


THE RELATIONSHIP BETWEEN THE REPUTATION OF AUDIT OFFICES AND THE ACCURACY OF THE OPINION ON CONTINUITY AND THE EXTENT TO WHICH IT IS AFFECTED BY THE FINANCIAL FAILURE FIELD RESEARCH IN THE IRAQI STOCK EXCHANGE

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ARTICLE INFO	ABSTRACT
Article history:	Purposes: The purpose of the research is to test the relationship between the reputation of the auditor's office and the accuracy of his opinion on continuity and the impact of that relationship on the financial failure of the client company.
Received 30 Dezember 2021	Theoretical framework: Studying the impact of the financial failure of the client company as an intermediate variable. Where some control variables are included, these were addressed through previous studies through a sample of companies listed on the Iraqi stock market (2017-2020) based on the binary logistic regression model to test the research hypotheses.
Accepted 07 February 2022	Methodology/ Design Approach: Relying on the binary logistic regression model to test and conducting additional analysis to test the research hypotheses.
Keywords:	Results: The results of the research indicated that there is a positive and significant impact of the reputation of the audit firms on the accuracy of their opinion on the continuity hypothesis, as well as the positive impact of the accuracy of the opinion of the Supreme Audit Bureau in the supervision of the auditors of the Bureau, and there is a positive and important impact of the variable of financial default as an intermediary variable between reputation the auditor's office and the accuracy of his opinion on continuity. Finally, the results of the analysis support the positive correlation of the effect of financial failure as a control variable on the accuracy of his opinion on going concern.
Reputation of the Auditor's Office; Accuracy of the Auditor's Opinion on Business Continuity; Financial Failure.	Research and practical and social effects: The social effects of research appear by studying the reputation of the auditor and its impact on the continuity or failure of companies listed in the Iraqi Stock Exchange.
	The value of originality: The research represents a qualitative addition to the research that examined the auditor's reputation variables and their impact on the continuity of companies.
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A RELAÇÃO ENTRE A REPUTAÇÃO DOS GABINETES DE AUDITORIA E A PRECISÃO DA OPINIÃO SOBRE A CONTINUIDADE E A GRAU DE AFECTAÇÃO DA FALHA FINANCEIRA PESQUISA DE CAMPO NA BOLSA DE VALORES DO IRAQUE

RESUMO

Propósitos: O objetivo da pesquisa é testar a relação entre a reputação do escritório do auditor e a exatidão de sua opinião sobre a continuidade e o impacto dessa relação sobre o fracasso financeiro da empresa cliente.

Estrutura teórica: Estudo do impacto do fracasso financeiro da empresa cliente como uma variável intermediária. Quando algumas variáveis de controle são incluídas, estas foram abordadas através de estudos anteriores através de uma amostra de empresas listadas na bolsa de valores iraquiana (2017-2020) com base no modelo de regressão logística binária para testar as hipóteses de pesquisa.

Metodologia/ Abordagem de projeto: Baseando-se no modelo de regressão logística binária para testar e realizar análises adicionais para testar as hipóteses de pesquisa.

Resultados: Os resultados da pesquisa indicaram que há um impacto positivo e significativo da reputação das empresas de auditoria na exatidão de sua opinião sobre a hipótese de continuidade, bem como o impacto positivo da exatidão da opinião do Gabinete Superior de Auditoria na supervisão dos auditores do Gabinete, e há um impacto positivo e importante da variável de default financeiro como variável intermediária entre a reputação do gabinete do auditor e a exatidão de sua opinião sobre a continuidade. Finalmente, os resultados da análise apoiam a correlação positiva do efeito da falha financeira como variável de controle sobre a exatidão de sua opinião sobre a continuidade.

Pesquisa e efeitos práticos e sociais: Os efeitos sociais da pesquisa aparecem pelo estudo da reputação do auditor e seu impacto na continuidade ou fracasso de empresas listadas na Bolsa de Valores do Iraque.

O valor da originalidade: A pesquisa representa um acréscimo qualitativo à pesquisa que examinou as variáveis de reputação do auditor e seu impacto sobre a continuidade das empresas.

Palavras-chave: Reputação do Escritório do Auditor, Exatidão da Opinião do Auditor sobre a Continuidade dos Negócios, Falha Financeira.

LA RELACIÓN ENTRE LA REPUTACIÓN DE LAS OFICINAS DE AUDITORÍA Y LA EXACTITUD DE LA OPINIÓN SOBRE LA CONTINUIDAD Y EL GRADO EN QUE SE VE AFECTADA POR EL FRACASO FINANCIERO INVESTIGACIÓN DE CAMPO EN LA BOLSA IRAQUÍ

RESUMEN

Propósitos: El propósito de la investigación es comprobar la relación entre la reputación del despacho de auditores y la exactitud de su opinión sobre la continuidad y el impacto de esa relación en el fracaso financiero de la empresa cliente.

Marco teórico: Estudiar el impacto del fracaso financiero de la empresa cliente como variable intermedia. Donde se incluyen algunas variables de control, las cuales fueron abordadas a través de estudios previos a través de una muestra de empresas que cotizan en la bolsa de valores de Irak (2017-2020) en base al modelo de regresión logística binaria para probar las hipótesis de la investigación.

Metodología/ Enfoque de diseño: Basándose en el modelo de regresión logística binaria para probar y realizar análisis adicionales para probar las hipótesis de investigación.

