

-RESEARCH ARTICLE-

## **OBSTACLES TO DISCLOSING ACCOUNTING INFORMATION IN COMPANIES' FINANCIAL STATEMENTS AND THEIR IMPACT ON THE AUDITING PROFESSION CONSIDERING THE REPERCUSSIONS OF COVID-19: AN EXPLORATORY STUDY OF A SAMPLE OF COMPANIES LISTED ON THE IRAQI STOCK EXCHANGE**

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### **—Abstract—**

This study seeks to assess the effects of the COVID-19 pandemic on the disclosure of financial statements by companies listed on the Iraq Stock Exchange. It focuses on the perspectives of individuals involved in transactions with these companies (investors, lenders, and shareholders). The study employed statistical analysis to determine the arithmetic means and standard deviations of the responses provided by the participants in the study sample. It has been observed that numerous companies choose to withhold information that can impact the decisions of investors and other stakeholders, thereby increasing the risks they face. The study suggests that it is important for various stakeholders, including the government, businesses, and professional and financial institutions, to come together and support the sustainability of businesses. It also highlights the need for changes to international accounting standards to ensure that companies disclose their ability to continue operating and fully disclose all risks and their management strategies. This will enhance the accuracy of the financial statements.

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## INTRODUCTION

In late 2019, the World Health Organisation reported COVID-19 as an unidentified virus, which quickly started spreading (Lin, 2024; So, 2023). The COVID-19 crisis has had a profound impact on various sectors, including politics, economics, administration, and industry, including accounting and auditing. It is widely regarded as one of the most severe crises in recent history (Levy, 2020). According to the AICPA (2020), the current situation has brought about previously unheard-of challenges and uncertainties for economic institutions. As stated by KPMG (2020), disclosure is crucial for providing high-quality information to financial statement users. It allows them to understand the full impact of the pandemic on both financial and non-financial aspects and how it affects their financial situation. Companies must be cautious to avoid making misleading disclosures to ensure accurate reporting (Clatworthy et al., 2024; Heltzer & Mindak, 2021).

The global pandemic has had a significant impact on the operational, investment, and financing activities of companies worldwide (Gomez, 2024). In order to evaluate the length of time that this impact has on the quality of information in financial reports, companies are required to provide a comprehensive disclosure of the effects of these events on their economic condition, financial standing, business performance, and present and future cash flows (Hategan et al., 2022; Kanodia & Venugopalan, 2023). Moreover, it is crucial to disclose the effects of these events on the economic and financial value of institutions. This information aids users of financial statements in making informed decisions in accordance with international financial reporting standards (Chai et al., 2024; Devarapalli et al., 2024). Along with a statement outlining the severity of the impact during the relevant financial period, it is crucial to publicly disclose whether preventive measures taken to stop the spread of COVID-19 have had an impact on a company (Hegazy et al., 2022; Yang et al., 2023).

The COVID-19 pandemic has had a profound economic impact on public finances, with governments implementing large financial packages to address the crisis and experiencing a sharp decline in revenues (Al-Aamaedeh & Alhosban, 2021; Naseer et al., 2023; Tsang et al., 2023; Yao et al., 2023). It is crucial to promptly report the financial effects of COVID-19 to all stakeholders (Yang et al., 2024). This support is necessary due to the crucial role that financial statements play in instilling confidence in users. Additionally, the pandemic has had negative effects on how governments can utilise current financial reporting systems. It also presents opportunities to enhance financial reporting systems for the post-crisis era (Alia & AbuSarees, 2023; Crucean & Hațegan, 2021). Authorities are currently requesting a comprehensive analysis to assess the full scope of the pandemic's effects on the government's fiscal performance and cash flow (Dihan et al., 2023).

