[Noori et. al., Vol.5 (Iss.5): May, 2017]
ICV (Index Copernicus Value) 2015: 71.21

ISSN- 2350-0530(O), ISSN- 2394-3629(P)
IF: 4.321 (CosmosImpactFactor), 2.532 (I2OR)
InfoBase Index IBI Factor 3.86

INTERNATIONAL JOURNAL OF RESEARCH – GRANTHAALAYAH
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EXTERNAL AUDITOR'S RESPONSIBILITY REGARDYING TO GOING CONCERN ASSUMPTION IN HIS/HERS REPORT: CASE OF KURDISTAN REGION/ IRAQ

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DOI: https://doi.org/10.29121/granthaalayah.v5.i5.2017.1846

Abstract

This research mainly focused on the external auditors' responsibilities in Kurdistan regarding the going concern assumption which consider the future financial conditions of the companies. We interviewed two professional individuals in the Directorate of financial supervision office who are auditing both governmental organizations and private sectors in Kurdistan region. Likewise, 4 owners of the companies who have faced bankruptcy risk in Kurdistan have been interviewed as well. Their main job was manufacturing before they have failed. The purpose of this research is to persuade the companies and external auditors that the external auditor can play a significant role in recommending the companies to improve their financial situations.

Keywords: External Auditor; Going Concern Assumption.

Cite This Article: Tazhan Muhammad Noori, and Chnar Abdullah Rashid. (2017). "EXTERNAL AUDITOR'S RESPONSIBILITY REGARDYING TO GOING CONCERN ASSUMPTION IN HIS/HERS REPORT: CASE OF KURDISTAN REGION/ IRAQ." *International Journal of Research - Granthaalayah*, 5(5), 138-152. 10.29121/granthaalayah.v5.i5.2017.1846.

1. Introduction

Since Kurdistan Regional Government faced financial crisis, there are a lot of companies had been faced bankruptcy risk. For this purpose we decided to interview some professional people in the accounting and finance field to take their opinion about this rapid bankruptcy. Depending on the international laws one of the external auditors' responsibilities is giving his/her opinion about going concern assumption in his/her report after reviewing the financial statements of the companies. However, external auditor in Kurdistan is not responsible for mentioning going concern assumption in his/her report and this will not be helpful for the companies because, achieving advices from external parties will drive companies to reach their success. Going concern assumption is really important for the companies' perception regarding their future financial position and situation. Since, companies will achieve advices, recommendations and awareness from professional people for any expected and unexpected condition in their business. Hence, we interviewed a few numbers of those companies' owners who faced bankruptcy risk. They asked us to not mention their names and their companies' name, and they believe that the government is responsible for their fail because there is no any financial support from the government. Likewise, external auditing are performing in Kurdistan but not efficiently regarding going concern assumption. Thus, as an attempt to challenge this financial crisis the external auditor's responsibilities should be informing to help those companies who have failed in their business to rebuild themselves and those companies who have not failed yet but if this condition continuing in Kurdistan they may face bankruptcy risk as well.

1. Methodology

1.1. Research Importance

This research is important in the demonstration of the external auditors role in evaluating company's financial position because of external auditor's responsibility is to mentioning the going concern assumption in his / her report which is about the company's ability to be continue in its business. Another point is persuading companies in Kurdistan that is the external auditing is not just about criticizing the company's financial statement but also they will provide some advices and necessary information to the company in order to be continue in their business efficiently .

1.2. Research Sample

We interviewed a few professional people in Directorate of financial supervision office in Sulaimani city and some owners of those companies who faced bankruptcy risk.

1.3. Research Problem

Some of the companies are facing bankruptcy risk, due to the lack of information about their financial position company with the market position. However, these companies are not pleased with external auditors because, they assume that having external auditor means criticizing and charging their companies, while the external auditors responsibility is not just illustrating the company's profits but also providing and giving financial information to the company to improve their ability in doing businesses, because sometimes when the companies are facing bankruptcy risk they do not have information about that. Likewise, those people who come from Directorate of financial supervision office are professional and they are qualified, they can give significant financial information to the companies in order to prevent any unexpected events.

1.4. Research Hypothesis

Our hypothesis is that the majority of the companies are not pleased with external auditors and the external auditors in Kurdistan are not giving information to the companies about bankruptcy risk or the going concern assumption.

