

THE IMPACT OF CONSULTING SERVICES ON THE DISCLOSURE OF GOING CONCERN IN JORDANIAN COMMERCIAL BANKS: EXTERNAL AUDITORS' PERCEPTIONS

Mohyedin Hamza *

* Department of Accounting, Zarqa University, Zarqa, Jordan

Contact details: Department of Accounting, Zarqa University, P. O. Box 132222, Zarqa 13132, Jordan



Abstract

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This study aims at identifying the impact of consulting services in disclosing going concern in Jordanian commercial banks. To achieve the aim of this study, a questionnaire was developed and distributed to the study sample. Whereas the study population consisted of 457 external auditors in Jordan, a random sample of 200 auditors was selected by 44% of the study population. Notably, the results of the study showed that there were statistically significant variations in the opinions of the study sample members concerning the impact of consulting services in disclosing the going concern of the institution. Meanwhile, the study suggests a set of recommendations, such as the need for Jordanian audit offices to reject offering consulting services until after ensuring that they do not conflict with the professional conduct of the auditor and his independence, and thus by defining the areas of the consulting services that are allowed to be provided to the audited institution, and the need to organize the consulting services' work in Jordanian audit offices in a way that providing these services doesn't interfere with the disclosure of the going concern of the institution.

Keywords: Consulting Services, Disclosure, Going Concern

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1. INTRODUCTION

Audit offices in Jordan have been providing their essential services in the field of auditing since their inception, to meet the needs of the institutions. However, in addition to these services, there was a need for other services, these services are called consulting services (non-audit services, non-assurance services, other services), and the following are examples of them: economic feasibility studies, human resources consulting, and tax consulting (Shahwan & Jodeh, 2021). Which are related to the audit profession; that had promoted audit offices to expand the range of their provided

services. Provided that consulting services offered by audit offices besides their accounts auditing services have multiple benefits, including increasing the quality of the audit process performance if a service client is transferred to an audit client, and this is achieved by obtaining information about the institution throughout performing the consultation services, which is taken advantage of in all audit levels (Shahwan, 2021).

Moreover, at the level of accepting the task, the business risks are evaluated and assessed, where the auditor can benefit from the information obtained in conducting that evaluation and assessment quickly and accurately. Despite the benefit that

the auditor achieved, there are legislations, regulations, and laws in many countries, which prohibit the auditor from offering some consulting services to the audited institution, and accordingly, this became an influential factor in the level of acceptance the clients (Shahwan, 2018). Eventually, the auditor cannot offer consulting services for the audit client, this is prohibited by legislation and regulations as it affects the profession in general and the independence of the auditor, through failing to disclose the going concern in the financial statements of the audited establishments, and this action is required by international accounting and auditing standards.

Thus, since commercial banks represent an effective element in the Jordanian economy and the process of economic development, this study shows the impact of consulting services in disclosing going concern in Jordanian commercial banks from external auditors' point of view.

Jordan is characterized by the spread and expansion of audit offices, which led to increased competition in the audit services market, and the monopoly of several major offices in the auditing market operating in Jordan. This led to a decrease in the fees of some offices due to their limited work, lack of experience, and the exclusion of offering audit services only, away from providing consulting services, which led many Jordanian audit offices to expand their scope of work to include offering consulting services, in addition to audit services, and this is viewed from the standpoint of these offices' financial interest (Shahwan & Almubaydeen, 2020).

On the other hand, offering consulting services to commercial banks in Jordan may affect the professional behavior of the auditor, weaken his independence, and raise doubts about the auditor's lack of commitment to going concern in commercial banks. Through the foregoing, this study aims to highlight the consulting services, which can be provided by external auditors in Jordan in other fields, other than auditing accepted upon international standards, that has an impact on the professional auditor's behavior and independence, as well as its impact on the disclosure of going concern (Al-Ramahi, Barakat, & Shahwan, 2014). As there are motives that led to the tendency of audit offices in Jordan to expand the scope of their professional services, to include several areas besides the auditor's essential profession in auditing.

The study hypothesis was built based on the study problem, as follows:

H1: There is a significant effect of the consulting services of the external auditors on the disclosure of going concern of the Jordanian commercial banks.

