

THE ROLE OF EXTERNAL AUDITING IN THE SUSTAINABILITY OF THE COMPANY IN THE SHADOW OF THE CONCEPT OF ACCOUNTING SECURITY

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ABSTRACT

The research aims to define the role of external auditing in stating the company's ability to continue under the concept of accounting conservatism. The research is based on the following hypothesis: The commitment of the external auditor to auditing standards and ethical and professional responsibility helps in demonstrating the ability of the company to continue in light of the accounting conservatism. During the year 2020, the study sample consists of a group of staff in Iraqi manufacturing firms, including managers, accountants, as well as auditors. A questionnaire form was designed that is consistent with the research objectives and hypothesis, and a set of appropriate statistical methods have been used for the purpose of testing the research hypothesis. A set of conclusions have been reached, the most important of which is that the external auditor's commitment to auditing standards and ethical and professional responsibility helps demonstrate the company's ability to continue in light of the accounting conservatism.

Keywords: Auditing, Sustainability, Accounting Security, Conservatism

INTRODUCTION

It is not a secret for everyone at the present time the role of the auditor in revealing the continuity of economic units through the auditing procedures that he performs in order to reach the technical opinion that he expresses about the level to which the financial statements are presented honestly and fairly according to the approved auditing standards. Therefore, the responsibility of the ethical and professional auditor has emerged. In the commitment to carry out the audit mission in accordance with the rules of professional ethics in the necessity of the necessary professional care in order to submit the appropriate report and the necessary disclosure of any matters that raise doubts regarding the ability of these units to continue in the activity in the near future, then the auditor's breach of the rules of professional conduct is exposed. For professional accountability, the harm may be to a client or a third party, and the harm may occur or fall to the community as a whole.

THE FIRST TOPIC: RESEARCH METHODOLOGY

The Problem Statement

The research problem is embodied in the lack of expertise and competence in the boards of directors of companies to adhere to accounting principles, which may cause them to declare bankruptcy and collapse, and to determine the responsibility entrusted to the auditors in assessing the company's ability to continue in light of the accounting reservation.

The Significance of the Research

The importance of research is to summarized in the necessity of the commitment of the departments of economic units to improve the efficiency of the use of their resources and maximize their value, as well as the commitment of the external auditor to the moral and professional responsibility to ensure that the opinion of the auditor remains that helps in supporting the continuity of the company under the concept of accounting reservation.

Research Objectives

The research aims to define the role of external auditing in demonstrating the ability of the economic unit to continue in light of international auditing standards, and the impact of the ethical and professional responsibility of the external auditor in revealing the ability of the economic unit to continue under the concept of accounting reservation.

Research Hypotheses

The research is based on the following hypothesis: The commitment of the external auditor to the auditing standards and the ethical and professional responsibility helps in demonstrating the ability of the company to continue in light of the accounting conservatism.

Research Sample

During the year 2020, the study sample consists of a group of staff in Iraqi manufacturing firms, namely managers, accountants as well as auditors.

THE SECOND TOPIC: THEORETICAL FRAMEWORK

The Concept and Importance of External Audit: -1

External audit is described as a procedure in which an impartial auditor reviews financial records with the goal of making judgments on their fairness and conformity with universally agreed accounting principles or international accounting standard requirements (Zabria et al., 2016).

The responsibility for the auditing process is carried out according to the nature of the facility. In government institutions, the audit responsibility is for governmental supervisory bodies such as the Audit Bureau, the Ministry of Finance, or other governmental financial supervisory bodies according to the state regulations to which that establishment belongs, either in the private sector, and the licensed auditing offices are in charge of By the country in which it is located, audits of private sector enterprises (Sarbah, 2015).

Employers also devote a significant amount of time to monitoring their company's financial data. Accounting is the main method for keeping track of, commenting on, and reviewing financial data. External assessments may be used by business managers to examine their accounting processes and financial data. These investigations are mostly carried out by public accounting companies. Accountants provide an interview with the company owner, evaluate the accounting procedure, and verify the accounting data (Katwesigye, 2013).

