of the auditor's work, reducing the extent of tests performed and evidence gathered, negatively affecting their performance and the accuracy of their continuity report (Ahmed, 2015, p. 94).

3. Professional specialization of the audit firm: Numerous studies indicate that the industry specialization of the external auditor enhances their efficiency when issuing judgments on an entity's operational continuity. Specialization provides auditors with professional knowledge, experience, and a deep understanding of the

client's industry and related business risks, increasing their ability to detect material misstatements. This enables them to issue a professional continuity report with a high level of accuracy. Thus, the auditor's industry specialization has a positive impact on the accuracy of their judgment regarding an institution's continuity (Atiya, 2022, p. 306).

4.2. Factors related to the auditor

The factors affecting the accuracy of the external auditor's report on the continuity of an entity's operations, as related to the auditor, can be summarized as experience and independence (McKeown, J., Mutclar, J. and Hopwood, w, 1991, pp. 1-13):

4.2.1. Audit Firm Size: The size of an audit firm is considered one of the supply-side characteristics that influence the quality of external auditing services. It is often relied upon as an indirect measure of audit quality, particularly since it is an observable and easily perceived indicator in the audit market. The size of an audit firm can be measured according to several criteria, such as the number of employees, the number of clients, the total assets or sales of clients, and the size of audit fees. Simunic and Stein (1987) indicated that larger audit firms are more capable than smaller ones of detecting errors, given their greater resources and capacities. Moreover, they are able to attract highly skilled and experienced auditors, which makes them more capable of performing audit tasks at higher quality standards.

4.2.2. Audit Firm Reputation: The reputation of an audit firm can be considered one of its intangible assets, acquired through practice and the ability to deliver high-quality services. There are observable direct economic effects resulting from engaging reputable audit firms, which are often among the largest firms, confirming the link between firm reputation and audit quality. Palmrose (1988) proposed the rate of litigation as an indicator to measure audit firm reputation. The findings of her study showed that non-Big Eight firms (at the time) as a group faced more lawsuits than the Big Eight firms, supporting the notion that the Big Eight were distinguished by higher quality. In other words, there is an inverse relationship between the number of lawsuits filed against audit firms and the quality of the audit services they provide.

4.3. Factors related to the audited firm

The factors affecting the accuracy of the external auditor's report on the continuity of an entity's operations, as related to the audited firm, are as follows (Tarek Tlili and Houari Souissi, 2019, pp. 174, 375):

4.3.1. Size of the audited firm: Some studies suggest that the size of the firm positively affects audit quality and, consequently, the accuracy of the auditor's continuity report. However, others have found a negative impact. Proponents of the positive impact argue that larger firms, with more complex operations, tend to engage high-quality, reputable audit firms to audit their accounts. Conversely, those identifying a negative impact argue that a large firm represents a significant portion of the audit

firm's revenue, posing a real threat to auditor independence. This may lead to pressure from the institution's management, negatively affecting the accuracy of the auditor's continuity report.

4.3.2. Adequacy of disclosure in the audited entity's financial statements:

Adequate disclosure in the financial statements of the audited firm contributes to improving audit quality and, consequently, the preparation of an accurate continuity report. Sufficient disclosure helps auditors determine the relative materiality of financial statement elements and predict the likelihood of errors in the financial statements. It also enables auditors to perform audit tests that enhance the detection and reporting of such errors.

5. Data and Methodology

Based on the adopted study model, we aim to examine the extent to which professional and regulatory factors influence the accuracy of external auditors' opinions regarding the assessment of an entity's operational continuity through a field study conducted on external auditors in Algeria.

5.1. Data

5.1.1. Study Sample

The selection of the sample type must ensure accurate representation of the population. We relied on a simple random sampling method due to its suitability for our study, as it provides equal opportunities for all population elements and is characterized by minimal bias error (Jalal Al-Din Al-Sayyad and Abdel-Hamid Mohamed Rabie, 1984, p. 107). Determining the sample size is a critical aspect that researchers must prioritize, as a small sample may not adequately represent the study population, while an excessively large sample requires significant effort, time, and cost. The number of valid questionnaires received from the study population for analysis was 80, making the sample size 80 units.