Resultados: Los resultados de la investigación indicaron que existe un impacto positivo y significativo de la reputación de las firmas de auditoría en la exactitud de su opinión sobre la hipótesis de continuidad, así como el impacto positivo de la exactitud de la opinión de la Oficina Suprema de Auditoría en la supervisión de los auditores de la Oficina, y existe un impacto positivo e importante de la variable de incumplimiento financiero como variable intermediaria entre la reputación la oficina del auditor y la exactitud de su opinión sobre la continuidad. Por último, los resultados del análisis apoyan la correlación positiva del efecto del incumplimiento financiero como variable de control sobre la exactitud de su opinión sobre la empresa en funcionamiento.

Investigación y efectos prácticos y sociales Los efectos sociales de la investigación aparecen al estudiar la reputación del auditor y su impacto en la continuidad o el fracaso de las empresas que cotizan en la Bolsa iraquí.

El valor de la originalidad: La investigación representa una adición cualitativa a la investigación que examinó las variables de la reputación del auditor y su impacto en la continuidad de las empresas.

Palabras clave: Reputación del Despacho del Auditor, Exactitud de la Opinión del Auditor sobre la Continuidad de las Empresas, Fracaso Financiero.

INTRODUCTION

The failure of companies including Enron, among others, and the exit of Arthur Andersen eroded public confidence in the profession's ability to be objective. Pressures for regulatory intervention increased and in response, the SOX-Oxley-Sarbanes Act (2002) was passed to strengthen auditor independence, and improve the quality of financial reporting to restore public confidence in the profession. Despite this, the financial crisis of 2008 led to an increase in corporate failures and created a renewed interest in auditors' reports on clients suffering from financial failure risks, most notably liquidity and credit.

The auditor's responsibility is to beware of these issues, which have raised many inquiries from investors and standard-setters in the world regarding, the role of the independent auditor, and the accuracy of his opinion on continuity. . Carson et al., 2013; Sanuran, 2018 The auditor is responsible for collecting sufficient audit evidence about the appropriateness of the management's preparation of the financial statements, assuming that the client will continue his activity in the coming period.

He is not responsible for predicting a client's financial failure when issuing his or her professional opinion on going concern (Hardies et al., 2018). Studies have shown different results with respect to the auditors' reports on continuity, so a distinction can be made between accuracy and informatics. (Woudenberg et al., 2019, and in accuracy the auditor focuses on Type I and Type II errors, because potential litigation costs and reputation motivate auditors to produce accurate reports (reducing both types of errors) on the continuity hypothesis (Kaplan and Williams, 2013).

Because of the impact of these errors on increasing funding costs and changing auditors in the event of type I errors, litigation costs and damage to the reputation of auditors when the second type occurs (Hardies et al., 2018; Woudenberg et al., 2019), studies indicated the reputation of the auditor's office; (De Angelo 1981; Fuerman and Kraten, 2008; El-Dyasty, 2017; Bergner et al., 2020; Rama, et al., 2020; McKenna et al., 2020; Blum et al., 2021; Dyasty & Elamer 2021). The type of auditor's office depends as an indicator of its reputation and the quality of its performance. Which consists of a combination of factors such as total clients, office brand, audit quality, fewer lawsuits to avoid litigation costs and legal issues for investor claims. Auditors are concerned with building a positive reputation in the market so that they can retain clients, improve their market share, earn additional wages, a competitive advantage, and public confidence in financial reporting, and create high audit quality.

According to studies, there is a mixed relationship between the type of auditor's office and the accuracy of continuity reports, with some finding a positive relationship, others finding

a negative relationship, and others finding no relationship at all, implying that the type of auditor can influence the accuracy of continuity reports. (Sanuran, 2018). The results also varied (Azzahra & HS; 2018; Sukirman & Rama, 2020) regarding the extent of the increasing trend by auditors towards the use of financial forecasting models.

Regarding continuity and bankruptcy to assist auditors in their assessment, and that the financial position and identification of events and circumstances that give rise to material doubt, where users of financial information expect the auditors' report.

RESEARCH PROBLEM

Previous studies indicated that the auditor's opinion differed according to the report he issues, and tried to ensure the correctness of the review classification. In large multinational companies, such as Ernst & Young, PricewaterhouseCoopers, etc.), (BDO, Stephens Moore, Grant Thornton, Pullen, etc.), (Marquee et al., 2017). Therefore, the research problem is focused on answering the following:

- Do audit firms influence the accuracy of the auditor's opinion on going concern?
- Does the Board of Financial Supervision affect the accuracy of the auditor's opinion on continuity?
- Do the previous effects differ in the upward trend of the auditors?
- _ Are financial failure prediction models used to assist auditors in assessing continuity?

THE PURPOSE OF THE RESEARCH

The research aims to examine the relationship between the reputation of the auditor's office and the accuracy of its opinion on continuity, and the extent to which that relationship is affected by the company's financial failure by studying a sample of non-financial companies listed in Iraqi Stock Exchange. And accuracy of opinion on continuity. The results were different. In Iraq, the studies that discussed the subject are very few. The importance of examining the relationship between the auditor's reputation and the accuracy of his opinion on continuity is an applied contribution, and an attempt to find evidence from non-financial companies listed on the Iraqi Stock Exchange about the auditor's role in building a positive reputation in the market and achieving levels of audit quality to be more Ability to distinguish when presenting his opinion on continuity and its difficulties, Expressing an opinion that matches the actual conditions and the impact of using models to predict financial failure.

