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VIOLATION OF RESPONSIBILITIES BY THE AUDITORS UNDER SAUDI COMPANIES' LAW

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Abstract
The violation of obligations by the auditors in the organization has become an issue of a major and hot concerned in Saudi Arabia particularly with the scandals of MMG (Mohammad Al Mojil Group) and Etihad Etisalat also known as Mobily. The gaps in auditors' obligations and responsibilities served to bring about violations of obligations by the auditors. This study investigations how gaps in auditors' obligations and responsibilities lead to violations of obligations in Saudi Arabai. Also, the study attempted to know which factor is the most significant variable that led to violation of obligations by the auditors. The study adopted a cross-sectional survey research design with a total of 300 respondents (comprising of auditors from various firms in Saudi Arabia) were surveyed regarding violation of obligations and responsibilities in Saudi firms using a quantitative approach. The quantitative data generated were analysed using both Ordinary Least Square (OLS) and Stepwise regression analysis techniques. From the finding, it is revealed that the gaps in auditors' obligations and responsibilities lead to violations of obligations in Saudi Arabia, the gaps in auditors' obligations and responsibilities significantly affect violations of obligations in Saudi Arabia ($p<0.05$, $p=0.000$). The finding further from the stepwise regression revealed that Friendly relationship with the client is the most important variable that leads to the violation of obligations by the auditors with a beta value .654, thus, highlight the significant positive impact of Friendly relationship with the client on violations of obligations by the auditors in Saudi firms. This is equally followed by anability to follow standards by the auditors with a beta value of .354, suggesting its importance in violation of obligations by the auditors. Other variables leading to violations of obligations as captured by the finding include unethical practices, auditor's negligence and accounting and auditing failures with beta values of .262, -.182 and .135. Drawing from the findings, the study concluded that gaps in auditors' obligations and responsibilities lead to violations of obligations by the auditors. Additionally, the study also concluded that friendly relationship with the client is the most important variable that leads to the violation of obligations by the auditors, and this revealed the significant positive impact of friendly relationship with the client on violations of obligations by the auditors in Saudi firms.This research fills a void in research in this area in a country like Saudi Arabia small country. These findings have important implications for all stakeholders, particularly investors, auditors and regulators.

1.1 Introduction

Generally, auditors are described as professionals who review a company's financial records and reports to ensure they are accurate and comply with laws and regulations(Raab, 1987; Saghir, 2024)Saghir, 2024). In Saudi Arabia, the auditors of a company are Certified Public Accountants (CPAs) who are members of the Saudi Organization for Certified Public Accountants (SOCPA). They play a very important role in the affairs of companies and corporate bodies. For example, auditors are responsible for reviewing and verifying a company's financial records, and ensuring that the company complies with tax laws(Mohd Nor et al., 2010; Saghir, 2024). They provide an independent opinion on the company's financial statements, which can help the company in several ways, such as: Maintaining consistency, finding errors in processing, and detecting fraud. According to Alghamdi and Al-Adeem (2023); Siddharta (2015), auditors play a role in ensuring the quality of financial reports and are key information sources for many important economic decisions(Guan et al., 2016; Siddharta, 2015; Voinea et al., 2022). By certifying such reports for users, external auditors build confidence in the capital markets. This points to the fact that in an auditing exercise, only the auditor can determine whether the audit was conducted objectively or if its independence has been compromised (Alghamdi & Al-Adeem, 2023).

In Saudi Arabia, the issue of auditor's responsibilities violation is still a hot issue. According to Zerban (2017), there have been accounting and auditing failures in many parts of the world and Saudi Arabia not exception despite strong efforts for efficient corporate governance. Zerban (2017)further noted that an accounting scandal at one of Saudi Arabia's largest telecommunications companies posed a huge pressure on regulators, particularly at this crucial time when the Saudi government is attempting to open up the Arab world's largest stock market to foreign investors. There are several cases of accounting and auditing failures which can be linked to auditor's obligations and violation of responsibilities. The case of Deloitte's firm (Bakr Abulkhair & Co.) which has been prohibited by The Capital Market Regulator from auditing public companies as of June 1st, 2015 due to the reason of its work for the targeted loss-making company MMG (Mohammad Al Mojil Group) is a very good example. Another similar case in Saudi Arabia is that of MMG (Mohammad Al Mojil Group) and Etihad Etisalat also known as Mobily, which the company's audit committee pointed in their perspective to accounting errors that decreased about $380 million in previous profits.Zerban (2017) argued that the corporate accounting and auditing failures in the case of Saudi Arabia warrants territory of research for the purpose of determining what went wrong and the violations of corporate governance rules. Geiger and Raghunandan (2002)in his study observed auditing failures and errors among the auditors. The study noted that public perceptions of the role of independent auditors coupled with rigorous enforcement of the Foreign Corrupt Practices Act (FCPA) suggests a high level of scrutiny of the independent auditors' responsibility which is supposed to make them detect bribes. However, their high level of scrutiny has not yielded the desired goal, meaning that auditors' responsibilities appear to be violated probably due to bribes.