External assessments have a number of advantages for business owners, including the following:

1. **External Audits have Authority:** In the accounting process, where often corporate managers lack a thorough knowledge of accounting standards, independent auditors provide an impartial opinion. They have an accounting data to the best of their ability in accordance with accounting principles. Professional accountants may examine this data to offer input into the accounting data's quality and relevance to company owners (Effuse, 2015).

2. **External Audits Find Errors:** External audits may help business owners find flaws in their accounting systems. Accounting data errors can keep top executives from building the right decisions possible. If there are errors in financial data, it may be challenging for business owners to analyse it and spot patterns (Leauanae & Rasmussen, 2002).
3. **External Auditing keeps Legal and Tax Problems to a minimum:** Financial managers offer details on legal and tax matters relating to accounting data to company owners. When business owners submit misleading accounting reports, legal issues emerge, and businesses are typically held liable for not correctly disclosing a company's finances (Al- Jawher, 2011).
4. **Independent Auditing Educating Business Owners:** Independent auditors will assist with informing businesses of the value of accounting data. To strengthen their accounting procedure, company owners also collaborate with external auditors (Al-Masoudi & Al-jeborri, 2016).

The Implications of Enforcing Continuity and its Importance for the External Auditor

Continuity compliance is a concept used in the banking and financial worlds to describe a company's financial performance, and it relates to the company's ability to meet its obligations and resources that enable it to continue its workflow for an indefinite future. It also refers to the company's ability to collect real money to preserve its assets and avoid bankruptcy (Ismaeal, 2014).

To implement the continuity assumption, one must maintain the use of the guiding principles, the way in which skills work in the company that uses its assets, wants, reform or education. It is worth noting that it is one of the most acceptable assumptions, and among the following indications of imposing continuity: (Blessing & Onoja, 2015).

1. Prepayment, as the company pays in advance for the products that it purchased.
2. The sale of assets at the level of the company to follow up the progress without closing a branch of the company's employees and reappointing its employees to other departments.

On the other hand, there are some indications that it will be able to continue in the future, and among these indicators is the company's inability to fulfill its obligations and provisions without selling assets, which also indicates that it is able to impose its continuity, and the auditor examines the company's data to ensure its ability to impose its continuity in The future within the next year from the time the audit is conducted, as the auditor searches for the following: - (Kythreotis, 2014: 9)

1. The positive results shown in the company's financial statements.
2. Losses from period to period.
3. Debts accumulated on the company.
4. The lawsuits filed against the company.
5. Suppliers' money owed.

The Concept and Measurement of the Accounting Reservation

Financial reporting refers to a collection of bookkeeping principles that demand a high level of verification until an organization may make a legitimate benefit argument. The broad concept is the consideration of the worst-case scenario for the company's financial future, which shows the company's cautious approach in the worst-case scenario (Sitology, 2010).

Accounting reservation is also known as the "principle of prudence and caution", and it is one of the "recognized accounting principles". It is based on a high degree of accuracy in keeping accounting books, and the need to verify them carefully before the company recognizes any profits, as it emphasizes the need to recognize non-liabilities, confirmed once discovered (Effuse, 2015).

This principle is based on caution when performing financial statements. For example, assets are recorded in lower numbers than reality due to the possibility of their decrease, and liabilities are recorded higher than they are due to the possibility of increasing them. Also, allocations for doubtful accounts are overestimated, such as "provision for doubtful debts." In it "(Sitology, 2010).

As for the advantages of accounting conservatism, this principle motivates the company's management to study its decisions more precisely in order to strive to improve the reality of the

company and reach more positive results than those included in the financial statements, (Baker et al., 2003). With regard to the negatives of the accounting reservation, it can be clarified by the fact that not recording all revenues due to a lack of one of the conditions of the accounting reservation to register them, they must be recorded in the next financial period, and this leads to reducing the value of the current period less than it should be (Al-Jejawi, 2014). The degree of accounting conservatism is measured using the following equation: (Penman & Zhang, 2000)

$$C \text{ Score} = \frac{ER}{NOA}$$

Where: - C Score: degree of accounting conservatism, ER: estimated reserves, NOA: net operating assets. The higher the index is the greater the accounting conservatism.