This pandemic has had a substantial adverse effect on businesses, both local and international institutions, and various fields. This is due to a decrease in demand and disruptions in supply operations (Stepien, 2020). Several sectors, including tourism, aviation, services, and retail trade, are experiencing substantial losses because of a significant decline in demand. When faced with uncertain events and circumstances that could impact the company's continuity or ability to meet its financial obligations, management is required to disclose these uncertainties. This includes providing information on the basis used to prepare the financial statements, as well as disclosing any risks associated with the COVID-19 pandemic (Diab, 2021). How does it address these risks, and what is its effect on business operations in terms of the information provided in the financial statements?

The research focuses on various elements, with the primary objective of confirming the impact of the COVID-19 pandemic on global financial markets. Additionally, it seeks to understand the role of financial globalisation in transmitting the crisis across different financial markets, disregarding specific geographical boundaries. The goal is to support the actions taken by shareholders, lenders, and investors who are fearful and anxious about the uncertain future. Furthermore, the absence of preventative measures to mitigate the impact of the coronavirus pandemic on the financial markets has highlighted the importance of this research. It is crucial for maintaining the credibility and reliability of financial information presented in statements. These statements must demonstrate adherence to international accounting standards, ensuring the fulfilment of disclosure requirements even in uncertain times caused by the pandemic.

Moreover, this study holds significant importance for both the public and the state. Business companies play a crucial role in the state's economy, and the reliability of financial information directly impacts the credibility of reports and financial statements. These reports and statements are integral components of the overall financial information for the state's economy. Any harm caused to society and the state can be attributed to this. Nevertheless, the study focused on auditing companies and offices in Iraq. In addition, the study was conducted in the accounting period of 2020.

## REVIEW OF LITERATURE

In a recent study conducted by Goodell (2020), the focus was on identifying potential strategies for disaster management through adjustments to the organisational and cultural framework. The study examined the present circumstances, provided guidance on handling disasters and ensuring business continuity in the digital realm, and highlighted the importance of having a dedicated structure or strategy to mitigate financial, human, or social risks, as the cost of recovery is always greater without such measures in place. The study was carried out on two distinct types of institutions: banks and universities. The study found that business continuity planning is a method used to

ensure the effectiveness of a plan in order to sustain uninterrupted business operations in the face of disasters and disruptive events. This plan pertains to the management of operational elements that enable businesses to function and generate revenue. The study suggests the creation of a financial reserve fund to guarantee the execution of the business continuity plan and sustain the organisation's operations.

In their study, [Fabeil et al. \(2020\)](#) sought to assess the effects of the COVID-19 pandemic on small businesses in Malaysia. Specifically, they examined how business owners were able to sustain their operations in the face of the crisis. The study examined the perspective of business owners regarding business continuity and the utilisation of business recovery plans by enterprises. The crisis has had a significant impact on small enterprises. To gather data, telephone interviews were conducted with two local small business owners. The study found that the COVID-19 crisis poses significant challenges for small enterprises, particularly in developing countries. The sudden threats posed by the virus outbreak directly impact the ability of these businesses to continue their operations. They were in the process of recovering from the impact of the pandemic. The study suggests the need for efficient mechanisms, such as entrepreneurship and development organisations, to support small business owners in conducting business both during and after the crisis. In their study, [Benkhira and Tayeb \(2020\)](#) sought to understand the impact of COVID-19 on the global economy. The study found that the COVID-19 pandemic has had a significant impact on the global economy, leading to a shift in power dynamics. It emphasised the importance of effectively managing the virus through health institutions to facilitate economic recovery.

The study conducted by [Ramadhan et al. \(2020\)](#) sought to examine the economic impacts of the Indonesian government's law on social assistance to the local community, as well as the role of auditors in reviewing the state's accounts and finances during the COVID-19 crisis. The study's findings indicated that the allocation of funds for social assistance was utilised without any negative consequences, as evidenced by the accountability report on the funds released by the local government to address the challenges posed by the COVID-19 pandemic. In a recent study conducted by [Joshi \(2020\)](#), the focus was on examining the challenges faced by accounting and auditing professionals in financial reporting, particularly considering the COVID-19 pandemic. The study revealed that the impacts of this virus are an inevitable occurrence for 2019, and the consequences of these occurrences need to be documented and adjusted in the initial quarter of 2020. The study found that certain important accounting areas, including revenue recognition, devaluation of non-financial assets, goodwill, and inventory valuation, present potential challenges that auditors must address by making numerous judgements within the context of interim reports.