LIMITATIONS OF THE RESEARCH

The research is concerned with examining the relationship between the reputation of the audit office, the accuracy of its opinion on continuity, and the impact of the client's financial failure factors on that relationship. (The age of the company and the characteristics of the audit firm. The delay in issuing the report and the mandatory rotation of the auditor)

RESEARCH METHODOLOGY

The research was divided into a theoretical study with an analysis of previous studies. And the effect of the size of the company and the financial failure of the client, as follows:

- Study and analysis of the reputation of the audit office
- Studying and analyzing the accuracy of the audit office's opinion regarding continuity and the derivation of research hypotheses.
- Analysis of the modified variable of the relationship between the reputation of the audit office and the accuracy of its opinion about the continuity and elicitation of research hypotheses.

Theoretical Background and Literature Review

Building the reputation, accuracy, and trust in the auditor's role is very important, as this role is not limited to approving financial statements, the public's confidence in their decisions. Measurement of reputation is an assumption of quality that is difficult to assess, and studies focus on two main factors that drive the auditor to provide high quality, namely, litigation and reputation and litigation plays a vital role in how clients perceive the audit service. Qi et al., 2017. The quality of the auditor is limited, focusing mainly on audit firms that have already earned their reputation through firm size or industry specialization. DeAngelo 1981) links reputation and audit quality using firm size as an indicator of quality. Big audit firms have a greater incentive to produce high-quality audits because they take advantage of semi-specific fees to clients and will lose more (lose clients or cut wages) if they continue to provide low-quality audits and they don't report for material errors (Blum et al., 2021)

On the other hand, Mahew 2001 states that reputation acts as an internal mechanism with high audit quality when demand for future auditing services depends on reputation. Without a reputable auditor, investors should not trust managers' disclosure. Source of competitive advantage. In contrast, large audit firms have a reputation for having better financial resources, research facilities, superior technology, and qualified personnel to conduct

audits (Abed et al., 2018). Tangpinyoputtikhun & Thammavinyu 2010 explained that reputation as an organizational identity covers four activities:

The service rendered - the production process environment- the behavior of members of the organization towards each other and with others - the continuous acquisition of knowledge through education and training. The researcher concludes that maintaining the reputation of the auditor's office is essential to the auditor's ability to carry out his duties. Reputation is understood through: 1- Procedures (governance structures, recruitment, performance evaluation, training and internal control). 2- Its own policies. 3-Despite the strong measures, bad behavior appears to a number of individuals.

The Sarbanes-Oxley Act prohibits auditors from providing consulting services to maintain their independence from audits submitted (PCAOB 2019). Regarding measuring the reputation of an auditor's office, De Angelo 1981 discussed office size as an indicator of its reputation or the quality of its audit. On the basis that they are more able and willing to detect material misstatements in the financial statements and to report what other auditors find, and the high experience is also linked to senior auditors who have the resources of training specialized staff, peer examination and investment in information technology. The quality of the audit can be inferred from the type of audit firm. Hapsoro & Suryanto 2017 used industry-specific auditors as an indicator of their reputation, clients of a specialized audit firm are able to obtain greater economic value from clients of a non-specialized firm, and the economic value of clients of a cash-strapped firm is greater than the economic value of those audit firms that have not experienced difficulties Finance. In the same vein, the research of Rama et al. 2020 showed that reputation is a mixture of activities over the life of the entity, requires consistency in the entity's procedures for a long time to form, and the audit firm has a reputation that reflects the quality of work in various services, such as accounting, auditing, tax and management consulting. And computer systems consulting, personnel selection, etc. A reputable auditor is a great audit firm?

Iraq has an environment, where laws and regulations provide a basis to assist audit firms in conducting a high-quality audit through a single auditor or a joint audit. The Office of Financial Supervision reviews the departments and companies in which the state contributes a specific percentage of the mixed sector companies, and it is a mandatory audit. While it is necessary to express doubts about the reasonableness of an assumption in the auditor's report, (PCAOB, 2015), his report is generally known as a continuity opinion (Berglund 2020)

The 2015 revised Standard 570 for the going concern hypothesis refers to the idea of looking at an entity's going concern for the foreseeable future (Paragraph 2). Management must

prepare the financial statements on a going concern basis unless there is an intention to cease trading.

The standard also clarifies that the auditor is responsible for (i) gathering sufficient audit evidence about the appropriateness of management's preparation of the going concern financial statements, and (ii) that the client is able to continue its business in the following year (George Silvio and Melinda Timea, 2015), and has no responsibility to anticipate client failure or future events, however it must issue an opinion on the enforcement of continuity of enforcement when it is necessary to give a warning to the client. Issuing an unqualified audit opinion when the company's financial statements are prepared in all material respects, and when there is material doubt about the appropriateness of using the going concern assumption, a qualified statement of opinion should be issued. (Hardies et al., 2018).

When assessing the imposition of continuity, auditors face two types of classification errors, the first type of error when issuing a report to the client, assuming that his activity will not continue in the coming period. Or the second error when a report is not issued stating that the customer is no longer present during the next period, and is subject to the risk of litigation costs and loss of reputation. Both types of errors can cause problems with the auditor's reports, so issuing inaccurate audit reports are examples of auditor's report failure.

Studies show mixed results regarding the reviewers' reports on the continuity hypothesis, distinguishing between accuracy and informatics (Woudenberg et al., 2019). Accuracy of reports Studies mainly focus on Type I and Type II errors, because litigation costs and potential reputation factors for auditors motivate them to produce accurate audit reports (to reduce Type I and II errors) (Kaplan and Williams 2013)

In the second type of error (Abad et al., 2017), it must be determined whether the auditor's report contained informational value regarding continuity. Study results have been mixed. There is a difference in the informative value of auditors' reports, which is generally measured based on market reaction or the experience of users of financial statements.