In Saudi Arabian company law, it is reported that auditor's obligations as well as audit requirements vary by company size and industry(Saghir, 2024). For example, joint stock companies and limited liability partnerships must appoint an independent auditor, while banks and insurance companies must appoint at least two. In other words, companies are required to appoint an external auditor to review their financial statements annually, ensuring the accuracy and integrity of financial reporting. Licensed Auditors: Auditors must be licensed under SOCPA to conduct audits for companies in Saudi Arabia. Section 143 (1) of the Companies Act 2013, empowers an auditor of a company with the right to access books of accounts and vouchers of the company at all times, whether kept at the registered place of the company or any other place. In a clear term, auditors in Saudi Arabia have several obligations such as; Appointing licensed auditors, meaning that auditors must be licensed by the Saudi Organization of Certified Public Accountants (SOCPA). It also includes conducting annual audits which implies that companies must appoint an external auditor to review their financial statements annually. They must Submit audit reports;this means that the auditor must submit the audit report to shareholders at the annual general meeting (AGM) and to regulatory authorities. The auditors must examine company documents through reviewing company documents in order to evaluate financial performance and compliance. It is also the obligation of the auditor to assess organizational processes for quality standards. Obtaining relevant documents is equally part of auditor's obligation, meaning that company managers must provide auditors with relevant documents for review and reporting. Also, they should obtain shareholder approval meaning that shareholder approval of audit reports is typically sought following the audit process.According to SOCPA,

> *Article (10) states that "A Certified Public Accountant shall comply with the professional code of ethics as well as with accountancy, audit and other technical standards issued by SOCPA. A Certified Public Accountant shall also comply with applicable regulations and by – laws" while Article (13) states that "A Certified Public Accountant shall not be entitled to audit the accounts of enterprises or companies in which he has a direct or indirect interest, as specified in the executive by – laws". The law also in Article (14) clearly stated that "A Certified Public Accountant shall not be entitled to audit the accounts of joint stock companies, banks and public corporations unless he has a minimum of five years of professional practice from the date of obtaining the license"*.

In all, the Saudi company law states that the fundamental obligation or duty of the auditor is to make a report regarding accounts and financial statements examined by him and present the same to the members of the company.

Giving the above background, despite the fact that Siddharta (2015)and Zerban (2017)have highlighted factors such as bribes and auditor's errors leading to accounting and auditing failures etc. However, in Saudi Arabia, it is unclear what factor is responsible for the auditor's violation of responsibilities despite strong efforts for efficient corporate governance by the Saudi government. It is argued here that auditors not knowing their obligations can lead to violation of responsibilities, suggesting a strong relationship between auditor's obligations and violation of responsibilities. This study is unique from other studies on auditor's obligations as it is going to link auditor's obligations to violation of responsibilities not in western context but in Saudi Arabia context. It is crucial to note that the issue of auditing failure as a result of violation of responsibilities is not peculiar to the west but also the Middle-east in particular, Saudi Arabia. Also, the several audit failures in Saudi Arabia bears witness to this research. Additionally, within the academic context, there appear to be paucity of literature liking auditor's obligations to violation of responsibilities, suggesting that studies investigating how auditor's obligations lead to violation of responsibilities within the present research context is lacking. Therefore, the objective of this study is to determine how auditor's obligations affect the violation of responsibilities particularly in the situation of auditing failures.

2. Literature Review

2.1 Auditors obligations and Violations of responsibilities

DWF (2020) demonstrated the violation of auditors when it examined the scope of duty and 'loss of a chance' in the AssetCo Plc v Grant Thornton. In this case, the issue of auditor's dishonesty and negligence were raised. The court held that, where an auditor negligently failed to detect management's dishonest concealment of the claimant's insolvency, it was liable for the losses suffered by the claimant in continuing to conduct its loss-making business: Assetco Plc v Grant Thornton. Zerban (2017) argued the issue of auditing failures with respect to corporate governance in Saudi Arabia. It examined the corporate accounting and auditing failures in what the study called Enron of Saudi Arabia. Zerban (2017)observed that accounting and auditing failures are still a hot topic despite strong efforts for efficient corporate governance. He argued that in any cases the financial results of companies were too good to be true and no sound was heard to criticize the company albeit very few opinions. In this case, the study highlighted a few cases of auditing failures such as Deloitte's firm (Bakr Abulkhair & Co., MMG (Mohammad Al Mojil Group) and Etihad Etisalat, known as (Mobily) etc. It is further argued that an accounting scandal at one of Saudi Arabia's largest telecommunications companies has put pressure on regulators in such that Saudi Arabia now push to open up the Arab world's largest stock market to foreign investors. Accordingly, the study claimed that most corporate failures are linked to corporate accounting and auditing failures on the side of the auditors, suggesting that auditors are responsible for most corporate failures. In conclusion, there is a need to strengthen corporate governance in order to avoid accounting and auditing failures. As it is, in any case of corporate accounting and auditing scandals we have greed managers, an auditing office sharing the benefits and loose regulations.