The study variables were constructed based on statements representing each variable. The following table provides a description of the variables included in the subsequent statistical analyses. As shown in the table, the study variables consist of two main dimensions, encompassing 12 statements.

Table 1: Composition of Study Variables

Variables	Statements	Dimension Code
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External auditor's disclosure in the report regarding the entity's ability to continue operations	Statements 1 to 6	X1
Factors affecting the accuracy of external auditors' opinions on assessing the continuity of the entity's operations	Statements 7 to 12	X2

Source: Prepared by the researchers

The following table illustrates the distribution of the study sample based on the occupational field variable. It shows that the highest percentage was for the category of accountants or financial managers in economic enterprises, at 68.75%, followed by certified accountants at 15.00%, and in the last rank, university professors in the field at 3.75%.

Table 2: Distribution of the Study Sample by Occupational Field

Educational Qualification	Frequency	Percentage (%)
Bachelor's degree	17	21.25
Master's degree	35	43.75
Postgraduate (Magister)	13	16.25
Doctorate	12	15.00
Other	3	3.75
Total	80	100%

Source: SPSS V27 output

Table 3. shows the distribution of the study sample based on the educational qualification variable. The highest percentage was for the master's degree category, with a participation rate of 43.75%, followed by the bachelor's degree category at 21.25%, then the postgraduate (magister) category at 16.25%. The lowest category was other qualifications, with a participation rate of 3.75%.

Table 3: Distribution of the Study Sample by Educational Qualification

Educational Qualification	Frequency	Percentage (%)
Bachelor's degree	17	21.25
Master's degree	35	43.75
Postgraduate (Magister)	13	16.25
Doctorate	12	15.00
Other	3	3.75
Total	80	100%

Source: SPSS V27 output

Finally, table 4. presents the distribution of the study sample based on the professional experience variable. The highest percentage was for the category with 10 to less than 15 years of experience, at 28.75%, followed by those with more than 15 years at 27.50%, and in the last rank, those with 5 to less than 10 years at 20.00%. It is noted that the majority of the study sample has moderate experience.

Table 4: Distribution of the Study Sample by Professional Experience

Professional Experience	Frequency	Percentage (%)
Less than 5 years	19	23.75
5 to less than 10 years	16	20.00
10 to less than 15 years	23	28.75
More than 15 years	22	27.50
Total	80	100%

Source: SPSS V27 output

The questionnaire was divided into two parts:

Part One: Includes personal information regarding occupational field, educational qualification, and professional experience.

Part Two: Consists of 12 statements divided into two dimensions, as follows:

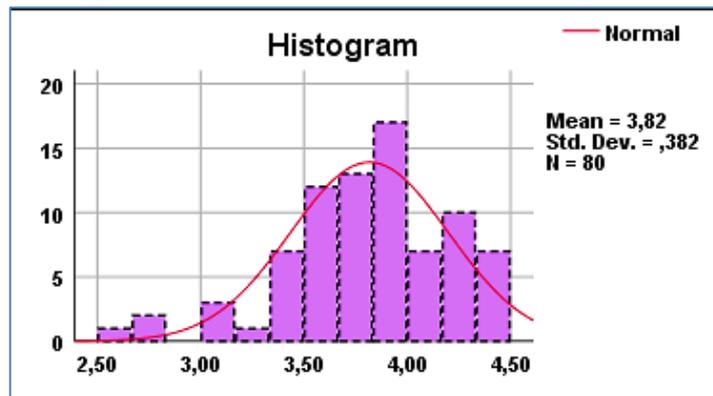
First Dimension: External auditor’s disclosure in the report regarding the entity’s ability to continue operations, comprising 6 statements.

Second Dimension: Factors affecting the accuracy of external auditors’ opinions on assessing the continuity of the entity’s operations, comprising 6 statements.

5.1.2. Tests of Normality

This test is used to determine whether the data distribution of a specific phenomenon follows a normal (Gaussian) distribution. This test is essential for selecting the appropriate statistical tools and methods for the study. To assess the suitability of the data for normal distribution, we used the frequency histogram test, which provides comprehensive information in a simple form and is considered one of the well-known and straightforward tools for data analysis. The following figure illustrates the extent to which the data conforms to a normal distribution.