The above analysis shows that dealing with the role of the auditor does not explicitly focus on the role of the company's management regarding continuity, and it is logical to take the role of management into consideration in the continuity hypothesis, and the auditor must express an opinion on whether the information Whether or not the information provided by the management provides a truthful and fair picture is debatable. When it comes to spotting uncertainties connected to going concern, it's important to distinguish between management and auditors. Is there a sufficient foundation for management and auditors to report on continuity within the existing (international) regulatory framework? The IAASB project wanted

to improve the value and relevance of the auditor's report by reviewing its structure and content, as well as considering reference reports on continuity as part of this project, in order to meet stakeholder expectations of increased focus of both management and auditors on important matters relating to continuity. (Woudenberg et al., 2019).

In the interest of legislators and regulators, the auditors' responsibility to provide early indications of client failure through the continuity report continues to attract their interest (Financial Reporting Council 2018; PCAOB 2017), after corporate failures. Renewed interest after the failure of companies and the question was: Where were the auditors? From issuing ineligible audit reports for bankrupt companies after a while. The Audit Reporting Standard AS 3101 was recently revised. It requires the auditor to disclose important matters in the audit opinion.

AS 3101 indicates the auditor's assessment of a company's ability to continue as a going concern can be important and critical, and is additional assurance even if there is overlap between information disclosed as material audit matters and information in explaining going concern.

As for audit standards, they require our auditors to assess the going concern status of each audit and when it is appropriate to adjust its reports when there is significant doubt about the client's ability to continue as a going concern. After assessing management's plans to mitigate the negative impact of these circumstances and its ability to implement these plans, auditors remain skeptical, (AICPA 1988), similarly Standard 315 requires auditors to assess a client's business risks to assess the appropriateness of management's use of the going concern assumption and Sarbanes-Oxley Act transmission standards for public audit firms to PCAOP after approval of the AICPA Audit Standards.

During the period from 2006 to the end of 2016, the auditor's reporting standards were revised and modified, including changes regarding continuity with the new and revised standards in the 706-701-700 series.

And revision of IFRS 570 regarding going concern, and amendments were made to the form and content of auditors' reports. And all continuity audits for both company management and auditors. The auditors' responsibilities include deducing the appropriateness of management's use of the going concern assumption, and whether there is a material doubt about going concern, and disclosing to those responsible for the governance of key audit matters. To align their expectations with the actual responsibilities of the auditor and management, and the reliability of audited financial statements. It is useful to bridge the expectations gap and increase focus on the ongoing project.

It can be concluded to many changes in the regulatory framework that will contribute to the preparation of more accurate reports and informative content for management and references about the continuity hypothesis, in addition to the fact that the audit rules relate to providing more guidelines for continuity and seem to place higher responsibilities on the auditor compared to accounting standards, and as The company's management is the one who submits the reports in the financial statements, after which the auditor reviews these data and announces its results in his own report. This situation appears to be due to the fact that each team follows its own path rather than working together to develop a comprehensive approach.

In the Iraqi professional environment, and despite the standards in place, which are a mixture of local and international standards, it has not followed recent development in the standards (IAS 570, 700, 701, 706), which widened the gap. Between the Iraqi and international auditing standards, though, it did not follow recent developments

The prevailing trend in countries around the world towards compliance with international auditing standards. In the accuracy of the auditor's opinion about continuity and the impact of the reputation of the auditor's office

Accuracy of the auditor's opinion on going concern and the impact of the auditor's firm's reputation

A study of the accuracy and quality of auditors' reports on continuity showed a decrease in both types of misclassification. The results are consistent with the improvement in the accuracy of continuity reports, the increase in the efficiency of auditors, and the issuance of the largest number of qualified opinions on the continuity of the project (Sanron 2018), to avoid the existence of accounting scandals in major companies that cause damage. And a loss for many parties through the provision of transparent information by the auditors who examine the financial statements and issue a clear statement of the real status of the client, whether it is continuous or not, and even in the presence of an opinion of the company's continuity, it does not mean that the company's ability to work in the future is promising. On the other hand, some studies have been conducted on the effect of the auditor's reputation on the audit opinion on continuity, among which are the results of the relationship and the effect between auditor Reputation and Continuity (HS & AZ Zahra, 2020). Compared with the results of studies that showed that the auditor's reputation does not affect his opinion about going concern, and one research showed that reputable auditors are more likely to issue an audit opinion about going concern if the client has problems with going concern they are responsible for ensuring high quality information useful for decision making.

(Dan Nengzih 2021) states that the auditor is required to express an opinion on the real situation of the company, which influences the decision-making procedures of users of financial statements and is responsible for maintaining public confidence and maintaining the name and reputation. Studies show that the Big Four companies offer higher quality than other reviewers. Although, the mixed results of those studies were related to the continuity decisions of the Big Four auditors (Sanoran 2018), which were supported by (Berglund et al., 2018) With empirical evidence of the relationship between the type and size of the auditor and the continuity report. Some studies have found a positive association.

And another there is no, and the third has a negative correlation. (Mark et al., 2017) discussed the different auditor's opinion according to the type of report issued, whether it is part of a large company, a local company, or an individual auditor. (Sukirman & Atmojo 2019) pointed out the negative relationship between the reputation of the auditor's office, as measured by the type of office and audit, on it the first hypothesis can be formulated:

The first hypothesis: the lack of influence of local auditing companies and offices on the accuracy of the auditor's opinion on the continuity of companies listed in the stock market.