Alghamdi and Al-Adeem (2023)conducted an empirical study on threats of personal ties to auditor independence in Saudi Arabia. The study argued on the independence of the auditors which they claimed may negatively impact the auditor's independence in a number of ways. They noted that it is only auditors who tell whether the audit was conducted objectively or if its independence has been compromised. A survey was conducted in this respect where the respondents agreed that in their experience, 15 of the 20 personal ties-related factors that were included in the study had an impact on the independence of Saudi Arabia's auditors, suggesting that auditor's communication with the client management put the independence of the auditors at risk. However, auditors have the option to refuse to let personal relationships compromise their objectivity by replying on real-time to the seduction of their client management. From this study, it is clear that auditor's job is affected by personal relationships particularly with the clients. (Siddharta, 2015), conducted a study on violation of auditor's responsibilities through Auditing for Bribes. Siddharta (2015)revealed that when a client violates the anti-bribery provisions of the Foreign Corrupt Practices Act (FCPA), the violation also may result in a material error in the financial statements. If the material error is not properly accounted for or disclosed, the auditor should issue a qualified or adverse opinion on the financial statements. If the client prevents the auditor from obtaining information to evaluate the effect of the FCPA violation, then a scope limitation occurs which generally causes the auditor to disclaim the opinion on the financial statements.If the client refuses to accept a qualified opinion, an adverse opinion, or a disclaimer of opinion, then the auditor must withdraw and inform the client's audit committee or board of directors of the reasons for withdrawing in writing. Also, Siddharta (2015)found that an FCPA violation or an inadequate FCPA compliance program constitutes a material weakness in internal controls over financial reporting. Also, the theoretical study byIONIȚĂ (2021)examined the legal regime of auditors and financial auditors in the matter of companies. The major objective of the paper was to analyze one of the most important components of the activity of a company, namely the activity of management control. Thus, the focus of the paper is on the current structure and regulation of the company's management control. The paper also made references types of companies, the rules applicable to partnerships, capital companies but also limited liability companies. The paper analysed the term of office, the rights and obligations of auditors in relation to the company but also their responsibility for the activity carried out. This was equally preceded by the exhaustively analyze of the legal regime of financial auditors and in this sense which preferably followed the regulation of company law but also of the special applicable legislation. The paper adopted some specialized works in the field of society as well as the regulations from the updated special legislation.The paper revealed that the financial audit activity in Romania is regulated by GEO 75/1999, amended by law no. 162/2017 on the statutory audit of the annual financial statements and of the consolidated annual financial statements and amending some normative acts. It shows that one obligation of the auditors in Romanian commercial law is financial audit which is conducted by the financial auditors in order to express an opinion on the financial statements or of some of their components, the exercise of other insurance missions and professional services, in accordance with the special regulation in the matter, however, it is also clear that in case of companies that are not subject to financial audit, the will of the general meeting prevails whether to use financial auditors or to appoint auditors. In Romanian company law no. 162/2007, the financial audit consists of the statutory audit including the activity performed in order to express an opinion on the financial statements or some of their components. It equally covers the exercise of other insurance missions and professional services according to international auditing standards and other regulations. However, it is unclear whether auditors in Romania violate this obligation or not. In art. 21 of Law no. 162/2017 of the company law, the neutrality of the financial auditor including the independence of the auditor. For example, there must a clear distinction made between financial auditors (external) and internal auditors. It is very important that auditors must not violate this obligation.

Aldahmash (2023) looked into the liabilities of company directors in Saudi Islamic and Arabian law with the purpose of investigating and analysing the liabilities of the directors in Saudi Arabia and Islamic law in order to demonstrate the extent to which these regulation work effectively. Based on this, a critical assessment of relevant legislation and case law on the subject matter of the study were conducted. It equally demonstrated practical problems, which the study thinks resulted from some legislation. By doing this, a clear and an accurate picture of the directors' liabilities was provided with solutions to practical problems of legislation in the same context. The paper claimed that the directors' responsibility is to ensure that effective corporate governance is applied in all relevant matters by establishing a compliance policy that governs the company's compliance with all applicable laws, including the establishment of effective compliance risk management policies and procedures and the obligation to prepare periodic reports regarding the compliance. According to Aldahmash (2023), in the Saudi Arabian Companies Law 2015, the legislation in Saudi Arabia imposes general duties on directors, to guide them in the way that they should function to reduce the risks of their decisions, which may have unwanted consequences for the company, shareholders, stakeholders and other parties. The legislation also seeks to prevent the directors from using the position for their personal interests or for any other considerations that are not in the company's interests or are not within the purposes of the company. Accordingly, these broad powers of directors do not leave them free from liability in the event of non-compliance with the duties stipulated. This directors' liability may be civil or criminal, according to the wrongful act committed. For example, the Civil liability, is a breach of the obligation required by the directors stated in the Saudi Arabian Companies Law 2015 (SACL 2015). The breach can also be as a result of mismanagement of the company's affair, the abuse of the granted power or as a result of negligence in the oversight of the company's business.

Guggisberg (2020)studied the independent, compulsory, and centralized verification of states' obligations in fisheries with particular focus on IMO audit scheme for shipping law. The study observed that some states studied violated international obligations by not abiding by the international rules binding them. The study observed that there is no comprehensive and compulsory mechanism that exist to review states' compliance with these obligations. However, it was a different scenario in the shipping field, where International Maritime Organization (IMO) member states are regularly audited: the respect of their obligations as flag, coastal, and port states is assessed by external and professional auditors through a detailed procedure. The study argued that there is need for comprehensive audit in the fisheries field, and by so doing, the auditors can avoid the violation of their obligations. In the review of consideration of laws and regulations in an audit of financial statements which is part of auditor's obligations, the Malaysian Institute of Accountants (2022) demonstrated that the objective of the auditors includes; to obtain sufficient appropriate audit evidence regarding compliance with the provisions of those laws and regulations generally recognized to have a direct effect on the determination of material amounts and disclosures in the financial statements; also, to perform specified audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements; and lastly to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit. On the other hand, auditor's obligations are as follows;

the auditor shall obtain a general understanding of; the legal and regulatory framework applicable to the entity and the industry or sector in which the entity operates; and how the entity is complying with that framework. Also, the auditor shall obtain sufficient appropriate audit evidence regarding compliance with the provisions of those laws and regulations generally recognized to have a direct effect on the determination of material amounts and disclosures in the financial statements. (Ref: Para. A12). Accordingly, the auditor shall perform the following audit procedures (such as Inquiring of management and Inspecting correspondence) to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements: (Ref: Para. A13–A14). Finally, the auditor during audit shall remain alert to the possibility that other audit procedures applied may bring instances of non-compliance or suspected.