The Relationship between the External Audit & the Continuity of the Company in Light of the Concept of Accounting Reservation

The external auditor has a great responsibility in this aspect, and his breach of his professional and ethical duties or failure to fulfill them in the manner that the financial community expects leads to several types of responsibility. Third, he is exposed to civil accountability, and damage may occur to society as a whole, and he is exposed to criminal accountability, and the primary responsibility of the accounts auditor is to indicate to the parties benefiting from his report whether the financial statements were presented in an objective and fair manner in accordance with generally accepted accounting principles. Exerts adequate and reasonable professional care (Baker et al., 2003).

When indicators of the business's inability to proceed appear, the external audit obligation for measuring the business's strength to conduct is connected to the level of business care and professional caution, and he would not be held liable as much as the signals didn't even appear mostly during helps to facilitate the process and the practice of reasonable concern (Zabria et al., 2016).

The International Federation of Accountants has issued Auditing Standard No. (570) on the continuation implementation, which seeks to include guidelines on the consultant's responsibility for the acceptability of the continuation obligation as a guideline for analyzing financial reports and has established a number of measurements that will assist the independent audit in detecting cases of uncertainty on the continuation imposition (Ismael, 2014).

The auditor's report is the means by which he expresses opinion on the financial statements or refrains from expressing an opinion when necessary, and in both cases the auditor states whether he carried out an examination in accordance with international or generally accepted auditing standards, which require him to state whether the financial statements have been prepared. According to generally accepted accounting principles and they are the same principles that were applied in the previous period, the external auditor must verify the following: - (Katwesigye, 2013)

1. Working with the board of directors to analyze and analyze cash flows, earnings, and other relevant predictions.
2. Examine what happened when the balance sheet were released.
3. A review and analysis of the business's last three banking systems prepared for theyear.
4. Examine the provisions of trusts and credit deals to see whether there are thosethat have been broken.
5. To go through the minutes of the General Assembly, the Executive board, and any relevant committee sessions in order to look for signs of problems with consistency.
6. Obtaining guidance about critical compliance matters from the business's legal counsel that can threaten the company's capacity to maintain operations.
7. Ensure the correct regulatory arrangements for obtaining financial assistance are in force.
8. Research the business's stance on agreements that are subject to implementation and implementation, and get written guarantees from executives on the company's potential plans.

THE THIRD TOPIC: THE PRACTICAL ASPECT OF THE RESEARCH

Research Society and Sample and the Statistical Methods Used: -1

The research community is made up of individuals working in Iraqi industrial companies, including administrators, accountants and auditors. Either the research sample was selected from community members (90) people, and the questionnaire form was distributed to them, and all were retrieved and it is subject to statistical analysis. The exploratory method itself is carried out in two ways, namely the half-segmentation method and the Alpha Cronbach coefficient. These two methods can be illustrated through the following:

1. The frequency of odd and even question was observed to have a Pearson correlation coefficient using the half-segmentation process. In order to fix the correlation coefficients, the Siberman Brown correlation coefficient was used. This is seen in Table 1, which gives the scholar trust in the questionnaire's usage.

The Probability Value	Corrected Correlation Coefficient	Correlation Coefficient	Number of Paragraphs
0.000	0.924	0.863	12

2. **Cronbach's Alpha Method:** This method was used to measure the stability of the resolution. Table (2) may indicate that the reliability coefficients are high, which reassures the researcher on the use of the questionnaire.

Cronbach alpha Coefficient	Number of Paragraphs
0.866	12

To achieve the objectives of research and analyze the collected data, many appropriate statistical methods have been used using SPSS and the data has been coded and exert into the computer as the five Likert scale.