1.5. Research Method

Quantitative method has used in this research which is a research method that focused mainly on the collection and analysis of numerical data and statistics however fewer relies on a small questionnaire, focus groups, subjective reports and case studies can be seen according to this method (Waters, 2008).

2. Literature Review

2.1. Auditors' Reporting Obligations under the Firm's Performance 2006

The main responsibility will be placed on the auditors by the companies Act 2006 (CA2006). First, it determines that the managers of every firm must prepare financial statement including a balance sheet and income statement for each financial year (and in the case of firms with subsidiaries, group financial statements) those financial statements are obliged to give a realistic and fair view of the firm's (or groups) state of relationships as at the end of the financial year as well as of its profit or loss for the financial year uniting with the relevant financial reporting framework be properly prepared in accordance with CA2006, and for the consolidated financial statements of groups whose securities are traded on the regulated market of any EU member state, comply with EU regulation (EC) no. 1606/2002 on the application of international accounting standards (EU,2002).

The preparation of financial statements which meet the main requirements mentioned above is a responsibility which related exclusively to the organization's directors. Except in the case of private companies, the Act places on auditors the responsibility of studying the financial statements, forming and expressing an opinion as to whether or not they are in compliance with the statutory requirements. Auditors are also asked to form a norm on whether adequate accounting records have been kept by the company, proper returns have been received from branches not visited by the auditors; they have received all the information and explanations they required for the purposes of their audit. The data given in the director's report is in compliance with the financial statements. In a case where auditors are of the opinion that any of these requirements have not been met, then they are obliged to report that fact in their audit report. In addition to that, for quoted companies auditors are asked to report on the auditable part of the manager's remuneration report mentioning whether in their opinion, that part of the director's remuneration report has been neatly prepared in accordance with CA2006. Step by step the auditor's performance will be discussed in this research regarding their adequate observations over accounting records (Porter, Simon and Hatherly, 2008, p.523).

1) Suitable Accounting Records

CA 2006 in demand of all firms to maintain adequate accounting records. The Act illustrates that such records must be appropriate to show and explain the firm' transactions and most importantly, disclose the company's financial position, with realistic accuracy, at any time. That will enable the managers to prepare a balance sheet and profit and loss account which comply with the relevant reporting framework record on the daily basis concerning details of all receipts and payments of cash with provided details of the firm's assets and liabilities. In addition to that, for those firms which are trading goods, details of stock (inventory) held by the company at the end of each financial year and the related stocktaking records details about selling and buying goods must be provided. The records must be in sufficient detail to make the goods, the buyers and the sellers to be identified. It can be concluded from these requirements that the Act is both determined and tough as regards to the criteria to be met in order for a company's accounting records to be considered adequate. However, it does not lay down any detailed requirements for particular procedures or controls to be implemented. It is important to appreciate that every auditor must form an opinion on whether or not adequate accounting records have been kept by the auditee. However their conclusion is only stated in the audit report in cases where they assume that adequate accounting records have not been saved. (Porter, Simon and Hatherly, 2008, P.527).