The Auditor's Responsibility for Noncompliance with Laws and Regulations was well studied by (Keyser & Smith, 2024)using the case of unauthorized account activity at Wells Fargo. It used the case of Wells Fargo to explore the influence of materiality on the scope of an audit, the auditor's responsibility for detection and communication of noncompliance with laws and regulations (NOCLAR), and the auditor's consideration of the control environment in the evaluation of internal controls over financial reporting (ICFR). The study through a thorough auditing activity, identified a widespread abuse by thousands of employees (e.g., opening deposit and credit accounts without customer consent) which made Wells Fargo paid civil monetary penalties of $185 million and other substantial punitive fees and fines. The case of Wells Fargo clearly shows that the auditors' obligations were well executed. Thus, no violation of auditor's responsibilities. The auditors were able to recognize the impact of materiality considerations on decisions about financial statement misstatements, NOCLAR, and internal control deficiencies.

Lenz (2020)study on the aggressive tax avoidance by managers of multinational companies as a violation of their moral duty to obey the law using Kantian Rationale as a case argued that managers of multinational companies often favour an aggressive tax avoidance strategy that pushes the legal limits onto the advantage of shareholders and the disadvantage of the spirit of democratically legitimized tax laws. Giving this background, Lenz (2020)further argued that aggressive tax avoidance by managers of multinational companies do violate the managers' moral duty to obey not only the letter but also the intention or spirit of the law, suggesting a violation of responsibilities. The paper the demonstrates the complexity of a philosophical argumentation which tries to justify the moral intuitions that underpin the common negative evaluation of aggressive legal strategies in business. The study employed a thorough ethical analysis based on the deontological approach of Kant to show that aggressive tax avoidance as a special case of operating on the edge of legal boundaries is nothing a potentially immoral act. It also utilized the Kantian "contradiction of conception or will" test which enable the study to revealed that the maxim might not be conceived or willed as a general law of nature. The study claimed that the validity of its argument or the issue presented depend critically on the formulation of the respective maxims, especially the appropriateness of the proposed definitions, the reasonableness of the interpretation of the meaning of a "stable, predictable, just, and democratically legitimized legal system" and the principal acceptance of a deontological Kantian procedure. Overall, the study shows the violation of responsibilities by the multinational companies but not on the auditors which the present study focuses on.

Furthermore, the law on audit of the republic of Lithuania in both Article 19 and 20 clearly stated both the right and the Obligations of Auditors. For the right of the auditor, it states in Article 19, that the Auditors in performing audit, the auditor is entitled to:

I. select audit procedures at his own discretion, making use of his professional knowledge and experience;
II. obtain documents necessary for the audit from the enterprise which is being audited;
III. demand from the enterprise which is being audited that reference measurements be performed, stocktaking of assets be carried out, other inspection of the assets of the enterprise be conducted and other necessary actions be taken;
IV. obtain the required written explanations from employees of the enterprise which is being audited.

While article 20 specifically states the obligations of the auditors. Therefore, the auditor must:

I. honestly fulfil his professional duties. Both while fulfilling his professional duties and after the office hours, the auditor shall be bound by the oath taken and must comply with the requirements of the Auditors' Code of Conduct;
II. comply with laws and other legal acts, national or international auditing standards in performing audit;
III. continuously develop his professional qualifications;
IV. keep the information entrusted to him in the course of his professional activities;
V. fulfil other duties provided for by law.

Related to the above, Forstmoser (1983)studied the duties and liabilities of auditors under Swiss law. The claimed that there have been several changes of the liability of corporate auditors to corporations, shareholders and creditors by the Swiss Federal Supreme Court (Bundesgericht). The paper outlines the position, eligibility and duties of auditors. It went further to define the prerequisites of liability, describes the assessment of damages, enumerates the persons entitled to sue, and delineates their rights of action. It started by starting the position of law on the duties and liabilities of auditors in Swiss.

First, The Swiss Code of Obligations (hereinafter cited as the Code, CO) mandates three corporate organs. The general meeting of shareholders adopts and amends the articles of incorporation, approves the issue of capital stock, and elects' members of the other organs. The board of directors acts as an executive organ, responsible for managerial functions. The auditors examine the accounting procedures and calculations used in corporate reporting. Auditors are elected by the shareholders, pursuant to the Code, Art. 727 1, for terms of one to three years. The auditors may be re-elected indefinitely. Additional organs may be established by means of the by-laws. Those additional organs, however, can be assigned no duties which, pursuant to the Code, belong to one of the three statutory organs.