However, the financial statements have several shortcomings, particularly in terms of interpreting companies' performance. The fear and panic that worker felt during the

COVID-19 pandemic has exacerbated these flaws, which has impacted their credibility. Additionally, there has been a failure to adhere to the standards and controls that were in place prior to the outbreak of the virus. Furthermore, it is imperative to enhance the perception of the financial statements among stakeholders and enhance the level of disclosure and transparency regarding transactions involving related parties. In addition, it is crucial to enhance the level of transparency in the financial statements regarding the various risks and threats that the company is facing. This includes providing detailed information about the timing and duration of these risks, as well as the strategies employed to mitigate them.

**H1:** *There is no statistically significant relationship between users of financial statements regarding internal and external accounting disclosure obstacles and the financial activity of business companies.*

**H2:** *There is no statistically significant relationship between the outbreak of COVID-19 and the method of preparing financial statements.*

**H3:** *There is no statistically significant relationship between the outbreak of the Coronavirus and the professional practices of external auditors.*

## **METHODOLOGY**

The COVID-19 pandemic has resulted in an unparalleled humanitarian and health crisis. The implementation of containment measures has resulted in an economic downturn, with a significant decrease in the value of high-risk investments since the onset of the COVID-19 pandemic. There is a significant level of ambiguity surrounding the severity of the situation. To effectively conduct the research and address the research objectives, a questionnaire consisting of four sections was developed. The purpose of this questionnaire was to identify the internal and external obstacles to accounting disclosure that impact the credibility of financial statements, particularly in the context of the COVID-19 outbreak. The questionnaire aimed to assess the impact of the outbreak on both auditors and stakeholders. The questionnaire was developed based on extensive research, including theoretical studies, literature reviews, references to periodicals, specialised research, and a thorough review of relevant studies. The questionnaire was distributed to a panel of experts, specialists, and academics. To enhance the objectivity and credibility of the questionnaire, certain paragraphs were revised and adjusted.

To accomplish the research objective, the questionnaire was distributed to a select group of highly discerning financial statement users and auditors for survey implementation. The auditors were presented with the task of obtaining their opinions on the impact of COVID-19 on the preparation of these lists and the disclosure methods employed by the company during the crisis. In addition, the information was shared with stakeholders (investors, lenders, and shareholders) to gain insight into their concerns and decisions regarding the company considering the COVID-19 pandemic.

The field study was categorised into four axes. The first axis focused on the internal obstacles faced by the company. The second axis examined the external obstacles resulting from the COVID-19 pandemic. The third axis analysed the influence of COVID-19 on the preparation of financial statements. Lastly, the fourth axis assessed the impact of the virus on the professional practices of auditors. Table 1 presents the frequencies and percentages of individuals utilising financial statements, including external auditors and auditors employed in audit offices. The table clearly indicates that the combined percentage of auditors, certified auditors, and their colleagues working as auditors in the offices was 9.5% + 11.9%. Additionally, the research sample consisted of investors. The percentage of lenders was 24.6%, while shareholders had the highest percentage at 32.5%.

**Table 1: Description of the Group of Financial Statement Users and Auditors According to Their Relationship with the Company.**

Percentage	Number	Job
9.6%	12	Certified auditor
11.9%	15	Auditor in an accounting office
21.4%	27	Investor
24.6%	31	Lender
32.5%	41	Contributor
100%	126	Total

Analysing the data on the study variables and testing its hypotheses was done using the SPSS programme. The level of agreement with each response was assessed using a five-point Likert scale, as outlined in Table 2.