2) A True and Fair View

Although the managers of firms are obliged to prepare financial statements which give a true and fair view of their company's financial position and act, neither legislation nor courts have illustrated what is meant by a 'true and fair view' this has to conflicting translation. As Porter, Simon and Hatherly (2008) stated that It is obvious that the interpretation applied by most accountants is that the frame 'true and fair' have a technical meaning. It is also obvious that many lawyers (as well as investors) are in agreement that these words have a widespread meaning which should be followed by those responsible for their application. The following quotations serve to explain the opposing opinions of lawyers and accountants. First the lawyers are probably not an exaggeration to point that firm accounts remain almost unintelligible to the general public including shareholders and intending investors and that practices carry on which are difficult to reconcile with the statutory requirements that balance sheets give a true and fair view of the company's affairs and that the auditor’s report that the accounts give a true and fair view of the company's relations basically. the question is that (are the accounts where there has been an undervaluation of assets ' true’ true and fair ' are unambiguous words?). Practice requires conforming to the legal requirements. Although this view may have intuitive appeal, it does not give directions as to how it may be operate a list that has not been recognized. For example that a range of possible 'true values' exist historical cost net realizable value, current replacement cost, deprival value and net present value Which should be used to give a true and fair view of asset value, Recognizing such obstacles, accountants point that criteria are required to provide benchmarks against which the 'true and fair' requirement can be judged. This has concluded in accountants giving the phrase of a technical interpretation. The Inflation Accounting committee (Sandilands committee 1975) stated that: this as follows accounts drawn up in accordance with GAAP consistently applied, are in practice regarded as showing a 'true and fair view the (firms) give only determined guidance to the accountancy career in interpreting the phase 'true and fair' . it has been classically left to the profession to develop accounting practices which are regarded as leading to a 'true and fair view' being shown from the above quotation, it appears that Sandilands committee was in agreement that financial statements prepared in accordance with accounting rules that will provide a true and fair view . This understanding was supported by legal counsel, whose view on the matter was sought by accounting standards board Counsel which explained that accounts which in compliance with the true and fair requirement will usually follow rather than depart from standards and (any) departure is sufficiently abnormal to require to be justified (it is likely) that the courts will hold that in general compliance with accounting standards is important to meet the true and fair requirement. However, counsel went on to adequate at true and fair is a moveable concept. Thus, what is needed to show a true and fair view is subject to continuous rebirth, it is interesting to observe that some commentators have expressed the view that the legislature deliberately delegated to the accountancy career. The task of defining what qualifies as 'true and fair' financial statements at any point of time. For instance, (commissioner for corporate relationships in new south Wales) observed that, if a court were called upon to specify whether a particular set of financial statements showed a true and fair view, the fact that they had or had not been drawn up in accordance with the principles embodied in professional pronouncements would be very persuasive. He carried on; I can illustrate that in selecting the phrase 'true and fair view' as the standard by which the profit or loss of a firm and the state of its relations are to be judged, the legislature in effect conferred a legislative function on the accountancy career. It is a legislative function of an ambulatory nature; what is 'true and fair ' at any specific point of time will correspond with what professional accountants as a structure conceive to be proper suitable principles that will cause the concept of what is 'true and fair' to shift accordingly. Although accountants have applied a technical interpretation to the norm 'true and fair' they nevertheless admit that financial statements drawn up in strict conformity with accounting standards may not, in all circumstances, obtain the required true and fair view. This point was emphasized by Porter, Simon and Hatherly, (2008) prescription by legislation and professional standards and guidance statement is important in the interests of good order and effective communication but giving a 'true and fair view must always be a standard of a higher order whatever may be the extent of prescription, an overriding need to give a 'true and fair view' is at the lowest level of its utility a safety valve protecting users from bias, inadequacy or deficiency in the rules a failsafe device for the unavoidable shortcomings of description. More positively, its real utility is in establishing an enduring conceptual standard for disclosure in accounting and reporting to ensure that there is always relevant disclosure where necessary beyond the prescription-based on an independent professional judgment similarly as we note CA 2006 acknowledges that compliance with the relevant financial reporting framework may not always result in the provision of a true and fair view. In respect of companies Act accounts, the Act provides that, if compliance with United Kingdom Generally Accepted Accounting Practice (UK GAAP) results in financial statements that are not adequate to give a true and fair view. The Act also obtains that where compliance with the reporting framework would result in financial statement not giving a true and fair view, accounting standards should be departed from to the extent necessary to give a true and fair view. In this case, the departure, the reasons there for, and its effect, are to be disclosed in a note to the financial statements [CA2006.s.396 (5)]. Similar departures from (IFRS) are allowed in order for IAS accounts to show a true and fair view given the identification that compliance with the related financial reporting framework does not always result in a true and fair view that have been suggested that the most suitable interpretation of the norm lies somewhere between the literal and the practical viewpoints. This interpretation was illustrated by porter, Simon and Hatherly, 2008 when she drew a parallel with a good landscape painting. Such a painting portrays the landscape so 'truly and fairly' that anyone seeing the picture will obtain an impression of the scene depicted, likely to the one they would have gained had they been show when the picture was drawn. in similar concept in order to meet the 'true and fair' requirement, financial statement must show the financial affairs of the reporting organization in such a way that anyone reading the statements can obtain an impression of the entity's financial position and performance similar to the one they would have gained that had they personally monitored the recording of the entity's transaction. Many of the elements showed in financial statements are subject to judgment 11. As a consequence, in order to obtain a good reproduction of the entity's financial figure (and to avoid the impressionist artists creativity) some conventions or standards are required to guide and appoint the exercise of that judgment .Such standards are embodied in accounting standards for financial statement to meet the needed standard, they must be showed in such a way as to create the 'correct' impression of the organization's financial relations.