Furthermore, Forstmoser (1983)noted that the duties of bank auditors exceed those of corporate auditors. However, the general obligations of auditors are;Pursuant to CO Art. 728 I, auditors must conduct an examination to determine whether a corporation's profit and loss statement and balance sheet conform with its books, whether the books are kept properly, and whether the business results and. financial position represented in the financial statements comply with statutory requirements as to valuation. Auditors must also examine the corporation's books to see whether they comply with any relevant special provisions of the articles of incorporation. These statutory duties represent the minimum efforts required of auditors. They lack specificity and therefore must be interpreted by reference to corporate and general bookkeeping rules. In practice, a number of rules have emerged. Auditing once involved little more than mathematical verification of bookkeepers' computations. For example, the Bundesgericht once held that auditors were not required to certify the accuracy of individual valuation claims. Today, a mere bookkeeping check is not sufficient. Auditors must examine the propriety of the corporation's bookkeeping system. For example, the Court recently declared that although auditors are not obliged to examine the value of every balance sheet entry, they must ensure that the most important assets are not valued at costs that exceed the original acquisition or production costs less adequate depreciation applicable under the circumstances.
In 1967 the Bundesgericht expanded the duties of auditors even further, BGE 93 (1967) II, at 22, by requiring auditors to ascertain whether the capital surplus entries were accurate in view of unrecorded depreciation. The auditor was also required to determine whether the valuation of inventory (the most important item on the assets side of the balance sheet in question) had been calculated according to the "principle of lowest value" laid down in CO Art. 666. According to this principle, raw materials must be recorded at the lowest value as determined by purchase price, manufacturing cost, or market value. The Court also required auditors to consult experts, if necessary. Finally, the trend toward expansion of auditor's duties is evidenced by the 1975 decision of the Ziurich Commercial Court, affirmed by the Bundesgericht, holding auditors liable for damages for not drawing a fully consolidated balance sheet [10] and for not examining several credits or the financial situation of subsidiaries. In 1979 decision of the Ztirich High Court (Obergericht) [11] held auditors liable for damages for relying on expert opinions of the valuation of a corporation's real estate where the opinions were given by individuals closely connected with the corporation and instructed by it.To avoid auditor’s violations in Saudi, **SOCPA provided the following laws on accounting and auditing. For example, it is stated as follows:**

> *Article (10): “A Certified Public Accountant shall comply with the professional code of ethics as well as with accountancy, audit and other technical standards issued by SOCPA. A Certified Public Accountant shall also comply with applicable regulations and by – laws”. Article (12): “A Certified Public Accountant, under all circumstances, shall maintain documents received from clients, audit working papers and copies of financial statements pertaining to his clients for a minimum period of ten years from the date of issue of the audit report covering each financial year that is duly audited. Article (13): “A Certified Public Accountant shall not be entitled to audit the accounts of enterprises or companies in which he has a direct or indirect interest, as specified in the executive by – laws” while Article (14): “A Certified Public Accountant shall not be entitled to audit the accounts of joint stock companies, banks and public corporations unless he has a minimum of five years of professional practice from the date of obtaining the license”.*From the discussions

above, in reality how auditors violate their responsibilities are yet to be highlighted let alone discussed particularly in the context of Saudi Arabian company law.

Methodology

The study adopted a survey research design approach with a total 283 auditors selected from 20 companies in Saudi Arabia. The use of auditors as the unit of analysis is justified by Alghamdi and Al-Adeem (2023); Fornelli (2012) which established that auditors are the only ones who can determine whether they are objective or not in any auditing exercise.Variables were operationalized accordingly. For example, auditor's obligation was operationalized as friendly relationship with the client, inability to follow standards unethical practices, auditor's negligence and accounting and auditing failures while the violation of responsibilities was proxy as failures and inability to meet or keep rules, regulations, compliances etc. The survey questionnaires were distributed using the Google form but only 283 of the survey questionnaires were returned filled and deemed usable. Cochran formula of sample size determination was employed since the study was unable to obtained the actual number of auditors in Saudi companies. All variables will be measured using the 5-point Likert scale consisting of the below points – (1) Strongly Disagree; (2) Disagree; (3) Not sure; (4) Agree; (5) Strongly Agree. The survey questionnaires were distributed and retrieved using the A web-based survey such as google form. The collected questionnaires were analysed using STATA version 13 analytical tool.

Data analysis Results

Descriptive analysis

This was used to summaries the demographic profiles of the respondents in terms of their gender, age, marital status and highest academic educational qualifications in terms of frequency, percentage, mean and standard deviations. As depicted in table 1 below, gender revealed that 148(52.3%) of the respondents who participated in the survey are males while the remaining 135(47.7%) are females with a mean score of 1.48 and a standard deviation of .500. Also, the age distribution of the respondents who participated in the survey shows that 64(22.6%) are less than 30 years of old, 79(27.9%) of them are in the age bracket of 30-40 years old, some 65(23%) of them are also in the age bracket of 36-40 years old while the rest 75(26.5%) of them are 41 years old and above. Data from their marital status revealed that 82(29%) of the respondents are singles while majority of them numbering 200(71%) are married with a mean of 1.71 and a standard deviation of .454. Finally, the descriptive survey result on the respondent's academic education shows that quite a number of them numbering 215(76%), havebachelor's degrees while the rest of 68(24%) of them only have master's degrees.