Test the Research Hypothesis, Analysis of the Results

The research hypothesis states (that the external auditor's commitment to auditing standards and ethical and professional responsibility helps in demonstrating the company's ability to continue under the accounting conservatism), and to test this hypothesis, the arithmetic averages and standard deviations were extracted for each paragraph of the paragraphs or variables of the research hypothesis, and as shown in The following table 3:

Standard Deviation	Arithmetic Mean	The Paragraphs	Sr#
9.56	4.434	The external auditor analyzes and discusses cash flows, earnings and other appropriate forecasts with the company's management	1
9.65	4.776	The external auditor studies events subsequent to the date of the financial statements that could directly affect the continuity of the company	2
9.432	3.47	The external auditor analyzes and discusses the last three financial positions prepared by the company during the period	3
9.426	3.334	The external auditor studies the comparative financial statements for the current and previous years, especially the income statement, the balance sheet, the cash flow statement, and the sources and uses of funds	4
9.455	3.675	The external auditor studies the terms of the bonds and loan agreements and determines whether there are violations of any of them	5

9.513	4.664	The external auditor makes sure that all accounting measurement and disclosure processes are carried out in accordance with generally accepted accounting principles in a manner that can meet the needs of users and maintain the continuity of the company	6
9.4	4.922	The independent auditor examines the minutes of the General Assembly, the Board of Directors, as well as other relevant committee sessions for signs of consistency issues	7
9.346	3.4	The independent auditor achieves advice on critical legal matters from the business's legal counsel that can impair the business's capacity to maintain operations	4
9.517	4.212	The external auditor studies the financial ratios and analyzes the ratios that are related to the continuity of the company, as well as predicting financial default and failure	0
9.543	4.334	The external auditor ensures that the necessary legal arrangements are in place to obtain financial support in a way that helps support the continuity of the company and keeps it abreast of all the changes and developments that take place in the environment	19
9.344	3.615	The external auditor studies the company's position regarding the contracts subject to implementation and delivery in relation to the current year and previous years	11
9.574	4.665	The external auditor obtains written assurances from the management regarding its short and long-term future plans, and to ensure the extent to which these plans are effectively and efficiently achieved in a manner that ensures the continuation of the company	12
9.407	4.126	The overall average	

It is clear from the above table that the paragraph (the external auditor analyzes and discusses cash flows, profits and other appropriate forecasts with the company's management) has obtained an arithmetic mean (4.438) and a standard deviation (0.569), either the paragraph (the external auditor studies events subsequent to the date of the statements Financial that can directly affect the continuity of the company (it got an arithmetic mean (4.776) and a standard deviation (0.659), while the paragraph) the external auditor analyzes and discusses the last three financial positions prepared by the company during the period (I got a mean of my account) 3.879) and a standard deviation (0.432), and the paragraph (The external auditor studies the comparative financial statements for the current and previous years, especially the income statement, the balance sheet, the cash flow statement, and the fund sources and uses statement) have got an account mean (3.334) and a standard deviation (0.426), With regard to the paragraph (the external auditor studies the conditions of bonds and loan agreements and determines if there are any violations of any of them), I got an arithmetic mean (3.675) and a standard deviation (0.455), either the paragraph (the external auditor makes sure that all measurement operations, otherwise The accounting statement was done according to generally accepted accounting principles in a way that could meet the needs of users and maintain the continuity of the company.) It got an arithmetic mean (4.668) and a standard deviation (0.513), while the paragraph (the external auditor reviews the minutes of the meetings of the General Assembly, the Board of Directors and the committees The other important thing to look for indicating the existence of difficulties related to continuity) has obtained an account mean (4.022) and a standard deviation (0.499), and the paragraph (the external auditor obtains information from the legal advisor of the company on important legal issues that may affect the company's ability to continue In the activity (I got an arithmetic mean (3.899) and a standard deviation (0.386), and with regard to the paragraph (the external auditor studies the financial ratios and analyzes the ratios that are related to the continuity of the company as well as predicting financial failure and failure) I got an arithmetic mean (4.212) and a standard deviation) 0.517), either paragraph (the external auditor makes sure that the necessary legal arrangements are in place to obtain financial support in a way that helps support the continuity of the company and keeps it abreast of all the changes and developments that take place in the environment) I got an arithmetic mean (4.334) and a standard deviation (0.543), while the paragraph (the external auditor studied the position