2.2. The Structure of Audit Reports

2.2.1. Audit Reports Complying with the Companies Act 2006 and ISA 700

The structure of standard audit reports is determined by CA 2006 and international standards on Auditing (ISA) 70 (Revised) forming an agreement and reporting on financial statements. 12 is an example of an unqualified audit report that complies with CA 2006 and ISA 700 (Revised) (Porter, Simon and Hatherly, 2008, p.528).

2.2.2. Companies Act 2006 needs Regarding the Content of Audit Reports

The CA 2006 (ss.495-497) specifies certain elements the auditor’s report should be included. Mainly an introduction that identifying the financial statements that are the subject of the audit and the financial reporting framework that has been applied in their preparation as well as an overview of the scope of the audit identifying the auditing standards in accordance with which the audit was conducted ,the auditors agreement as to whether the financial statement ,give a true and fair view of the firm's state of affairs and its income have been properly prepared in accordance with the relevant financial reporting in accordance with CA 2006 .
The Act further in need of that the auditor’s reports be qualified or unqualified, and include a reference to any matters to which the auditor aims to draw attention by methods of emphasis without qualifying the report [CA 2006, s.495(4)] (Porter, Simon and Hatherly, 2008, p.531).

2.2.3. ISA 700[Revised] needs Regarding the Content of Audit Reports

ISA 700 (Revised) expands on CA 2006’s requirements regarding the content of the auditor’s report but, unlike CA2006, also details its structure. Basically, an auditor’s report prepared in accordance with ISA 700(Revised) has two sections- the first reporting on the auditor’s financial statements and the second reporting on matters, other than the financial statements, that are needed by law or regulation to be commented upon in the auditor’s report. Regarding the content, ISA 700 (Revised) requires the auditor’s report to include a title that obviously indicates it is the report of an independent auditor, the addressee of the report (For the audits of firms, financial statements that the auditor’s report is addressed to the company's members or shareholders). if the report also includes a part in other legal and regulatory requirements, a subheading 'Report on the financial statements an introductory paragraph that Identifies the firm whose financial statements have been auditor’s state that the financial statements have been auditors identifies the headings and date of or period covered by each statement that comprises the financial statements, refers to the summary of efficient accounting policies and other explanatory notes a statement of the manager's duty for the financial statements a statement explaining the auditors responsibility for the financial statements. The auditors agreement on the financial statement regarding other matters on which the law or regulations require auditors to comment upon or the auditor assumes it is suitable to do so; where relevant, a subheading Report on other legal and regulatory requires a statement that the auditors agreements on the other legal or regulatory reporting duties of auditors will be shown: the auditor's signature; the date of the auditor's report the auditors address(Porter, Simon and Hatherly, 2008, p.531-534).

- **Duties of the Managers**

IAS 700 (Revised; paras 24-27) in needs of the auditor's report to include a part headed 'directors responsibilities for the financial statements ,This section is to illustrate that the directors are in duty of for the preparation and showing of financial statements that in compliance with the applicable financial reporting framework and give a true and fair view. It is also to illustrate that this duty includes the shape, implementation and maintenance of internal controls relevant to the preparation and showing of financial statements that are free from material misstatement because to fraud or error.

- **Auditor's Duty**

ISA 700 (Revised; paras 28-33) determines that this part of the auditor's report is to be headed auditor's responsibility' and is to contain the following data. It is to state that, the auditor's duty is to express a view on the financial statements based on the audit; the audit was conducted in accordance with IAS on auditing. The report is to state that those standards in need that the auditor to comply with ethical obligations and to plan and perform the audit so as to gain rational assurance whether or not the financial statements are free from material misstatement . An audit involves performing procedures to gain audit clue about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's opinion including his or her evaluation of the risks of material misstatement in the financial statements, whether due to fraud or error. In making those risk evaluations, the auditor assumes that internal control relevant to the company's preparation and showing of the financial statements in order to organizing audit procedures that are suitable in the situations but not for the goal of expressing a view on the effectiveness of the company' internal control assessing the suitability of the accounting rules adopted by the organization and the rationalness of accounting assumptions made by the directors, as well as the overall presentation of the financial statements whether the auditor believes the audit clue obtained is sufficient and suitable to provide a basis for the auditors opinion.