Table 1: Descriptive Result

Variables	**Frequency**	**Percentage**	**Mean**	**Standard Deviation**
Gender:				
Male	148	52.3	1.48	.500
Female	135	47.7		
Age:			2.53	1.112
Less than 30 years	64	22.6		
30-35 years	79	27.9	1.71	.454
36-40 years	65	23.0		.
41 years and above	75	26.5	1.24	428

Marital Status:				
Single	82	29		
Married	201	71		
Highest Academic				
Education:	215	76		
Bachelor	68	24		
Masters	**283**	**100**		
Total:				

Source: Author's Compilation, 2025.

Validity Test Result

The study conducted a construct validity on items measuring both auditor's obligations and auditor's violations of obligations using the principle component factor analysis with a KMO of 0.6 and above as suggested byEsuh Ossai-Igwe Lucky and Ibrahim (2015); Atyeo, Adamson & Cant (2001). First, the loading factors proved that items are valid with KMO score of .706for auditor's obligations and .790 for auditor's violations of obligations. The loading factors are .844, .810, .787 and .613 for items measuring auditor's obligations while .850, .812, .799, .713 and .671 are for items measuring auditor's violations of obligations. Items 1 and Items 6 were deleted as a result of low loading factors while only Item 6 was deleted from auditor's violations of obligations due to low loading factor.

Table 2: Validity Test Result

Statements	**Component 1: Factor Loading**
As a certified auditor, I try to comply with the professional code of ethics as well as with accountancy, audit and other technical standards issued by SOCPA.	.844
I also comply with applicable rules and regulations and by- laws.	.810
As a certified auditor, I furnish SOCPA with the required information on his activity as specified in the executive by laws.	.787
All letterheads, correspondence, reports and other data issued carry my name, number and date of issue of his license.	.613
Kaiser-Meyer-Olkin Measure of Sampling Adequacy	.706
Bartlett's Test of Sphericity- Approx. Chi-Square	317.676
df	6
sig.	.000

Table 3: Validity Test Result

Statements	**Component 1: Factor Loading**
As a certified auditor, I try to avoid dishonest representations of reports or information	.850
My conduct is always in line with the audit and accounting ethics and standards as a certified auditor.	.812
I try to be diligent rather than negligence in my duty as a certified auditor	.799

I ensure that trust to different interested parties in my accounting information and audit reports is guaranteed.	.713
I tried not to fail in meeting the mandatory reporting rules regarding losses	.671
Kaiser-Meyer-Olkin Measure of Sampling Adequacy	.790
Bartlett's Test of Sphericity- Approx. Chi-Square	555.560
df	10
sig.	.000

Reliability Test Result

This was conducted using the internal consistency measure with a Cronbach's Alpha coefficient score of 0.6 and above. From table 4, the result demonstrated that all the items are loaded into the analysis proved that they are reliable as they met the threshold of 0.6 and above. For instance, Auditor's Obligations with 4 items yielded a Cronbach's Alpha coefficient score of .759 while that of auditor's violations of obligations with 5 yielded Cronbach's Alpha coefficient score of .828, meaning that they are all reliable.

Table 4: Reliability Test Result

Variables	**Number of Items**	**Cronbach's Alpha**
Auditor's Obligations	4	.759
Auditor's Violations of Obligations	5	.828

Hypothesis Testing

First, an Ordinary Least Square (OLS) regression analysis through STATA version 13 was conducted to determine whether auditor's obligations lead to the auditor's violations of obligations. Interestingly, auditor's obligations were found to have a significant impact on auditor's violations of obligations, $R^2 = 0.2493$, $F(1,281) = 93.32$, $p = 0.000$, and was therefore included as a predictor variable in the subsequent analysis. The coefficient value-.5885287 and also the t-value of 9.66 demonstrated that auditor's obligations are positive in causing auditor's violations of obligations as indicated in table 5 below. The p-value of less than 0.05 (p=.000) suggests that the predictor (auditor's obligations) is significantly related to the dependent variable (violations of obligations). Overall, the **F (ANOVA Statistic) strongly demonstrated that the** regression model is statistically significant at $F(1,281) = 93.32$, $p = 0.000$, suggesting that the model is better than a model with no predictors.

Table 5: Relationship

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. regress AuditorViolationsOfObligations AuditorsObligations

      Source |       SS       df       MS              Number of obs =     283
-------------+------------------------------           F(  1,   281) =   93.32
       Model |  38.6623707     1  38.6623707           Prob > F      =  0.0000
    Residual |  116.418088   281  .414299245           R-squared     =  0.2493
-------------+------------------------------           Adj R-squared =  0.2466
       Total |  155.080459   282  .549930704           Root MSE      =  .64366