The remainder of this paper is organized as follows. Section 2 reviews the relevant literature. Section 3 present the methodology used for the research. Section 4 provides the results and discussion of the findings. Finally, Section 5 concludes the paper.

2. LITERATURE REVIEW

2.1. Services provided by audit offices

The types of services provided by audit offices can be divided into assurance services and non-assurance services, so the following is an explanation of each type of these services.

Assurance services

The American Institute of Certified Public Accountants (AICPA) defines assurance services as "independent professional services aim at improving the quality of information to serve decision-makers" (as cited in Knechel, Salterio, & Ballou, 2007). Besides, assurance services are provided by certified accountants to add reasonable assurance of this information's credibility.

Moreover, the chartered accountants providing these services must have scientific and practical experience, independence, practice appropriate professional care, and reasonable professional judgment. Also, these services contain the following: certification services, financial statements' auditing, internal control of financial statements auditing, reviewing services, and certification services related to information technology.

Non-assurance services (Consulting services)

The auditor provides multiple services that fall outside the scope of assurance, which are non-assurance services provided by the auditor, that sometimes he submits a report on. But this report is not related to assurances provided by another party and therefore there is no assurance from the auditor about the credibility of those data. For example, administrative consulting services, tax services, performance evaluation services, and financial planning services. That is why the job of the auditor is as a consultant and has no relation with the audit process, where implementation and decision-making fell on the administration. Consequently, this type of service requires the capabilities, skills, and experience of its providers.

Characteristics for consultation services

There is a set of consulting services' characteristics, including the following: Firstly, carried out upon the request of the administration; secondly, it depends on the professional specialization of the person in charge; thirdly, independent; fourthly, confidential; fifthly, offering consultations only.

2.2. Consulting services and disclosure of going concern

Going concern in accounting thought is defined as: "The institution continues its operations in the foreseeable future, and will not leave the industry, or liquidate its assets, and until that happens, it must be able to adequately increase its resources" (Al-Momani & Shwayat, 2008, p. 143). Therefore, the imposition of going concern is one of the most important accounting assumptions that are relied upon in preparing the final financial statements, as it is assumed that "the institution is established to carry out its businesses and keep on in the future and for an unspecified reasonable period, and that there is no intention from its owners to liquidate or reduce the volume of its operations in a way that affects the nature of its business" (International Auditing and Assurance Standards Board, 2019).

Therefore, "This assumption is based on the fact that the going concern of the institution is the normal situation, and that the possibility of liquidation or cessation of activity represents an exceptional case" (Matar & Al-Suwaiti, 2012, p. 49). However, the International Standard on Auditing (ISA 570) deals with the going concern "institution" and the auditor's responsibilities in the audit of

financial statements related to administration's use of the going concern assumption in preparing the financial statements. Accordingly, "some financial reporting frameworks contain an explicit requirement for administration to make a specific assessment of the institution's ability to sustain as a going concern", and therefore the International Standard on Auditing (ISA 1) requires the administration to assess the institution's ability to sustain as a going concern.

Eventually, the auditor's responsibility "is to obtain sufficient and appropriate audit evidence about the appropriateness of administration's use of the going concern assumption in the preparation and presentation of the financial statements, and to conclude whether there is essential doubt about the institution ability to sustain as a going concern" (International Auditing and Assurance Standards Board, 2019, p. 456). The auditor's responsibility for evaluating the institution's ability to sustain is linked to the professional care standard.

So, if the auditor shows professional care and practices his professional caution, then the indications of the institution's inability to sustain appear, which means he is not responsible as long as the indicators did not appear during the normal examination, exercise professional caution, too (Al-Momani & Shwayat, 2008).

The auditor's ignoring the disclosure of the institution going concern through his report — in the event of the institution defaulting — results in a misleading report that does not express what these financial statements contain, which leads to deceiving the users of these statements and taking incorrect decisions, relying on the auditor's report who is considered a neutral party. The auditor was not neutral and did not abide by professional ethics, which exposes him to legal accountability in addition to imposing disciplinary and penal procedures against him as imposed by laws, regulations, and organizations.