- **Emphasis of Matter' and 'other Matter(s)' paragraphs**

In some cases, the auditor may wish to elaborate on some perspectives of matters that are showed or disclosed in the financial statements such details are placed in an 'Emphasis of matter' paragraph that are in an instance following the opinion paragraph presented or disclosed other than in the financial statements but are relevant to readers understanding of the financial statements; such matters are illustrated in an 'other matter(s)' paragraph immediately following an emphasis of matter paragraph (if there is one otherwise it following the view paragraph) .

- **Other legal or Regulatory Reporting Duties**

In this section of the audit report, the auditor has to report on regulatory duties that are additional, or supplementary, to showing a view on the financial statements ISA 700(Revised) illustrates the auditor may be required to report certain matters if they come to the auditor's attention during the course of the audit of the financial statements. in substitution the auditor may be asked to perform and report on additional determined procedures or to express a view on determined matters, such as the adequacy of accounting books and records.(Para A39)As may be seen from figure 14.1,in this part of the audit report auditors in the UK disclose the responsibilities they are needed to perform by CA 2006 and also for listed firms by the listing standards of the financial services authority (FSA)[22] that are additional to expressing a view on the auditor's financial statements. In applicable cases the auditor' s view on other legal and regulatory duties is expressed in a sub-section following the description of those responsibilities.

- **Auditor' s Signature**

CA 2006 $_S$ .503, in needs of the auditor's report to state the name of and be signed by the auditor where the auditor is an individual it is to be signed by him or her, where the auditor is a company, it is to be signed by the senior statutory auditor in his or her own name for and on behalf of the audit firm.

- **Putting the Date on the Audit Report**

the date of the audit report is important, it shows the end of the period following the end of the auditee's financial year during which events happening, or data coming to light may result in assessments to the financial statements or require note disclosure the auditor expresses a view on the truth and fairness of the company's financial statements as shown on the date of the auditor ' s report ISA 700 (Revised) ,Para 42, expands on this, explaining The auditor's report shall be dated no earlier than the date on which the auditor has obtained sufficient suitable audit clue on which to base the auditor 's view on the financial statements, including clue that : All the statements that comprise the financial statements including the related notes have been prepared; and those with the recognized authority have taken duty for those financial statements (i.e., the managers have signed the financial statements) (Porter, Simon and Hatherly, 2008, p.534).

2.3. Type of Audit Report

2.3.1. Overview of kinds of Audit Report

There are essentially two types of audit report: an unmodified (or unqualified) report (that is ,a' clean 'report) and a modified report ,however there are three types of modified report namely those containing a qualified (or an except for) opinion an adverse view a disclaimer of opinion, It will be explained below the cases in which each type of report is suitable, Irrespective of the type of audit report issued the auditor should obtain an obvious expression of opinion on the financial statements and on any other matter (s) on which (s)he is needed by statute regulations or the particular engagement to express an opinion the basic principle of external auditing in the Auditors code-clear communication also observes that the audit report should contain enough data for a reader to obtain a proper understanding of the auditor 's view in the words Auditors' reports contain clear expressions of opinion and set out data necessary for a suitable understanding of that view (Porter, Simon and Hatherly, 2008, p.535).

2.3.2. Unmodified (unqualified) Audit Reports

On an express to unmodified (or qualified) audit view, the auditor must have collected and estimated sufficient suitable audit clue on which to base a conclusion as to whether the auditee's financial statements show a true and fair view of the firm' s (and ,in applicable cases ,the group 's state of relations as at the end of the financial year and its profit or loss and cash flow for the financial year comply with the relevant financial reporting framework are properly prepared in accordance with CA 2006 in applicable cases comply with EU Regulation (EC) NO.1606/2002 on the application of IAS (EU ,2002) are consistent with the data provided in the manager's report; are consistent with unaudited financial data in the annual report containing the audited financial statements and as far as the auditor is aware, unaudited data in the annual report is not materially misleading. In reaching a result about the true and fair view of the financial statements the auditor is obliged to consider internally whether the financial statements have been prepared using appropriate accounting regulations which have been consistently applied estimated amounts in the financial statements are rational the amounts and disclosures in the financial statements are showed so as to enable users to obtain a suitable understanding of the company's balance sheet, income statement, and cash flow (Porter, Simon and Hatherly, 2008, p.536).