Figure 1: Results of the Normality Test



Source: SPSS V27 output

From the above figure, which shows the distribution of the study data using the frequency histogram method, a quick glance indicates that the study data follows a typical normal distribution, with most responses concentrated between “moderately agree” (3) and “agree” (4).

5.1.3. Psychometric Properties of the Study Tool

After formulating the questionnaire in its initial form, it must be subjected to

validity and reliability tests.

Table 5: Internal consistency of statements on external auditor’s disclosure regarding the entity’s ability to continue operations

Statement Number	Statements of the Dimension on External Auditor’s Disclosure Regarding the entity’s Ability to Continue Operations	Consistency with Dimension
1	The external auditor discloses facts and information directly.	0.453**
2	The external auditor maintains credibility in expressing opinions on the accounting information in financial statements.	0.619**
3	It is the auditor’s responsibility to disclose the entity’s ability to continue operations in the upcoming period in their report.	0.693**
4	If the auditor senses the entity’s inability to continue and confirms it through examination, they report this only to the board of directors.	0.630**
5	In case of bankruptcy, the external auditor expects legal action if they fail to disclose in their report that the entity’s continuity is threatened.	0.650**
6	The external auditor exercises caution in their report if there is fear of harming the client’s interests.	0.813**
Note: **Correlation is statistically significant at $\alpha \leq 0.01$. *Correlation is statistically significant at $\alpha \leq 0.05$.		

Source: SPSS V27 output

From the above table, it is clear that all statements are correlated with their dimension, indicating that the statements are statistically significant, consistent, and valid for what they were designed to measure.

Table 6: Internal consistency of statements on factors affecting the accuracy of external auditors’ opinions on assessing the continuity of the entity’s operations

Statement Number	Statements of the Dimension on Factors Affecting the Accuracy of External Auditors’ Opinions on Assessing Continuity	Consistency with Dimension
7	The size of the audit firm affects the external auditor’s opinion on assessing the entity’s continuity.	0.623**
8	Low audit fees affect the auditor’s performance when assessing the institution’s ability to continue.	0.617**

9	The auditor's personality, experience, and independence affect their opinion on the institution's continuity.	0.516**
10	The size of the audited institution is a factor affecting the external auditor's opinion on continuity.	0.634**
11	The auditor's fear of losing the client is an obstacle to the evaluation process or even disclosure.	0.550**
12	The type of evidence disclosed affects the external auditor's opinion on continuity.	0.379**
Note: **Correlation is statistically significant at $\alpha \leq 0.01$. *Correlation is statistically significant at $\alpha \leq 0.05$.		

Source: SPSS V27 output

From the above table, it is clear that all statements are correlated with their dimension, indicating that the statements are statistically significant, consistent, and valid for what they were designed to measure.

5.1.4. Reliability of the Questionnaire

To verify the reliability of the study tool, we used the Cronbach's Alpha method. For reliable results, the Cronbach's Alpha coefficient should exceed the standard value of 0.6. The following table presents the results of the Cronbach's Alpha test.

Table 7: Cronbach's Alpha Test Results for Study Data

Item	Number of Statements	Cronbach's Alpha Coefficient
Entire study data	Statements 1 to 12	0.91

Source: SPSS V27 output

The results shown in the table above indicate that the Cronbach's Alpha correlation coefficient for the entire study data exceeds the minimum standard value of 0.6, representing an excellent and highly suitable value that meets the study's objectives and purposes. The overall study data confirms the questionnaire's reliability at 91%.