**Table 2: Five-Point Likert Scale.**

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	2	3	4	5

## FINDINGS

The study's hypotheses were tested using the available data. One hypothesis suggested that there is no significant statistical relationship between users of financial statements and the obstacles they face in terms of internal and external accounting disclosure and how it impacts the financial activity of business companies. The hypothesis was categorised into two axes: one focused on internal obstacles faced by the company and the other on external obstacles arising from the COVID-19 pandemic, as indicated by the questionnaire design. Table 3 presents the perspectives of individuals who utilise financial statements and the arithmetic average in relation to the challenges of internal accounting disclosure pertaining to the company's management.

**Table 3. Individuals Who Utilise Financial Statements and The Arithmetic Average May Encounter Obstacles When It Comes to Internal Accounting Disclosure That Pertains to The Company's Management.**

Phrase	Percentage of Approval Score					Mean	SD	Level of Agreement
	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree			
1-Deliberately concealing risks that threaten continuity.	66, 52.38%	42.86%	4.7%	0, 0	0, 0	4.476	0.589	Strongly agree
2-Difficulty in predicting future cash flows.	43.65%	58, 46%	8, 6.3%	5, 4%	0, 0	4.293	0.759	Strongly agree
3-Difficulty restructuring financial obligations.	71, 35.71%	45, 35.71%	8, 6.3%	2, 1.6%	0, 0	4.468	0.689	Strongly agree
4-Poor Use of electronic transformation applications by employees.	67, 53.18%	45, 35.71%	11, 10.38%	3	0, 0	4.404	0.750	Strongly agree
5-Desire to hide facts from users of financial statements.	68, 54%	52, 41.27%	6, 4.8%	0	0, 0	4.492	0.589	Strongly agree
6-Difficulty stopping or announcing annual dividends.	49.20%	55, 43.65%	7, 5.56%	2, 1.59%	0, 0	4:404	0.671	Strongly agree
7-Failure to develop an alternative action plan that suits the current situation.	53, 42.06%	61, 48.41%	9, 7.14%	2, 1.59%	0, 0	4.309	0.686	Strongly agree
8-Weak internal control procedures of the company.	62, 49.2%	60, 47.6%	4, 3.17%	0, 0	0, 0	4.460	0.560	Strongly agree
9-Difficulty responding to reporting requirements Integrated business.	58, 46%	65, 51.59%	3, 2.39%	0, 0	0, 0	4.436	0.544	Strongly agree
The arithmetic means and overall standard deviation of the axis						4.416	0.080	Strongly agree

**Table 4: Individuals' Response to the Obstacles of External Accounting Disclosure Caused by The Impact of the COVID-19 Outbreak Is a Topic of Interest for Those Who Use Financial Statements and The Arithmetic Average.**

Phrase	Percentage of Approval Score					Mean	SD	Level of Agreement
	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree			
1- Some activities stop and have a difficult Marketing some products.	66, 52.38%	52, 41.27%	6, 4.76%	2, 1.59%	0, 0	4.444	0.663	Strongly agree
2-Weak ongoing revenues compared to the target	58, 46.03%	57, 45.24%	9, 7.14%	2, 1.59%	0, 0	4.357	0.686	Strongly agree
3- Increasing the ratio of ongoing expenses compared to revenue	69, 54.76%	55, 43.65%	2, 1.59%	0, 0	0, 0	4:531	0.531	Strongly agree
4-Difficulty in securing liquidity to operate the activity	71, 56.35%	50, 39.38%	5, 3.97%	0, 0	0, 0	4.523	0.575	Strongly agree
5- Increased risks of traders' speculation	67, 53.17%	54, 42.86%	5, 3.97%	0, 0	0, 0	4.492	0.576	Strongly agree
6-Difficulty paying rents due	66, 52.38%	55, 43.65%	5, 3.97%	0, 0	0, 0	4.484	0.575	Strongly agree
7-Difficulty in being able to drain stagnant stock	64, 50%	58, 46.03%	5, 3.79%	0, 0	0, 0	4.460	0.574	Strongly agree
8-Weak continuous cash inflows	57, 45.24%	62, 49.20%	4, 3.17%	3, 2.38%	0, 0	4.365	0.664	Strongly agree
9-Increase cash outflow.	63, 50%	55, 43.65%	8, 6.35%	0, 0	0, 0	4.436	0.613	Strongly agree
10-Increase compensation and fines resulting from the event	59, 46.83%	51, 40.48%	13, 10.31%	3, 2.380	0, 0	4.317	0.755	Strongly agree
The arithmetic means and overall standard deviation of the axis						4.441	0.068	Strongly agree”