The best example of this is the report of the audit company Arthur Anderson on the lists of the Enron energy company, where the auditor provided a clean report to these lists, and many users of the financial statements relied on it, after which the company was declared bankrupt. Some indicators point to the weakness of the institution's ability to sustain as financial indicators, such as the appearance of negative basic financial ratios and frequent operating losses, also there are operational indicators, such as the loss of leading administrators without a replacement and a lack of important requirements, as well as the other indicators are, for example, pending lawsuits against the institution, which, in case its success, may result in compensations provisions that cannot be met.

As the presence of one or more of these indicators does not always mean that the imposition of going concern is in question, but the important question is the extent to which the provision of consulting services affects the auditor's decision on the financial statements by neglecting the indicators that point the weak ability of the company to sustain. Therefore, it is noted that there is a great influence from the institution on the auditor by appointing him to provide consulting services. The auditor may not invoke applying the rules of professional conduct and principles because of

the pressures and temptations he is exposed to — personal relationships and gifts — which negatively affect him by not considering the going concern of the institution.

2.3. Prior study

First of all, the study of Al-Jafri and Al-Anqari (2007) came to discuss the most important factors that contributed audit offices in Saudi Arabia towards expanding a wide range of professional services. The researcher concluded that offering consulting services to the audited office has a limited impact on the independence of the auditor.

Mitra's (2007) study aimed to identify the relationship between consulting services and the independence of the auditor in the oil and natural gas facilities sector in the United States. The study concluded that the impact of the consulting services fees paid by the institution does not affect the independence of the auditor in dealing with various cases of doubt during the performance of his work, also there is no relationship between the provision of consulting services and the independence of the auditor.

Meanwhile, Basioudis, Papakonstantinou, and Geiger (2008) study examined the auditor's reports of the institutions experiencing financial distress in the United Kingdom and the impact of audit fees and consulting services fees paid by institutions to auditors on their decision to disclose a defect that may affect the going concern of the institution.

Also, Salehi's (2009) study confirmed that the shareholders strongly agree that providing the audited institution with consulting services strongly and significantly affects the independence of the auditor. However, Griffin and Lont's (2010) study found an inverse relationship between fees, consulting services, and the independence of external auditors.

Whereas Wang and Hay's (2013) study showed that there is a loss of the auditor's independence when providing consulting services, concerning the number of audit fees, in addition to the impact of the auditor's independence concerning his opinion of the financial statements. Also, Shahwan and Almubaydeen's (2020) study showed that there is no impact for consulting services on the independence of the external auditor.

3. RESEARCH METHODOLOGY

In his study, the researcher relied on the descriptive and analytical methodologies in collecting and analyzing data and testing the hypothesis to reach the results and recommendations. The study population consists of the resident auditors who practice the audit profession in Jordan, which amounts 457 auditors (Jordanian Auditors Association, 2021).

A random sample of 200 auditors, was selected from the study population by 44% of the resident auditors who practice the profession of auditing and work in auditing offices and companies in Jordan. The study questionnaire was distributed to them, and 162 questionnaires were retrieved by 81%, and 26 of them were excluded due to their unsuitability for analysis, because they were filled

out by people who are not practicing the auditing profession. Thus, 136 questionnaires were analyzed, constituting 84% of the retrieved questionnaires and 68% of the distributed questionnaires, which is an acceptable percentage for scientific research purposes, as well as the researcher, was able to rely on it to disseminate the results.

4. RESULTS AND DISCUSSION

The descriptive analysis of the instrument of the study sample of the external auditors' answers was calculated, that focused on the impact of providing consulting services in the disclosure of going concern in Jordanian commercial banks, to determine the degree of the relative importance of each of the paragraphs of the instrument and

diagnose the extent of the answers' dispersion from their arithmetic mean.

The results are shown in Table 1 below indicating a decrease in the generalized average of the axis (the impact of consulting services in disclosing going concern in Jordanian commercial banks), which reached 2.823 with a standard deviation of 0.916. The level of evaluation of the study sample members in all the paragraphs of the instrument was negative and moderate, which indicates the approval of the sample members that providing consulting services to Jordanian commercial banks affects the external auditors' professional duties and their commitment to applying the standards and rules of professional conduct, which obligate them to express their opinion on the going concern of commercial banks.