6. Results and discussion

6.1. Analysis of the study sample's responses regarding the questionnaire axes

The analysis of the study sample's response trends is based on the individuals' answers to the questions related to the questionnaire axes, as follows:

6.1.1. Analysis of statements related to the axis of the external auditor's disclosure in their report on the entity's ability to continue operations

From the table below and according to the ranking of statements related to the axis of the external auditor's disclosure in their report on the entity's ability to continue operations, statement No. (3) ranked first within the "high" trend category, indicating

strong agreement among the sample individuals that it is the auditor’s responsibility to disclose the company’s ability to continue its operations in the upcoming period in their report. This statement had a mean of 3.89, a standard deviation of 0.551, and a relative weight of 77.80%. In contrast, statement No. (5) ranked last within the “high” trend category, indicating strong agreement among the sample individuals that in case of bankruptcy, the external auditor expects legal action against them if they fail to disclose in their report that the institution’s continuity is threatened. This statement had a mean of 3.43, a standard deviation of 0.952, and a relative weight of 68.60%.

Regarding the overall evaluation of the axis of the external auditor’s disclosure in their report on the entity’s ability to continue operations, all statements fell within the “high” trend category, receiving a high degree of agreement and acceptance, with an overall mean of 3.683, a relative weight of 73.60%, and a standard deviation of 0.496, which is below the critical value of 1. This indicates the homogeneity and convergence of the data and the alignment of the sample’s perspectives on this axis. This leads us to conclude that the study sample individuals have a strong tendency toward the external auditor’s disclosure in their report regarding the entity’s ability to continue operations.

Table 8: Statements related to the axis of the external auditor’s disclosure in their report on the entity’s ability to continue operations

No.	Statement	Mean	Std	Relative Weight %	Rank	Trend
1	The external auditor discloses facts and information directly derived.	3.59	0.650	71.80	4	High
2	The external auditor ensures credibility in expressing an opinion on the accounting information in the financial statements.	3.58	0.868	71.60	5	High
3	It is the auditor’s responsibility to disclose the company’s ability to continue its operations in the upcoming period in their report.	3.89	0.551	77.80	1	High
4	When the auditor senses the entity’s inability to continue and after verification and examination, they report this only to the board of directors.	3.81	0.658	76.20	2	High
5	In case of bankruptcy, the external auditor expects legal action against them if they fail to disclose in their report that the entity’s continuity is threatened.	3.43	0.952	68.60	6	High

6	The external auditor expresses reservations in their report if there is a fear of harming the client's interests.	3.81	0.901	76.20	3	High
Axis of the external auditor's disclosure in their report on the entity's ability to continue operations		3.683	0.496	73.60	/	High

Source: SPSS V27 output

6.1.2. Analysis of Statements Related to the Axis of Factors Affecting the Accuracy of External Auditors' Opinions on Assessing the Continuity of the entity's Operations

As shown in the table below and according to the ranking of statements related to the axis of factors affecting the accuracy of external auditors' opinions on assessing the continuity of the entity's operations, statement No. (7) ranked first within the "high" trend category, indicating strong agreement among the sample individuals that the size of the audit firm affects the external auditor's opinion on assessing the continuity of the entity's operations. This statement had a mean of 4.20, a standard deviation of 0.863, and a relative weight of 84.00%. In contrast, statement No. (11) ranked last within the "high" trend category, indicating strong agreement among the sample individuals that the auditor's fear of losing the client is an obstacle to the evaluation process or even disclosure. This statement had a mean of 3.63, a standard deviation of 1.009, and a relative weight of 72.60%.

Regarding the overall evaluation of the axis of factors affecting the accuracy of external auditors' opinions on assessing the continuity of the entity's operations, all statements fell within the "high" trend category, receiving a high degree of agreement and acceptance, with an overall mean of 3.847, a relative weight of 76.60%, and a standard deviation of 0.465, which is below the critical value of 1. This indicates the homogeneity and convergence of the data and the alignment of the sample's perspectives on this axis. This leads us to conclude that the study sample individuals have a strong tendency toward the existence of factors affecting the accuracy of external auditors' opinions on assessing the continuity of the entity's operations.