By law, auditors of the Financial Supervision Bureau are appointed to audit the financial statements prepared by state-owned companies at a certain percentage.

Companies must respond to these observations and recommendations. The auditors cannot be changed or excluded, and they are not afraid to express their opinions. Therefore, BSA auditors are in a unique position to provide a higher audit quality compared to other auditors. Accordingly, the second hypothesis states:

The second hypothesis: The Board of Supreme Audit does not affect the accuracy of the auditor's opinion on the continuity of partially state-owned companies listed in the market.

Users of financial information expect auditors to report on the company's financial condition and whether there has been a decline in financial performance, they should disclose. With a good reputation, the client will receive opinions consistent with actual conditions and the relevance of the auditor's opinion to the company's situation will depend on whether the auditor has a code of ethics describing the good reputation Or the bad that he enjoys (Rama and Skirman, 2018).

With this characteristic, (Permatasari & Nurbaiti 2019) determined the financial default in the event that the operating cash flow is insufficient to pay off its debts, so it is forced to correct its conditions. Financial default is one of the indicators of corporate bankruptcy or liquidation and its relationship to financial risk (Hapsoro & Suryanto 2017). (Carson et al., 2013.) And researching the relationship between the causes of financial default and issuing an

opinion on continuity, and it appeared that auditors issue a continuity report in the event of low profitability, high financial leverage, and inability to pay debts, as well as expressing an opinion on continuity in the previous year. Because of the relationship between the auditor and the client.

The research also dealt with the relationship between the determinants of bankruptcy and continuity reports to determine the variables on which it depends in practice. And it reached a set of reliable financial ratios, which are: (1) Value of Assets/Total Liabilities (2) Cash Flows from Operations/Total Liabilities and (3) Current Assets/Current Liabilities (4) Total Liabilities/Total Assets and (5) Change in Net Wealth/Total Liabilities (Carson et al., 2013)

Research indicated the presence of other indicators such as the rise and fall of volatility in the rate of return from the industry, and management's plans to borrow. The auditors express an opinion on going concern when conditions and events that affect key usefulness are discovered during the audit. Below are examples of circumstances and events that indicate a significant chance that the customer will not be able to continue (AZ Zahra & HS 2020)

A-Negative trend: recurring operating losses, lack of working capital, negative cash flow from operating activities, poor financial ratios

B. Possible financial difficulties Non-fulfillment of debt obligations or agreements Procrastination and inability to pay dividends Suppliers' refusal to submit an orderly credit order Debt restructuring Need to find a source of financing Sale of certain assets

C- Internal problems such as strikes or other work-related difficulties, heavy reliance on the success of a particular project, long-term non-economic commitment, and the need for further business improvement.

D- External problems such as lawsuits or others that expose the entity to danger, loss of privileges, licenses, important patents, loss of major customers or suppliers, or losses resulting from major disasters.

(Hapsoro and Surayanto 2019) explained the increasing tendency by auditors to issue a conservative opinion due to the company's financial crisis and that the use of bankruptcy prediction models would help the auditor in assessing continuity, and the financial position has a material impact on accepting continuity.

(Kausar et al., 2017) indicated that auditors in both the United States and the United Kingdom are responsible for assessing the financial condition of their clients and adjusting their audit reports for uncertainties that may affect the company's ability to continue its business.

The audit criteria require consideration of non-financial management plans in addition to solving liquidity problems in the decision to assess continuity because the auditor's opinion

is the only way to assess the continuity of the project. Concern for the client because professional standards expressly forbid the auditor to explicitly disclose any additional information about the company.

The study (Arifah & Wijayanti 2014) aimed to analyze continuity factors such as financial failure, previous audit opinion, and auditor's reputation in Indonesian industrial companies.

Research objective (Rama & Sukirman 2018) analyzes the impact of the company's financial position, and includes predicting bankruptcy using Altman Z model, towards accepting the continuity view. It concluded that the financial position has a significant impact on the financial failure and the acceptance of the auditor's opinion on continuity. Focusing on auditor reporting behavior before and after Enron's bankruptcy, Nogler's 2008 hypothesis concluded that the proportion of continuity reporting to post-Enron bankruptcy clients would be greater at that time for the Big Four and second-tier firms. (Rickling et al., 2020) Auditor behavior after Enron has not differed significantly between large and non-large firms. So, the concept of failure should be expanded not by focusing on bankruptcy only, to include write-off or suspension of market shares, entry into receivership, inability to meet debt obligations or obtaining (bailout) by another company for the purpose of providing extensive additional information and evidence along with measures Conventional bankruptcy fails with respect to the appropriateness and accuracy of going concern reports.

There are different results regarding the increasing trend by the auditor towards the use of financial failure prediction models, which helps the auditors in evaluating the hypothesis of continuity and that the financial position and identification of events and conditions of uncertainty have a significant impact on continuity, as users of financial information expect from the auditor. Report on the financial situation and the real vision of the client. Also, if there is a decline in the financial performance, it must be disclosed and an accurate opinion is issued about going concern and without foreseeing the strength and direction of the impact in the report, in line with the actual conditions. Therefore, the third and fourth hypotheses can be formulated as follows:

The third hypothesis: The influence of local audit firms in the accuracy of the auditor's opinion regarding the continuity of the audit differs according to the degree of financial failure of these companies.