Based on the data from [Table 3](#), the analysis of the first axis in relation to the hypothesis of the first study reveals that the arithmetic mean of the table was 4.416. The findings suggest that the study sample exhibited a high level of agreement with the

statements presented in the table regarding internal obstacles within the company. Furthermore, it is evident that the outbreak of COVID-19 had a significant impact on the company's operations. In the realm of economic and financial business companies, all the answers provided in the table received unanimous agreement. The total standard deviation for all the questions was recorded at 0.080. From the information provided, it can be concluded that the initial hypothesis, specifically the first axis, has been disproven. There is no significant statistical relationship found among users of financial statements when it comes to obstacles related to accounting disclosure. Analysis of the internal and financial operations of business entities. In addition, considering the second axis, [Table 4](#) presents the viewpoints of individuals who utilise financial statements and the arithmetic average on the challenges of external accounting disclosure due to the impact of the COVID-19 outbreak.

Based on the data presented in [Table 4](#), it is evident that the analysis of the second axis of the first hypothesis provides insights into the influence of the COVID-19 outbreak on accounting practices and the level of information disclosure in financial statements. The study sample unanimously expressed strong agreement, with an overall average of 4.441 and a standard deviation of 0.068 for the axis. It is evident that the users of the financial statements are in strong agreement with the information presented in the report concerning the challenges faced in disclosing external accounting information due to the overall impact of COVID-19 on the company's operations.

One of the major challenges faced is the discontinuation of certain activities, along with the struggle to promote certain products, clear out excess inventory, and effectively manage finances to sustain operations. Low revenue, high expense ratios, and meagre cash inflows all contribute to this. Based on the information provided, the first hypothesis, which is the second axis, was found to be invalid. There is no significant relationship found between users of financial statements and the obstacles to external accounting disclosure in relation to the financial activity of business companies.

In addition, it was hypothesised that there is no statistically significant correlation between the COVID-19 outbreak and the method used to prepare financial statements. [Table 5](#) presents the study sample members' responses regarding the impact of the pandemic on the method of preparing financial statements, which is related to the third axis.

Based on the data presented in [Table 5](#), it is evident that the analysis results for the second hypothesis demonstrate the influence of the COVID-19 outbreak on accounting practices for financial statement preparation and information disclosure. The responses from financial statement users unanimously indicated a strong agreement with this impact. Based on the data, it is evident that the study sample strongly agreed, as per the Likert scale, regarding the impact of the coronavirus outbreak on accounting practices

for financial statement preparation. The total arithmetic mean for the axis is 4.465, with a total standard deviation of 0.050. After careful analysis, it was determined that the second hypothesis of the research was not supported, indicating a lack of relationship. There is a notable correlation between the outbreak of COVID-19 and the approach taken in preparing the financial statements.