------------------------------------------------------------------------------
AuditorVio~s |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
AuditorsOb~s |   .5885287   .0609229     9.66   0.000     .4686055    .7084519
       _cons |   1.330567   .2524079     5.27   0.000     .8337169    1.827418
------------------------------------------------------------------------------
```

In order to identify the most influential predictors of Violations of Obligations, a stepwise regression analysis was conducted.The criteria for variable entry and removal were set at probability of F—t-enter =<.050 and probability of F-to remove _>.100. In the first step, friendly relationship with the client was entered into the model, resulting in a significant improvement, F(1, 281)= 208.380, p< 0.05(p=.000). In the second model, Friendly relationship with the client and Inability to follow standards was added, leading to another significant improvement, F(1, 281)= 132.155, p<.05 (p=.000). for the third model, friendly relationship with the client, inability to follow standards and unethical practices were entered which resulted to a significant result, leading to F(1, 281)= 103.061, p<.05 (p=.000). The fourth model entered a friendly relationship with the client, inability to follow standards, unethical practices and auditor's negligence leading to another significant outcome where F(1, 281)= 80.102, p<.05 (p=.000). The final model included all the variables; friendly relationship with the client, inability to follow standards, unethical practices, auditor's negligence and accounting and auditing failures resulting to a significant outcome which accounted for a substantial proportion of the variance in violation (R square=.545; 54.5%).

In the first model, regression equation was Violations of Obligations=2.537+.653(Friendly relationship with the client), highlighting a significant impact of Friendly relationship with the client on violation of obligations (t=14.435, p=<.05, Beta=.653). In the second model, with the addition of Inability to follow standards, the equation became, Violation of Obligations=2.383+.397(Friendly relationship with the client) +354(Inability to follow standards), also suggesting a significant influence of both Friendly relationship with the client and Inability to follow standards on violation of obligations (t=6.398 and 5.704, p=<.05, Beta=.397 and .354). The third model equation shows that Violation of Obligations=1.930+.326(Friendly relationship with the client) +.310(Inability to follow standards) +.227(Unethical practices), suggesting a significant relation with violation of obligations (t=5.314, 5.134 and 4.855, p=<.05, Beta=.326, .310 and .227). the fourth model regression revealed that Violation of Obligations=2.131+.330(Friendly relationship with the client) +.318(Inability to follow standards) +.297(Unethical practices) +-.125(Auditor's negligence), suggesting a significant relation with violation of obligations (t=5.411, 5.313, 5.433 and -2.419, p=<.05, Beta=.330, .318, .297 and -.125), meaning that Friendly relationship with the client, Inability to follow standards, Unethical practices and Auditor's negligence lead to violation of obligations. Similarly, the final model shows that Violation of Obligations=2.057+.328(Friendly relationship with the client) +.304(Inability to follow standards) +.262(Unethical practices) +-.182(Auditor's negligence) + .135 (Accounting and Auditing Failures), suggesting a significant relation with violation of obligations (t=5.430, 5.100, 4.664, -3.237 and 2.461, p=<.05, Beta=.328, .304, .262, -.182 and .135), meaning that Friendly relationship with the client, Inability to follow standards, Unethical practices, Auditor's negligence and Accounting and Auditing Failures are important variables for violation of obligations.

Table 6: Results

Model		R square	Beta	t	F	Sig.
1	**(Constant)**			28.229	208.380	.000
	Friendly relationship with the client	.426	.653	14.435		.000

2	(Constant)			26.652	132.155	.000
	Friendly relationship with the client	.486	.397	6.398		.000
	Inability to follow standards		.354	5.704		.000
3	**(Constant)**			15.218	103.061	.000
	Friendly relationship with the client	.486	.326	5.314		.000
	Inability to follow standards		.310	5.134		.000
	Unethical practices		.227	4.855		.000
4	**(Constant)**			14.137	80.102	.000
	Friendly relationship with the client	.535	.330	5.411		.000
	Inability to follow standards		.318	5.313		.000
	Unethical practices		.297	5.433		.000
	Auditor’s negligence		-.125	-2.419		.016
5	**(Constant)**			13.498		.000
	Friendly relationship with the client	.545	.328	5.430	66.459	.000
	Inability to follow standards		.304	5.100		.000
	Unethical practices		.262	4.664		.000
	Auditor’s negligence		-.182	-3.237		.001
	Accounting and Auditing Failures		.135	2.461		.014

a. Dependent Variable: Auditor Violations of Obligations

5. Discuss of findings

The major purpose of this study is to investigation how auditors’ responsibilities bring about violations of their obligations in the Saudi Arabia companies. The study equally explored to identify the most influential predictors (friendly relationship with the client, inability to follow standards, unethical practices, auditor’s negligence and accounting and auditing failures) of violations of obligations in Saudi Arabia firms. Both OLS and Stepwise regression analysis technique were used to achieve the objectives of the study. The finding from the analytical results demonstrated that gaps in auditors’ responsibilities and obligation are lined to the violations of obligations in Saudi companies as suggested by the data at $p<0.05$ ($p=0.000$), meaning that the responsibilities of the auditors are likely to lead to violation of obligations which significantly impact on the companies’ operations. For example, when auditors failed to properly carry out their responsibilities accordingly, there is possibility that they would violate some of their obligations and responsibilities as stated in the company’s book. Specifically, the study also found that variables such as friendly relationship with the client, inability to follow standards, unethical practices, auditor’s negligence and accounting and auditing failures are positive and significantly connected to violation of obligations by the auditors at $p=0.000$, meaning that friendly relationship with the client, inability to follow standards, unethical practices, auditor’s negligence and accounting and auditing failures are major issues when discussing violation of obligations by the auditors particularly in Saudi companies. For example, an auditor who becomes very friendly relationship with the client is likely to violate the obligations and responsibilities, and that also reflects in a situation where unethical practices are exhibited by an auditor of a company, the obligations would be violated. Friendly relationship with the client, inability to follow standards unethical practices, auditor's negligence and accounting and auditing failures all formed the gaps in auditors' obligations which are found to have significant impact in the violations of responsibilities of the auditors.