Table 1. Descriptive analysis of the instrument of the study

No.	Paragraph	Arithmetic mean	Standard deviation	Order	Approval level
1	Offering consulting services to Jordanian commercial banks leads to the auditor's disregard for disclosure of the possibilities about cases that affect the disclosure of going concern.	3.01	1.180	1	Moderate
2	Offering consulting services to Jordanian commercial banks leads the auditor to overlook cautionary notes for investors about the possibility of the institution's failure in the future.	2.84	0.998	3	Moderate
3	Offering consulting services to Jordanian commercial banks leads the auditor to overlook the requirements of adequate disclosure related to the going concern of the institution.	2.88	1.000	2	Moderate
4	Offering consulting services to Jordanian commercial banks negatively affects the auditor's report on going concern to hide their bankruptcy.	2.79	1.041	4	Moderate
5	Offering consulting services to Jordanian commercial banks leads to management conspiracy with the auditor to hide some information that negatively affects going concern.	2.79	1.085	4 duplicate	Moderate
6	Offering consulting services to Jordanian commercial banks leads the auditor to invalidity reserve his report if there is a fundamental doubt about the institution's inability to sustain.	2.76	1.071	5 duplicate	Moderate
7	Offering consulting services to Jordanian commercial banks leads the auditor to hide the administration's adoption of policies that lead to manipulation of the financial statements, which negatively affect going concern.	2.70	1.056	6	Moderate
8	Offering consulting services to Jordanian commercial banks leads the auditor to disregard the administration's assessment of the ability to sustain.	2.76	1.063	5	Moderate
9	Offering consulting services to Jordanian commercial banks leads the auditor to express a clear opinion on the financial statements, despite the administration's unresponsiveness regarding its assessment of going concern.	2.88	1.105	2	Moderate
10	Offering consulting services to Jordanian commercial banks leads the auditor to overlook the fundamental delay in certifying the financial statements from the administration, especially if they are associated with events related to the assessment of the institution's ability to sustain.	2.83	1.086	4	Moderate
All the paragraphs		2.823	0.916	Moderate	

The results of the one-sample t-test about the impact of consulting services on disclosure of

going concern in Jordanian commercial banks are presented in Table 2

Table 2. Results of the hypothesis testing

Content	Average	Standard deviation	Relative weight	T-value	Significance level	Statistical decision
The impact of consulting services on the disclosure of going concern in commercial banks	2.823	0.916	56.46	2.247-	0.026	Reject the null hypothesis

Note: The p-value in the table at the significance level $\alpha = 0.05$ equals 1.96, and the test is 2-tailed.

5. CONCLUSION

The results of the hypothesis statistical analysis (Table 2) showed that there are statistically significant variations among the opinions of the Jordanian

external auditors on the impact of consulting services on the disclosure of going concern in Jordanian commercial banks. Where the results showed that the consulting services offered by the external auditors negatively affect the disclosure

of going concern in Jordanian commercial banks. Also, it showed that the evaluation level of the study sample on all the related paragraphs to this hypothesis is negative and moderate, which means that the external auditors did not perform their professional duties efficiently and credibly concerning their commitment to applying international auditing standards, which obligate them disclosing going concern. Therefore, by comparing the results of the current study with the results of previous studies, it is found that the results of this study were compatible with the results of Basioudis et al.'s (2008) study, however, the results of the current study disagree with the result of Mitra's (2007) study.

Based on the results of this study, the most important recommendations can be summarized as follows:

1. The necessity for Jordanian audit offices not to accept the provision of consulting services unless they ensure that they are not in conflict with the professional conduct and independence of the auditor, and thus by specifying the areas of consulting services that are allowed to be provided to the audited institution.

2. The necessity of regulating the consulting service's activities in the Jordanian auditing offices, in a way that these services do not affect the disclosure of the institution's going concern.

This study focused on the advisory services provided by the external auditors and did not take into account the opinion of the internal auditors, and did not focus on any of the other services provided by the external audit offices.

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