**Table 5: The Study Sample Members' Response to The Pandemic's Impact on Financial Statement Preparation Methods.**

Phrase	Percentage of Approval Score					Mean	SD	Level of Agreement
	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree			
1-The most critical areas of accounting response that must be considered when dealing with the effects of the Corona pandemic are: - preparing cash audit estimates, recoverability of assets and their depreciation, and accounting for financial assets.	60, 47.62%	57, 45.24%	6, 4.76%	3, 2.38%	0, 0	4.380	0.691	Strongly agree
2-It is necessary to disclose information that enables users of financial reports to understand the outbreak of the pandemic on their financial position and performance up to the time of issuing the declared statements. It is important that it be clear, and companies must be careful not to provide disclosures in a way that could be mistakenly shaded.	70, 55.56%	51, 40.48%	5, 3.97%	0, 0	0, 0	4.515	0.575	Strongly agree
3-Company management must consider the current and expected effects of the repercussions of the outbreak of the pandemic on the company's activities when evaluating its ability to continue and the basis adopted in the evaluation procedures.	68, 53.97%	51, 40.48%	7, 5.56%	0, 0	0, 0	4.484	0.603	Strongly agree

4-As a result of the impact of (Covid-19) on the accounting profession with regard to the decline in the value of assets, the measurement function can be determined, and therefore, under the circumstances of the pandemic, expectations about future cash flows will constitute a real challenge for management, so it must take into account the effects of the pandemic in the long and short term.	67, 53.17%	49, 38.89%	6, 4.76%	3, 2.38%	0, 0	4.436	0.698	Strongly agree
5-The inability to predict the potential effects of the repercussions of the outbreak of the pandemic may generate fundamental doubts that cast a shadow over the company's ability to continue its work. Therefore, according to this assumption, it must disclose potential doubts so that it becomes clear to stakeholders that the continuity assumption drawn up by the company's management is subject to uncertainty.	70, 55.56%	49, 38.89%	7, 4.76%	0, 0	0, 0	4.5	0.603	Strongly agree
6-As a result of the impact of (Covid-19) on the accounting profession regarding the disclosure function, companies should disclose the actions they took that led to changing the process of estimating the recoverable value.	66, 52.38%	54, 42.86%	6, 4.76%	0, 0	0, 0	4.476	0.589	Strongly agree
7-The fair value can be determined through: - The measurement function. For conducting evaluations for the purpose of measuring fair value, companies must take into account the conditions and assumptions known to market participants. The impact on fair value estimates will depend on judging whether the severity of the virus outbreak at the time of preparing the report is influential in Participants' assessment assumptions on that date.	62, 49.21%	59, 46.83%	5, 3.97%	0, 0	0, 0	4.452	0.574	Strongly agree

8-The fair value can be determined through- :The disclosure function is in accordance with relevant international standards, and therefore companies will need to make appropriate disclosures to rationalize the decisions of the primary users of the financial reports, and it is possible that there will be a need for additional disclosures showing that the repercussions of the Corona virus have been taken into account when measuring the fair value.	66, 52.38%	57, 45.24%	3, 2.38%	0, 0	0, 0	4.5	0.547 7	Strongly agree
9-With regard to inventory evaluation, the impact of the Corona virus on the measurement function: - It is that there will be difficulties in estimating the net realizable value, which will mostly be reflected in the additional reductions that will be made to that value.	64, 50.79%	55, 43.65%	7, 5.56%	0, 0	0, 0	4.452	0.601	Strongly agree
10-With regard to inventory evaluation, the impact of the Corona virus on the disclosure function: - The company must fully disclose the effects left by the pandemic, which will continue in the future because of the continuation of the pandemic, which affects the net fair value that was estimated for the inventory.	63, 50%	58, 46.03%	5, 3.79%	0, 0	0, 0	4.460	0.547	Strongly agree
The arithmetic means and overall standard deviation of the axis						4.465	0.050	Strongly agree

**Table 6: The Study Examines How the Pandemic Has Affected the Professional Practices of External Auditors by Analysing the Responses of the Study Sample Members.**

Phrase	Percentage of Approval Score					Mean	SD	Level of Agreement
	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree			