2.3.3. Modified Audit Reports

ISA 705 Modifications to the view in the independent auditor' s report (Para 8) illustrates that a modified audit view is expressed when the auditor terminates that the financial statements as a whole are not free from material misstatement or is not able to obtain sufficient suitable audit evidence to conclude that the financial statements as a whole are free from material misstatement (Porter, Simon and Hatherly, 2008, p.536-537).

2.4. Going Concern Assumption

The going concern assumption is an accounting principle that demands organizations to be accounted for as if they will keep on operating into the future. In other words, we are not supposed to expect companies not to fail. This is a crucial concept to financial accounting because many other accounting standards are based on the assumption that companies will not cease to exist at the end of a period. The going concern principle is what forms the ability for firms to accrue expenses and prepay asset. If it is automatically suggested that companies ended operations at the end of every period, there would be no reason to accrue expenses. Firms wouldn't have to pay for these expenses next year because they wouldn't be there. The going concern assumption reinforces the matching principle, which explains that revenues and expenses need to be accounted for in the period at which they are obtained.

Companies must also acknowledge investors and creditors about possible going concern problems. For example, if a firm is coping with financial difficulties from an excessive debt burden or is facing a huge liability lawsuit that could bankrupt the firm, administration must mention these cautions in the financial statement notes. Potential investors have the right to know if the firm's going concern or longevity is in question. If nothing about the going concern is brought up in the financial statement notes, it is considered that the company faces no threatening financial issues.

The going concern assumption is a basic principle in the preparation of financial statements. The evaluation of a company's ability to continue as a going concern is the responsibility of the firm's management. The suitability of the use of the going concern assumption is a crucial point for the auditor to be in consideration in every audit engagement. (ISA) 570,"Going Concern," forms the relevant needs and signals with regard to the auditor's consideration of the appropriateness of administration's use of the going concern assumption and auditor reporting. The credit issues and economic fall have led to a lack of available credit to entities of all sizes, which may influence an entity's ability to keep on a going concern; this and other reasons may be relevant in the auditor's assessments of forecasts prepared by management to support its going concern evaluation. The extent of disclosures in the financial statements is driven by administration's assessment of an entity's ability to keep on as a going concern, coupled with the disclosure needs of the applicable financial reporting framework. (Porter, Simon and Hatherly, 2008, p.489).

3. Interview and Findings

3.1. Interviews

In order to interview some professional person in the Directorate of financial supervisions office in Sulaimani city, at the beginning we made 19 questions for both governmental organizations and companies but when we visited them we noted that there are two different departments for auditing purpose in Kurdistan, one for the companies, and the other one for the governmental organizations which named by Directorate of financial supervision office. We interviewed 4 owners of those companies who failed in their business after the financial crisis and their main job is manufacturing, and they asked us to not mention their names in our research. Therefore, we are going to discuss it more deeply and separately as follows:

Questions and Answers Regarding Reviewing Governmental Offices: answered by Manager of Directorate of Financial Supervision office

Q1) do you visit the companies as an external auditor, to investigate their works?

Answer: no, we only visit the governmental organization.

Q2) in general, how often do you check their works in a year?

Answer: in terms of our visit to governmental organizations, it will be done once annually and it usually starts from 1st of March – thirty of Nov.

Q3) do you only check the accountancy and audit department or the whole business?

Answer: we check the whole office's work.

Q4) if you check the whole business of the office can you give us an example?

Answer: besides checking the accounting and audit departments we are checking administration and inventory.

Q5) to what extent do the offices help you in the checking and do they give the necessary data?

Answer: yes, they do help us to the percentage of 95%.

Q6) do you check the work only by yourselves or the offices staff are also participated?

Answer: we do the works by ourselves only.

Q7) to what extent do you have issues with the leaders (managers) of the office and do they have transparency in giving data?

Answer: usually they encounter problems in a low percentage because it will be illegal if they don't answer the questions.

Q8) in general, do you have a specific date to visit the offices or you have been given reports about them and then you pay a visit to them?

Answer: we do work according to our agenda and also when there is a report about the office.

Q9) do your visits and checking their works have an influence on them to reorganize their financial statements?

Answer: yes, of course.

Q10) to what extent you both are helpful to each other?