Table 9: Statements related to the axis of factors affecting the accuracy of external auditors’ opinions on assessing the continuity of the entity’s operations

No.	Statement	Mean	Std	Relative Weight %	Rank	Trend
7	The size of the audit firm affects the external auditor’s opinion on assessing the continuity of the entity’s operations.	4.20	0.863	84.00	1	High
8	Low audit fees affect the auditor’s work when assessing the entity’s ability to continue.	3.96	0.803	79.20	2	High
9	The auditor’s personality, experience, and independence affect their opinion regarding the entity’s ability to continue.	3.69	0.722	73.80	5	High
10	The size of the audited firm is a factor affecting the external auditor’s opinion on the continuity of its operations.	3.83	0.759	76.60	3	High
11	The auditor’s fear of losing the client is an obstacle to the evaluation process or even disclosure.	3.63	1.009	72.60	6	High
12	The type of evidence disclosed affects the external auditor’s opinion regarding continuity.	3.77	0.927	75.40	4	High
Axis of Factors Affecting the Accuracy of External Auditors’ Opinions on Assessing the Continuity of the Entity’s Operations		3.847	0.465	76.60	/	High

Source: SPSS V27 output

6.2. Testing the Hypotheses

To test the validity of the hypotheses, the One-Sample T-Test is used. The following table presents the test results.

Table No. 10: Results of the T-Test for the Three Hypothesis of the Study

One-Sample Test								
Test Value = 3								
Hypothes es	Sampl e Size (n)	Degree s of Freedom (df)	Calculate d T	Tabl e T	Sig (2-tailed)	Mea n	Std	Alternati ve Hypothes is Result

1	80	79	18.220	1.99 0	0.000	3.92 8	0.45 5	Accepted
2	80	79	12.309	1.99 0	0.000	3.68 3	0.49 6	Accepted
3	80	79	16.291	1.99 0	0.000	3.84 7	0.46 5	Accepted

Source: SPSS V27 output

First Hypothesis-The external auditor performs additional audit procedures when there are events affecting continuity: The One-Sample T-Test results show a standard deviation of 0.455, below the critical value of 1, indicating data homogeneity and alignment of perspectives. The arithmetic mean is 3.928, exceeding the standard value (3), within the high acceptance level [3.40–4.20]. The calculated T-value (18.220) surpasses the table T-value (1.990) with 79 degrees of freedom and a significance level of 0.000. Thus, the hypothesis is accepted: The external auditor performs additional audit procedures when there are events affecting continuity.

Second Hypothesis-The external auditor discloses in their report the institution’s ability to continue operations: The One-Sample T-Test results indicate a standard deviation of 0.496, below the critical value of 1, showing data homogeneity and aligned perspectives. The arithmetic mean is 3.683, above the standard value (3), within the high acceptance level [3.40–4.20]. The calculated T-value (12.309) exceeds the table T-value (1.990) with 79 degrees of freedom and a significance level of 0.000. Thus, the hypothesis is accepted: The external auditor discloses in their report the institution’s ability to continue operations.

Third Hypothesis-There are factors affecting the accuracy of external auditors’ opinions regarding the assessment of the institution’s operational continuity: The One-Sample T-Test results reveal a standard deviation of 0.465, below the critical value of 1, indicating data homogeneity and aligned perspectives. The arithmetic mean is 3.847, above the standard value (3), within the high acceptance level [3.40–4.20]. The calculated T-value (16.291) surpasses the table T-value (1.990) with 79 degrees of freedom and a significance level of 0.000. Thus, the hypothesis is accepted: There are factors affecting the accuracy of external auditors’ opinions regarding the assessment of the institution’s operational continuity.

7. Conclusion

The study confirms that external auditors carry a fundamental responsibility in assessing and disclosing an entity’s ability to continue operations, a responsibility that has profound implications for financial stability and stakeholder confidence. The results show that the accuracy of continuity assessments is shaped by multiple factors, including the characteristics of audit firms, the personal and professional attributes of auditors, and the practices of the audited entities themselves. Among these, firm size,

adequacy of disclosure, independence, and the pressures linked to audit fees emerge as central determinants of audit quality. Despite challenges, the results indicate that auditors generally recognize and uphold their duty to disclose continuity issues, though their judgments may be constrained by professional pressures and client relationships.

Strengthening regulatory oversight, reinforcing independence, and promoting transparency in financial reporting are essential steps to enhance the credibility of external auditing in this context. Ultimately, ensuring accurate and reliable audit opinions on continuity not only safeguards users of financial information but also supports the broader objective of fostering trust in the business environment.

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