Fourth hypothesis: The effect of the Board of Supreme Audit on the accuracy of the auditor's opinion regarding continuity does not differ according to the degree of financial failure.

Scientific Research Methodology

A field research was conducted that includes the research community, the research sample, the characterization and measurement of variables, and the analysis of the results, to test the hypotheses within the framework of the basic analysis as follows:

The study of society and data sources

The study population was represented by the non-financial companies listed in the market and dealt with them effectively. The researcher chose a random sample of the listed companies, with the exception of the financial sector companies (banks and financial services). Because of its financial nature and capital structure in line with previous studies (Hapsoro and Santoso, 2018)

By applying the previous criteria, the research sample for the period (2017-2020) consists of (222) companies. The study relied on the data and clarifications attached to the financial statements necessary to measure the study variables using the (content analysis) method obtained from the Iraq Stock Exchange website www.isx-iq.net.

Table No. (1) shows the study population represented by the number of non-financial companies listed in the market (during the study period) with observations.

Table 1: List of companies listed in the market during the study period

Statement	2017	2018	2019	2020	Total
Listed in the Iraqi Stock Exchange	129	131	132	132	524
Less Finance corporation	47	50	48	48	193
= Non-Corporate Finance	82	81	84	84	331

Source: Annual Reports of the Iraqi Stock Exchange (2017-2020)

Thompson model was used to determine the sample size through the following equation:

$$n = NP (1-p) / (N-1) \{ d^2 / z^2 \} + p (1-p)$$

Where:

n = sample size

N = community size, total number of views during the four years (331) views.

Z² = square of the standard degree 95% (1.96)

D² = squared error (rate) 0.05)

p = probability or residual percentage of the characteristic (50%)

After applying the previous equation, the minimum sample size is 72 observations. That is, the size of the research (18 companies x 4 years).

Research Model: Research variables include the reputation of the auditor's office as an independent variable. The accuracy of the auditor's opinion as a dependent variable, and financial default as an intermediate variable between the independent variable and the

dependent variable, under studies: Rama and Skarman, 2018; Desai et al., 2020; Normala et al., 2020; Dynasty and Prince. 2021 with the introduction of the effect of control variables (company size, leverage, company loss, liquidity, company age and delay in auditor's report) affecting the accuracy of the opinion about the going concern hypothesis which agrees with previous studies Rickling et al., 2020; Desty & Prince, 2021

A- The independent variable: the reputation of the auditor's office based on the study of Dynasty & Elamer 2021. This variable was divided according to the type of office into private auditing offices (companies and individuals) and the Financial Supervision Bureau. It is measured by a dummy variable that takes the number (1) if the company is audited by the Diwan and the number zero otherwise

B- The dependent variable of the auditor's accuracy regarding continuity: It is measured through:

1 - Determining the financial position of the observations sample, whether stability or financial failure based on Altman Z model as a model for predicting financial failure, which consists of a set of different relative weights and according to their weights. Equation has been developed.

$$Z\text{-Score}=12X1+14X2+33X3+06X4+ 10X5$$

Where:

X1 = working capital ÷ total assets.

X2 = Retained earnings ÷ Total assets.

X3 = operating profit before interest and taxes ÷ total assets.

X4 = market value of equity ÷ total assets.

X5 = net sales ÷ total assets.

Whereas

Z-score > 2.99 value indicates stability, but if the $2.7 < 2.99 > Z\text{-score}$ means that there is a problem that is not dangerous, and if it is $Z\text{-score} < 2.7 > 1.81$, it means that the company is at risk and on the board Management exercise caution and if the score is $1.81 > \text{score-Z}$ the company is in danger of bankruptcy.

2) Determining the auditor's opinion on going concern by analyzing the content of the report, whether it is an unqualified opinion in accordance with IAS 700 or a qualified opinion in accordance with IAS 705 and 706.

(3) Measuring the accuracy of the opinion about going concern as a normal variable that takes the value (1) for the accuracy of the opinion about going concern, in the two cases of issuing a report with an unqualified opinion and the financial position is stable and/or has an insignificant

indication of financial failure, and a report is issued with a conservative opinion. And the financial position is failure Financial and/or potential financial failure and takes the value (0) when the opinion is inaccurate with regard to continuity, in my case: issuing a report with an unqualified opinion and the financial position of the auditor on the financial failure and/or potential financial failure and issuing a report with a qualified opinion and financial stability and/or There are few indications of financial distress.

C - Intermediate variable: the financial failure of the customer and refers to the cash deficit facing the customer and the loss of ability to pay his obligations due to insufficient cash flows from operations, based on Altman Z 1977 model

D- Organizational Variables:

- Company size: Small companies face more risks in imposing continuity than large companies. In general, the company's size is calculated through its total assets, because it is larger than other variables.
- Financial leverage: the ratio of debt used to finance the investment, and it is one of the variables that have the ability to affect the ongoing audit process. The high debt ratio is a concern for auditors (Averio, 2021).
- Liquidity ratio: It means the company's ability to meet its short-term obligations those unable to do so will face a problem that may hinder their continuing activity (Averio, 2021).
- Losses: any decrease in the profitability index, and its increase in the issuance of a conservative opinion regarding continuity, and it is measured by a theoretical variable that takes the value (1) at the loss and (0) otherwise (Lee & Ji, 2015).
- Age of the company: i.e. the years the company was listed on the market. The short-lived company is more prone to financial failure, and a conservative opinion can be expressed about it, and it is measured by the natural logarithm of the sum of the years from the year of listing.
- Delayed issuance of the report: Delay in issuing the report increases the probability of expressing an opinion on continuity and the possibility of discovering more financial problems (Averio, 2021), measured by the natural logarithm of the time period (a day between the end date of the fiscal year and the date of issuing the audit report)