Answer: at first we give advices and then they go to an office, one of the staff will help the jury in their work then they have to give what we are asking for.

Q11) does the offices look at you as a team worker or as an enemy?

Answer: no we do not, the reason is we are not the same. They look at us as an enemy because they see it as a negative part for their offices.

Q12) at the end of the auditing, do you usually give the office a copy of your report or not?

Answer: when report had been completed, it has to be checking with the Directorate of financial supervision office in Sulaimani and also in Erbil to know to what extent this report is provide a true and fair view or not.

Questions and Answers Regarding Reviewing Companies: answered by Manager of Directorate of Financial Supervision Office.

Q1) do you visit the companies as an external auditors, to investigate their works?

Answer: yes, we do as an external auditor. There is also a legal accountant who checks the company’s works. They also have their offices.

Q2) in general, how often do you check their works in a year?

Answer: once a year auditing will take place .It sometimes takes one week to be finished or 6 months.

Q3) do you only check the accountancy and audit department or the whole business?

Answer: the whole business of the company will be checked and audited.

Q4) if you check the whole business of the company, can you give us an example?

Answer: all the works without any exceptions.

Q5) to what extent does the company help you in the checking? Do they give the necessary data?

Answer: yes, they have to according to law.

Q6) do you check the work only by yourselves or the companies staff is also participate?

Answer: only our auditors will check the whole works.

Q7) to what extent do you have issues with the owners of the company? Do they have transparency in giving data?

Answer: none of the companies can hide; all of them should be ready for the auditing work.

Q8) in general, do you have a specific date to visit the companies or you have been given reports them and then you can pay a visit?

Answer: the companies should be audited annually.

Q9) do your visits and checking their works have an influence on them to reorganize their financial statements?

Answer: yes.

Q10) to what extent you (auditors and the company) both are helpful to each other?

Answer: in general they hate us, we are not so lovable.

Q11) does the company look at you as a team worker or as an enemy?

Answer: no, they don’t do the work as a team worker, the companies hate us.

Q12) at the end of the auditing, do you usually give the office a copy of your report or not?

Answer: yes, we do.

Q13) the final reports will be given to which departments of the company?

Answer: the tax offices regarding companies, -The registration office regarding companies and -The management office regarding companies.

Q14) do these auditing works give specific information about the profit of the company?

Answer: no, not necessarily.

Q15) do the tax companies trust your auditing work?

Answer: the tax offices regarding companies can reject the auditor's reports as they have their own data and percentages.

Q16) in general, what do you focus on in your final auditing reports?

Answer: 1.prep 2.Notes 3.opinion (usually it is positive).

Q17) in your final reports do you usually give data about whether the company will be able to continue its work for next 10 years for instance, or not?

Answer: not necessarily.

Q18) does any company complains about you once you give the final reports and you mention that the company cannot work for next 10 years?

Answer: no.

Q19) to what extent do you work on the going concern assumption as an external auditor? Which means that you inform the companies that they can continue in the future?

Answer: works will be done depending on the financial statements which means external auditors are not responsible for the ongoing process of the company's business.

Questions and Answers Regarding Companies:

Q1) how many years have you been working before facing bankruptcy risk?

Answer: generally, we have worked between (10 - 20) years.

Q2) did the government help your company to treat your issues?

Answer: no, even they makes problem for us.

Q3) regarding previous question, which kind of problem have made to you by the government?

Answer: facilitating for those companies who are importing the foreign goods for Kurdistan instead of increasing the taxes against them.

Q4) so, do you believe that increasing taxes on the foreign goods will be helpful for you and how?

Answer: yes of course, because if the tax increase the price of foreign goods will increase too in this way we can make more purchase than those who are importing.

Q5) did the external auditor visit your company to review your work or not?

Answer: yes they do.

Q6) have you achieved any advices or recommendations from external auditor about your future financial condition?

Answer: no, they only reviewed and checked our financial statements.

Q7) do you believe that the external auditor can have an impact on your business?

Answer: no, I do not think so.

Q8) do you know that, the external auditor in the developed countries have to give their opinion about the companies' future financial situation?

Answer: no, however, one of them has information about this issue (researchers).