Further finding from the analytical result using the stepwise regression analysis technique revealed that friendly relationship with the client is the most important variable that leads to the violation of obligations by the auditors with a beta value .654, thus, highlight the significant positive impact of friendly relationship with the client on violations of obligations by the auditors in Saudi firms. The analysis result shows that friendly relationship with the client has highest beta values from model 1 to model 5 when compared with other betas from other variables, making it the most influential and significant variable that relates violations of obligations by the auditors. This is equally followed by inability to follow standards by the auditors with a beta value of .354, suggesting its importance in violation of obligations by the auditors. Other variables leading to violations of obligations as captured by the finding include unethical practices, auditor's negligence and accounting and auditing failures with beta values of .262, -.182 and .135. Previous findings also agreed that of friendly relationship with the client could lead to a violation of responsibilities by the auditors. For example, Alghamdi and Al-Adeem (2023) in their empirical study found that personal ties of the clients to the auditors lead to violation of responsibilities. Evidence from the study clearly demonstrated that auditor's job is affected by personal relationships particularly with the clients. In a case like this, auditors should try to refuse to let personal relationships compromise their objectivity by replying on real-time to the seduction of their client management. A similar finding by Siddharta (2015)points to the fact that relationship with clients lead to material error and consequently, auditors' violation of responsibilities. For example, client relationship may prevent auditors from obtaining information for adequate evaluation, and this may cause a scope limitation which would generally lead to violation of responsibilities. Kown & Yi in 2018 claimed that the positive relationship between the external auditor and members of the audit committee should facilitate the exchange of information, reduces errors, and enables dialogue when there are contentious problems, however, it could also bring about violation of responsibilities but the auditors. Also, the Section 143 (1) of the Companies Act 2013 of Saudi Company Law stresses the need for standard. For example, it is clearly stated that it is the obligation of the auditor to assess organizational processes for quality standards, meaning that standard is very crucial in the violation of responsibilities by the auditors. This is inline with the finding of this study which found that inability to follow standards by the auditors was a key factor responsible for violations of responsibilities by the auditors in Saudi companies. Additionally, Prabashi Dharmasiri (2022)reported a positive link between ethical practices and auditor's violation of responsibilities. They found that reckless behaviors are positively associated with the frequency of violations of responsibilities and severity of Public Company Accounting Oversight Board (PCAOB)sanctions. Accordingly, this equally found that auditor's negligence causes violation of responsibilities by the auditors. It collaborates Buono (2018) which reported that auditor's negligence may cause a firm lose millions particularly when an auditor fails to review the internal control system and assumes the assurance of the internal auditor. Then a fraud takes place as a result of flaws in the *internal control*, the auditors are held liable. Reffett (2010) states that auditors can be sued under contract law if they breach contractual obligations. Take for instance where an auditor does not comply with the terms stated in an engagement letter. In 2007, Fortress Re and PWC paid $229 million as a remedy to settle a lawsuit by their client Tyco Limited. Generally,auditors have a duty to employ such skill with reasonable care and diligence.

The auditor undertakes his task(s) with good faith and integrity but is not infallible. The auditor may be liable for negligence, bad faith, or dishonesty, but not for mere errors in judgment(Buono, 2018).Also, in Assetco Plc v Grant Thornton UK LLP [2020] EWCA Civ 1151, the Court of Appeal also held that, where an auditor negligently failed to detect management's dishonest concealment of the claimant's insolvency, it was liable for the losses suffered by the claimant in continuing to conduct its loss-making business, clearing demonstrating the impact of auditor negligence in violation of responsibilities.

6. Conclusion

In conclusion, this study explores how gaps in auditors' obligations and responsibilities lead to violations of obligations by the auditors in Saudi Arabia. The results provided several interesting and important findings. The study equally aimed at identifying the most influential predictors of violations of obligations in Saudi Arabia firms. First and foremost, the study concluded that gaps in auditors' responsibilities have a positive significant link with violation of obligations by the auditors. Specifically, it implies gaps such as unethical practices, auditor's negligence and accounting and auditing failures etc. significantly lead to violation of obligations by the auditors.
Furthermore, it is equally concluded that friendly relationship with the client is the most important variable that leads to the violation of obligations by the auditors, and this points to the significant positive impact of friendly relationship with the client on violations of obligations by the auditors in Saudi firms. Other variables such as inability to follow standards, unethical practices, auditor's negligence and accounting and auditing failures were also found to cause violation of obligations by the auditors.

7. Limitations and Suggestions for future studies

Very few limitations are linked with this study. First and foremost, the respondents for this study are majorly the auditors of selected companies in Saudi Arabia without consideration to other stakeholders such as the company's accountants, regulators etc. The responses of these other stakeholders may be very crucial in arriving at a very strong conclusion on the factors that cause violations of obligations by the auditors. This therefore suggests that there is a need to capture these important stakeholders in future study of this nature for additional robust findings and conclusions.
Secondly, the issue of violations of obligations and responsibilities by the auditors appears behavioural and attitudinal, which may require face-to-face interactions between the researchers and the auditors, meaning that survey questionnaires may not really capture the actual information needed to analyse why auditors violate their obligations and responsibilities even when they are aware of these obligations. therefore, a qualitative approach is required in this respect for the purpose of deeper insight to probe why auditors violate their obligations and also to explore other key variables not captured in this study that may lead to violations of obligations by the auditors. Finally, this study fulfils a resource need for academics and practitioners, and makes an interesting contribution to our understanding of violations of obligations by the auditors in Saudi Arabia. Also, there may be need for education and training in behavioural science because it has a significant influence on the audit's future.

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