Statistical analysis models to test research hypotheses

Analysis model

The following regression model will be used to test the first and second hypotheses

$$GCOACCY_{it} = \beta_0 + \beta_1 AUDITOR\ REP_{it} + \beta_2 LnFSIZE_{it} + \beta_3 LEV_{it} + \beta_4 LIQUID_{it} + \beta_5 LOSS_{it} + \beta_6 Ln\ FAGE_{it} + \beta_7 Ln\ ARLAG_{it} + \varepsilon_{it} \dots (1)$$

Test the impact of financial failure as a modified variable for the relationship between the reputation of the auditor's office and the accuracy of the auditor regarding continuity, to test the third and fourth hypotheses

$$GCOACCY_{it} = \beta_0 + \beta_1 AUDITOR\ REP_{it} + \beta_2 FDIST_{it} + \beta_3 FDIST_{it} * AUDITOR\ REP_{it} + \beta_4 Ln\ FSIZE_{it} + \beta_5 LEV_{it} + \beta_6 LIQUID_{it} + \beta_7 LOSS_{it} + \beta_8 Ln\ FAGE_{it} + \beta_9 Ln\ ARLAG_{it} + \varepsilon_{it} \dots (2)$$

Applied Research Tools and Procedures

The research was conducted in line with the methodology of previous studies, Nurmala et al. 2020, using a binary logistic regression model, because the method of measuring the two-valued dependent variable (0 and 1) is done using the SPSS method, depending on the financial data and explanations.

Descriptive statistics

Table No (2) shows the main characteristics of the research variables in the test of the relationship between the reputation of the auditor's office and the accuracy of his opinion on continuity, and local auditing offices still control all private companies subject to audit, and the Finance Board. Supervises the audit of companies' accounts in accordance with the law

As for the variable of accuracy of opinion regarding continuity, the average was 0.45193, with a standard deviation of 0.50576. It reflects the high incidence of unqualified opinion of companies facing definite or probable financial failure, and/or potential cases of conservative opinion of companies that are financially stable or have little indication of financial failure. As for the financial failure, the average was 15.4703, with a standard deviation of 83.52242, that is, most companies are financially stable.

As for the adjustment variables, the average natural logarithm of total corporate assets was 9.542, with a standard deviation of 0.63441, the average degree of financial leverage was 44.87, with a standard deviation of 0.32377, and the average liquidity ratio was 5.5 times, with a standard deviation of 31.65155, and the average natural logarithm of the age of the company was 1.1880, with a standard deviation of 0.25721 companies which achieved 19% losses, with a standard deviation of 0.27125, The mean of the natural logarithm for the reporting period is 1.7162 with a standard deviation of 0.16847.

Table (2): Descriptive statistics for the research variables

variables	Mean	Std. Dev	Obs.
Local Auditors	0.29765	0.44374	72
FBSA	0.1464	30.33253	72
GCOACCYit	0.45193	0.50576	72
FDISTit	15.4703	83.52242	72
LnFSIZE it	9.542	0.63441	72
LEVit	0.4487	0.32377	72
LIQUIDit	5.5	31.65155	72
LOSSit	0.19	0.27125	72
LnFAGEit	1.1880	0.25721	72
ARLAGit	1.7162	0.16847	72

Correlation Results analysis: Table (3) shows the correlation between some

Research variables. The results indicate that the accuracy of the opinion on continuity is closely related to the size and age of the company, and the accuracy of the opinion on continuity is ethically related to the performance of the board of directors. And the Office of Financial Supervision, with an index level of 0.46. For the modified variable, there is a positive correlation between the accuracy of the opinion regarding the continuity and the financial failure of the company, where the results of the correlation analysis indicate that the audit offices and local companies are negatively and ethically related to the variable company size, financial leverage, company age, and with regard to the Board of Supreme Audit, it is positively related to the company's age.

Table (3): The correlation matrix between some study variables

Variables	GCOACCY it	FDIST it	LnFSIZE it	LEV it	LIQUID it	LOSS it	LnFAGE it	ARLAGit
Local Auditors	0.73 0.178	0.056 0.378	0.341** 0.000	-0.194** 0.000	-0.20 0.691	0.007 0.911	-.215** 0.000	0.017 0.497
FBSA	0.116* 0.035	0.047 0.412	-0.058 0.273	-.0043 0.423	-0.042 0.329	-0.070 0.184	0.190** 0.000	-0.092 0.074
GCOACCY it	1 ---	- 0.162** 0.003	-0.113 0.037	0.40 0.464	0.090 0.087	-0.023 0.634	-0.135** 0.012	0.076 0.159
FDIST it	0.163** 0.003	1 ---	-0.008 0.869	-.103* 0.049	00.74 0.186	-0.034 0.509	0.021 0.712	-.003 0.938
LnFSIZE it	-0.113* 0.036	-.008 0.868	1 ---	-0.010 0.839	0.132* 0.012	-0.051 0.319	-0/97 0.065	0.072 0.183
LEVit	0.041 0.467	-.104* 0.047	-.010 0.841	1 ---	-0.229** 0.000	0.057 0.298	0.125* 0.021	0.113* 0.034
LIQUIDit	0.092 0.089	0.072 0.186	0.130* 0.013	-.230* 0.000	1 ---	0.095 0.116	-.055 0.297	-0.72 0.168
LOSSit	-.023 0.634	-.032 0.509	-0.051 0.319	0.057 0.298	0.086 0.116	1 ---	0.119* 0.024	0.148** 0.007
LnFAGEit	-0.135* 0.009	0.023 -.710	-0.097 0.066	0.125* 0.021	-.054 0.297	0.119* 0.024	1 ---	-0.153** 0.002
ARLAGit	0.074 0.158	-.003 0.938	0.072 0.182	0.115* 0.032	-.0071 0.169	0.148** 0.005	-.153** 0.003	1 ---