1-The impact of the Corona pandemic on audit evidence: The circumstances of the Corona virus outbreak impose on the auditor the necessity of obtaining sufficient and appropriate audit evidence and taking additional procedures to respond to the risks of material errors arising from the potential financial effects because of the virus outbreak.	67, 53.17%	44.44%	2.38%	0, 0	0, 0	4.507	0.547	Strongly agree
2-The impact of the virus outbreak on the plan and assessment of audit risks: In most cases, auditors will need to re-evaluate the nature and level of the risk of material errors in the audit. New circumstances may have changed, or new circumstances may have occurred that the auditors did not consider in the initial audit risk assessment, which requires modifying audit procedures.	71, 56.35%	43.66%	0, 0	0,0	0,0	4.539	0.546	Strongly agree
3-The impact of the Corona pandemic on the appropriateness of assuming continuity. The ongoing effects of the pandemic are likely to affect the level of uncertainty on which the audit process is based, and the auditor must express a conservative or adverse opinion depending on the degree to which the economic unit is affected by the outbreak of the virus.	53.97%	42.86%	3.17%	0, 0	0, 0	4.507	0.562	Strongly agree
4-The auditor faces the problem of field work, as he will face many difficulties in accessing the evidence and people, he needs to support his opinion in the audit process due to the restrictions that have led to the difficulty of visiting client sites, which forces them to reveal in their reports the presence of restrictions on their usual procedures.	50.79%	46.03%	3.17%	0, 0	0, 0	4.476	0.561	Strongly agree

5- The Corona virus pandemic has created a major challenge for auditors, especially with the process of auditing and verifying inventory, because audit offices ask their employees to work from home, and clients, in turn, demand that auditors not attend to conduct field visits.	57.94%	42.06%	0, 0	0, 0	0, 0	4.579	0.495	Strongly agree
6- Remote auditing: auditors use electronic technologies and communications to evaluate and report the accuracy of data and internal control, collect electronic evidence, and interact with the entity subject to the audit, regardless of the presence of the field auditor.	44.44%	46.83%	8.37%	0, 0	0, 0	4.357	0.638	Strongly agree
7-Accounting Estimates: Auditors may also consider the impact of the Corona pandemic on their responsibilities related to accounting estimates, including fair value estimates and disclosures related to auditing the financial statements and considering information about the virus outbreak at the reporting date that would affect the measurement of the fair value of assets and liabilities, as well as the disclosures. Finance.	54.76%	41.27%	3.97%	0, 0	0, 0	4.507	0.576	Strongly agree
8- Auditors may consider the repercussions of the Coronavirus outbreak on the unit's measurement of expected credit losses, as well as quantitative and qualitative disclosures to enable users of financial statements to understand the impact of credit risk on future cash flows, their timing, and related uncertainty.	50.79%	45.24%	5, 3.79%	0, 0	0, 0	4.468	0.575	Strongly agree

9-Auditors may consider whether the outbreak of the pandemic is an indicator of impairment at the reporting date, leading to an estimate of the amount of impairment, and whether the disclosures in the financial statements provide users of the financial statements with sufficient detail about the important assumptions made by management.	52.38%	39.68	7.94%	0, 0	0, 0	4.444	0.639	Strongly agree
The arithmetic means and overall standard deviation of the axis						4.487	0.045	Strongly agree

As per the research, the third hypothesis suggests that there is no statistically significant connection between the COVID-19 outbreak and the professional practices of external auditors. In addition, the fourth axis examines how the study sample members have responded to the impact of the pandemic on the professional practices of external auditors. Based on the data in [Table 6](#), it is evident that the analysis results of the third study's hypothesis, which focuses on the impact of the COVID-19 outbreak on auditor performance, show that nine respondents strongly agreed or agreed. The average rating for agreement was (4.487), with a standard deviation of (0.045). These findings suggest that the COVID-19 outbreak had a detrimental effect on the performance of computer auditors.