of the company regarding the contracts in place of implementation and delivery in relation to the current year and previous years) I got an arithmetic mean (3.615) and a standard deviation (0.388), Also, the paragraph (the external auditor obtains written assurances from the management regarding its short and long-term future plans, and to ensure the extent to which these plans are effectively and efficiently achieved in a way that guarantees the continuation of the company) has obtained an arithmetic mean (4.665) and a standard deviation (0.574). All the paragraphs have got an arithmetic mean (4.126) and a standard deviation (0.497), which indicates acceptance of the research hypothesis primarily. To test this hypothesis, a (T) test was used for one sample, and the results were as shown in Table 4.

Confidence interval for the %05difference In the arithmetic mean		Difference in arithmetic mean	Level indication	Degree Freedom	T value Calculated	Standard deviation	Average Arithmetic
Upper	Lower						
1.764	1.344	1.556	9.999	40	6.334	9.407	4.126

It is clear from the above table that there is statistical significance among the variables of the research hypothesis, depending on the calculated value of (T) of (6.338), which is a statistically significant value at the level of significance ($\alpha < 0.001$). This indicates acceptance of this hypothesis and indicates that the commitment of the external auditor With auditing standards and with ethical and professional responsibility, it helps in demonstrating the company's ability to continue under the accounting conservatism through the auditor analyzing and discussing cash flows, profits and other appropriate forecasts with the company's management, studying the events subsequent to the date of the financial statements that could directly affect the continuity of the company, as well as analyzing Discussing the last three financial centers prepared by the company during the period, studying the comparative financial statements for the current year and previous years, especially the income statement, the balance sheet, the cash flow statement, the disclosure of the sources and uses of funds, as well as studying the terms of bonds and loan agreements and determining whether there are violations of any of them, as well as making sure of All accounting measurement and disclosure processes were carried out in accordance with generally accepted accounting principles in a manner that could meet the needs of users and Maintaining the continuity of the company, and the external auditor reviews the minutes of the meetings of the General Assembly, the Board of Directors and other important committees to search for indications of difficulties related to continuity, as well as obtaining information from the legal advisor of the company on important legal issues that may affect the company's ability to continue in the activity, In addition to studying the financial ratios and analyzing the ratios that are related to the continuity of the company, as well as predicting financial failure and failure, and making sure that the necessary legal arrangements are in place to obtain financial support in a way that helps support the continuity of the company and keep pace with all the changes that occur in the environment, and studying the position of the company regarding the contracts in progress. With regard to the current year and previous years, as well as the external auditor obtaining written assurances from the management regarding its future plans, and to ensure the extent to which these plans are effectively and efficiently achieved in a manner that guarantees the continuation of the company.

CONCLUSION

1. An external audit is a mechanism in which an auditor reviews financial records in order to have a view on the income statement and accounts' honesty in conformity with commonly agreed accounting principles.

2. The continuity assumption refers to the company's possession of the necessary resources and resources that enable it to continue its workflow for an indefinite period.
3. Accounting custody is a set of bookkeeping guidelines that require a high degree of verification before a company can make a legal claim for any profit.
4. The auditor's report is the means by which to express an opinion on the financial statements, and it must include sufficient detail about the company's ability to continue as a going concern.
5. The external auditor's commitment to auditing standards and to ethical and professional responsibility helps demonstrate the company's ability to continue in light of the accounting conservatism.

RECOMMENDATIONS

1. The necessity for the external auditor to have a good reputation and integrity and to have executive management experience in identifying and controlling the risks related to the company's non-continuity.
2. The auditor must be able to read and understand the external environment and the ability to make decisions independently and avoid conflicts of interest.
3. The auditor must exert sufficient professional care and be careful when collecting evidence and verify that it is sufficient and appropriate, in addition to direct supervision of the work of his assistants.
4. The necessity to adhere to the ethics of the profession so that the information provided to the public and those interested is realistic and objective, so that they can benefit from it to the maximum extent possible.
5. The auditor must follow the procedures that would reveal early on the company's inability to continue and keep pace with the various environmental changes.

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