Analyzing the results and testing the research hypotheses

The binary logistic regression model was relied on, and below are the results of the research hypotheses test:

Table (4): results of the Binary Logistic Regression Model

Variables	First Hypothesis	Second Hypothesis	Third Hypothesis	Fourth Hypothesis
Constant Regression	B 4.189 Sig 0.023	B 4.948 Sig 0.003	B 1.745 Sig 0.380	
First: Independent Variable (office type)				
Local it	B 0.189 Sig 0.472	B 1.039 Sig 0.007		
FBSA				
Second: qualified Variables				
FDIST.it	B 0.289 Sig 0.000	B 0.424 Sig 0.000	0.231 0.078	
FDIST.it* Auditor REP.				0.523 0.004
Third: Control Variables				
LnF size it	0.479 0.013	-0.0505 0.005	-0.516 0.004	
LEV it	0.649 0.136	0.612 0.153	0.678 0.114	
Liquid	0.013 0.048	0.013 0.051	0.013 0.049	
Loss it	-0.243 0.397	-0.244 0.393	-0.233 0.413	
LnFAGEit	-1.035 0.024	-1.051 0.020	-1.051 0.019	
ARLAGit	0.006 0.186	0.006 0.196	0.006 0.163	
Forth: Model Statistics				
Chi- square (Sig)	21.475 (0.003)	21.443 (0.003)	22.294 (0.003)	21.197 (0.003)

The result of the first hypothesis: Table 4 shows the results of the statistical analysis as follows:

Value of the chi-square is 21.475, which means that the model is statistically significant, that is, the variables have importance and affect the observer's rating regarding continuity.

- There is a positive, insignificant effect of the management of audit offices on the accuracy of the auditor's opinion on continuity with a regression coefficient of 0.189, which means that Iraq has a flexible legal and regulatory environment, and that litigation cases and disciplinary actions are rare.

- The negative effect of the size and age of the company, and a positive effect of the liquidity variable, and there is no effect for the rest of the variables.

It rejects the main hypothesis and accepts the alternative hypothesis.

The result of the second hypothesis: The results of Table No. (3) indicate that the value of the chi-square is 21,443 with a significant level of 0.003 and it is statistically significant, that is, the model variables are important in the opinion of the auditor with regard to continuity, and the value of the R coefficient is 0.078 of changes, and the regression coefficient of the variable is 1.039, With regard to the answer to the control variables, there is a negative effect for the size and age of the company, a positive effect for the liquidity variable, and there is no effect for the rest of the variables.

The result of the third hypothesis

The effect was significantly negative on the accuracy of the reviewer's opinion about continuity, and the regression coefficient for the variable $FDIST.it - 0.231^*$ with a level of significance 0.073 accordingly, the acceptance hypothesis is rejected and accepted the alternative hypothesis. As for the answer to the research question related to the control variables, there is a negative effect on the size of the company and a positive effect on the financial leverage and liquidity and the delay in the timing of the audit, and there is no effect for the rest of the control variables

The result of the fourth hypothesis test: a significant negative combined effect on the accuracy of the observer's opinion regarding continuity, and the regression coefficient was - 0.523, with a significant level of 0.004. And not to issue an opinion on continuity does not comply with the company's position.

The main hypothesis was rejected and the alternative hypothesis accepted.

As for the control variables, there is a positive effect on liquidity and audit timing, and there is no effect on other variables.

Research Results

- 1- The existence of a positive, insignificant impact of the audit firms on the accuracy of the auditor's opinion regarding continuity due to the lack of dealing with the legal and regulatory environment in Iraq in accordance with the laws and regulations.
- 2- The existence of a positive moral impact of the financial control debts on the accuracy of the auditor with regard to continuity.
- 3- There is a positive and significant impact of the financial default variable as a modifying variable for the relationship between the auditor's reputation and the accuracy of the opinion on continuity.

4- There is a significant effect of financial default as a control variable that affects the accuracy of the auditor's opinion on going concern according to a joint effect with the auditor's reputation variable.

Recommendations and future areas of research

- 1- Conducting more comparative research on other determinants of the reputation of audit firms and their impact on the quality of financial statements
- 2- The need to pay attention to building a positive reputation for auditors in the market so that they can retain customers, improve their market share, earn additional wages and achieve a competitive advantage.
- 3- Follow up on recent developments regarding International Auditing Standards 570, 700, 701 and 706 and make the necessary amendments thereto to improve the auditor's report.

Future research is important in some areas, including

- 1- The impact of auditing on the relationship between the reputation of the Board of Supreme Audit and accuracy of opinion on continuity
- 2- The impact of the characteristics of the Board of Directors and the Audit Committee on the relationship between the reputation of the audit office and accuracy of opinion on continuity.
- 3- The effect of the reputation of the auditor's office on the accuracy of the judgment regarding Continuity in a big data environment

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