The quality of their reports was influenced by the challenges of fieldwork as well as the impact of the virus outbreak on the plan and assessment of audit risks. The uncertainty surrounding it also had an impact on the audit process. COVID-19 posed a major obstacle for auditors, particularly in terms of auditing and verifying inventory. Remote auditing and the limitations of electronic procedures used to assess data accuracy and internal control were significant concerns. Given these circumstances. The third hypothesis was not supported. There is no discernible link between the COVID-19 outbreak and the professional practices of external auditors.

## CONCLUSION

The findings of this study were determined using statistical data. The study highlighted the significant impact of the Corona pandemic on the companies' businesses, necessitating complete transparency regarding the alteration in the financial statements.

Additionally, the study emphasised that the lack of financial transparency exhibited by certain companies during the crisis serves as an indication of inadequate disclosure practices. As a result, the companies failed to consider the importance of transparently disclosing their activities and the resulting effects on their financial position and shareholders' rights. Additionally, the study highlighted the impact of the economic downturn and financial strain on Iraqi companies, which has led to a significant decrease in revenues and an increase in public expenditures. In addition, the study found that the challenges of disclosing internal accounting information are linked to the company's management and policies. External factors are influencing the COVID-19 event, and one of the pandemic's most important effects is the threat it poses to continuity.

Additionally, the study emphasised that the deliberate concealment of risks by management, which jeopardises the company's operations, contradicts the principle of accounting disclosure. It is generally expected that any information that could potentially negatively impact the interests of stakeholders within the company should not be concealed. The study emphasised the need to address the weakness in employees' use of electronic business transformation applications and find suitable solutions. In conclusion, the study revealed that auditors often encounter challenges when conducting fieldwork due to limited access to evidentiary evidence and the need for support from individuals in the audit process.

## **IMPLICATIONS**

The study has made a valuable contribution to the existing literature. The study in the literature found a significant relationship between financial statement users, accounting disclosure obstacles, both internal and external, and the financial activity of business companies. Additionally, a study has found a significant correlation between the occurrence of COVID-19 and the approach used for financial statement preparation. Additionally, this research has added to the existing knowledge by establishing a statistically significant correlation between the occurrence of the coronavirus outbreak and the professional practices of external auditors. The study made a valuable contribution to the existing theory by providing significant knowledge.

The research also has practical implications. The study emphasises the importance of implementing measures to restore the Iraqi economy and achieve sustainable growth through a comprehensive recovery plan. Additionally, the study emphasised the importance of providing comprehensive risk disclosures to safeguard users of financial statements. This includes disclosing all potential risks, whether they pertain to financial matters or future circumstances. Additionally, the study emphasised the importance of exploring innovative strategies to safeguard the company against potential crises. This includes actively seeking out alternative revenue streams and implementing cost-cutting measures to effectively address such challenges. In addition, the study highlighted the

importance of the auditor disclosing the future potential outcomes of the company's work. It also suggested the inclusion of a confirmatory paragraph in the auditor's report to address the exceptional circumstances arising from the COVID-19 pandemic.

The research highlights the importance of shareholder and state institution support for distressed companies. This support can be in the form of debt restructuring and new investments, which are crucial for ensuring the continuity of business operations. In addition, the study found that companies should adjust their business strategies to enhance flexibility during times of crisis. It also emphasised the importance of implementing remote work techniques to familiarise practitioners with them, ensuring their seamless application in the future. The study emphasised the importance of auditors establishing a clear and effective communication channel with the company's management. This involves discussing management plans in relation to the COVID-19 outbreak, implementing alternative work activities like electronic files, and maintaining professional scepticism throughout the audit process.

## FUTURE DIRECTIONS

This study has made a valuable contribution to the existing literature. However, additional research is needed to expand our understanding of this field. Further research is necessary to emphasise the findings through the collection of additional data. This would greatly enhance the existing pool of knowledge. In addition, future research should prioritise the examination of sustainability, which would make a valuable contribution to the existing body of knowledge. Future studies would offer valuable insights into the existing body of knowledge.

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