3.2. Findings

Obviously, from the interviews, the governmental organizations and companies are auditing by different type of external auditor who are working in the same office. The first one is auditing by the directorate of financial supervision office which checking the whole business such as: accounting, management, inventory, and so on. The second one is also auditing by the directorate of financial supervision office that is only reviewing the whole business as well without providing any necessary information about the companies' future situation. Thus, the external auditor in Kurdistan is not giving information about going concern assumption and they believe that it is not necessary to advice companies for improving their financial position in the future. They assume that continuing in business is the companies' responsibility to care about it not the external auditors' role. However, in a country like UK if a company faced bankruptcy risk after the external auditor's reviewing they would claim the external auditor according to the law because, they believed that improving financial position of any company is the responsibility of the company and external auditor as well. The reason could be that the cooperation makes the whole economic of a country be great and the society will achieve benefits from it. Another finding from the interview is that there were a lot of companies in Kurdistan were supported financially by Kurdistan Region Government and when this government faced financial crisis due to the oil price declining, having war against ISIL, and stopping funds from the Iraq's budget, this supporting has been ended for most of the companies. Thus, they faced bankruptcy risk suddenly without any expectations. Therefore, if the external auditor had given advices to the companies regarding their financial resources for instance, depending on one source of finance will be very risky for their business; they would have expectations about their future financial situations. Another finding is that the companies are not so pleased with the external auditor because, they believe that having external auditor means criticizing and charging them. The reason might be that there is no cooperation between the companies and external auditors. They are only reviewing and checking the companies' financial statements and this can be conducted by internal auditors. If external auditors advise companies and government offices to improve their financial resources, they will absolutely change their thinking about external auditors. The role of external auditor has been simplified in this country by only reviewing financial statements. This is an internal auditor's duty and this duty is conducting permanently. There is no matter to do it again by the external auditor.

4. Conclusion and Suggestion

In conclusion, it is clear that the external auditing in Kurdistan is not performing efficiently, because according to law the external auditors are not responsible regarding to going concern assumption. However, this is a significant matter for the whole country because facing any unexpected situation in any company will influence the economic, society, and even sometimes the politic as well in the country. Thus, rules and principles of external auditing in Kurdistan need reform and this can be conduct through Parliament. Hence, reviewing or checking the work of some departments in a company might be very easy because every work will be ended by the companies' staff and only reviewing it will be left for the external auditor while internal auditor will conduct this duty. Therefore, the external auditor's duty should be different agenda for instance, working on going concern assumption to provide necessary and logical information and advise them which can drive the companies to perform their duty more efficiently. Finally, the external auditor can play a significant role in developing and improving the countries' economic and consequently will affect the society as well, because facing bankruptcy risk will make a lot of people to lose their job and their salary. Unfortunately, a lot of companies have faced bankruptcy risk recently in Kurdistan due to the financial crisis which has been occurred because of the decline of oil price in the world. The reason is the only source of finance in this country is natural resources in particular oil. The main suggestion for the external auditor in Kurdistan could be that, they might advise companies and even the governmental offices to not depend on one source of finance to implement their economic duty because this will be very risky for them. In a circumstance of facing problem with the single source of finance, they will absolutely face bankruptcy risk in a very short time. Unfortunately, this situation has occurred in Kurdistan, the government is relying only on selling natural gas and oil as a financial fund and it sells only through Turkey government, if our government faces any political problem with Turkey government, this will be definitely affecting Kurdistan's economic situation negatively. Hence, the role of external auditor can be observed here by persuading the Kurdistan government to not depending on one way to sell the natural resources to achieve funds through his/her report. Depending on one source of finance is really risky and using one way to sell your natural resources will be twice risky. The role of external auditor in Kurdistan has to be improved by expressing their opinion about going concern assumption because; simplifying their role by only reviewing financial statements will not be helpful for both companies and government offices as well. On the other hand, implementing an internal auditor's duty is not necessary and it is only wasting time.

5. Limitations

Unfortunately, there is no research in Kurdistan about going concern assumption. Thus, we utilized books mainly instead of using articles as a referencing to support our discussion. Hence, due to the lack of security in Kurdistan the companies are not responding our questions, we could find only 4 owners of the companies who faced bankruptcy risk and they asked us to not mention their name even their main businesses as well.

Acknowledgement

I would like to express my appreciation to all employees in the Directorate of financial supervision office whom they helped us to conduct our paper. Also thanks for Sulaimani Polytechnic University and Cihan University for helping and supporting us financially to publish our paper.

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