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Economic crises and the quality of external audit: Analysis of impacts on the financial information of listed companies in Morocco

Crises économiques et qualité de l'audit externe : Analyse des impacts sur l'information financière des sociétés cotées au Maroc

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Abstract

This study investigates the impact of economic crises on external audit quality and financial reporting reliability, focusing on Moroccan listed companies. It examines how financial constraints, auditor independence pressures, and regulatory responses influence audit practices during periods of economic downturn. A systematic literature review was conducted, analyzing peer-reviewed studies, regulatory reports, and empirical research on the relationship between economic crises and audit quality. The study integrates theoretical frameworks such as agency theory, signaling theory, and institutional theory to provide a structured understanding of the issue. The findings indicate that economic crises lead to reduced audit fees, increased earnings management, and weakened regulatory enforcement, thereby compromising audit quality. The study recommends strengthening regulatory frameworks, enhancing auditor independence measures, and adopting technological innovations such as artificial intelligence and blockchain to improve audit resilience.

Keywords : Audit quality ; economic crises ; financial reporting ; regulatory oversight ; auditor independence.

Résumé

Cette étude examine l'impact des crises économiques sur la qualité de l'audit externe et la fiabilité de l'information financière, en se concentrant sur les sociétés marocaines cotées en bourse. Elle examine comment les contraintes financières, les pressions exercées sur l'indépendance des auditeurs et les réponses réglementaires influencent les pratiques d'audit en période de ralentissement économique. Une revue systématique de la littérature a été réalisée, analysant les études évaluées par les pairs, les rapports réglementaires et la recherche empirique sur la relation entre les crises économiques et la qualité de l'audit. L'étude intègre des cadres théoriques tels que la théorie de l'agence, la théorie de la signalisation et la théorie institutionnelle afin de fournir une compréhension structurée de la question. Les résultats indiquent que les crises économiques entraînent une réduction des honoraires d'audit, une augmentation de la gestion des bénéfices et un affaiblissement de l'application de la réglementation, ce qui compromet la qualité de l'audit. L'étude recommande de renforcer les cadres réglementaires, d'améliorer les mesures d'indépendance des auditeurs et d'adopter des innovations technologiques telles que l'intelligence artificielle et la blockchain pour améliorer la résilience des audits.

Mots clés : Qualité de l'audit ; crises économiques ; rapports financiers ; surveillance réglementaire ; indépendance des auditeurs.

Introduction

Economic crises, whether global or localized, significantly impact corporate governance, financial transparency, and the overall quality of external audits. The collapse of major financial institutions during the 2008 global financial crisis, the European sovereign debt crisis, and more recently, the COVID-19 pandemic, have demonstrated the vulnerability of financial reporting systems under distress (Hamdan & Braendle, 2024). External audit functions as a critical mechanism to ensure the credibility of financial statements, particularly in economies where investor confidence relies heavily on regulatory oversight. However, in times of crisis, the role of external auditors is challenged by financial constraints, increased risks of earnings management, and shifting regulatory landscapes (Hamdan & Braendle, 2024). In the Moroccan context, the audit profession operates under a legal and regulatory framework influenced by international standards such as the International Standards on Auditing (ISA) and the International Financial Reporting Standards (IFRS). However, economic crises exert pressure on listed companies, leading to cost-cutting measures, including reductions in audit fees, which may compromise audit quality and auditor independence. Prior studies have indicated that financial distress increases the likelihood of managerial manipulation of earnings, a phenomenon exacerbated when audit quality is impaired (Hamdan & Braendle, 2024).

The present study seeks to assess the extent to which economic crises affect the quality of external audits and the reliability of financial reporting among Moroccan listed companies. This research is conducted within a modified positivist paradigm and is based on a systematic literature review. This approach enables an exploratory analysis of empirical and theoretical works without the need for primary data collection.

The objectives of the study are as follows:

- To examine the relationship between financial distress and external audit quality, with particular attention to audit fees, auditor independence, and regulatory responses.
- To evaluate the impact of economic downturns on financial reporting practices, especially in terms of earnings management and transparency.
- To analyze the effectiveness of the Moroccan regulatory framework in preserving audit quality during times of crisis.
- To propose actionable policy recommendations for enhancing the resilience of external audit systems in emerging markets during periods of financial instability.

The remainder of this paper is structured as follows. The first section outlines the research methodology, including the adopted paradigm, the theoretical framework, and the criteria for selecting literature sources. The second section presents the main findings of the systematic review, focusing on the effects of economic crises on audit quality and financial reporting in Morocco and internationally. The third section discusses the implications of these findings for auditors, regulators, and policymakers, while offering strategic recommendations to enhance audit resilience. The final section concludes the paper by summarizing key insights, acknowledging the study's limitations, and suggesting directions for future research.

This research contributes to the existing literature by offering an empirical assessment of external audit quality in an emerging economy during financial crises. It extends prior studies by incorporating Morocco's unique regulatory and economic environment, thereby addressing a gap in the literature that predominantly focuses on developed markets. Additionally, the study provides practical insights for regulators, policymakers, and audit firms on improving financial reporting integrity during times of economic distress.

To achieve the research objectives, a systematic literature review methodology is adopted. This approach enables a comprehensive synthesis of prior empirical and theoretical studies on the interplay between economic crises and audit quality. The selection of relevant articles follows a structured process based on three primary criteria.

Relevance is ensured by including only studies that explicitly address external audit quality, financial crises, and financial reporting. Recency is prioritized by selecting recent studies published within the last ten years, allowing for up-to-date insights into evolving regulatory and economic landscapes. Empirical validity is maintained by focusing on peer-reviewed articles and studies with robust methodological approaches, while opinion pieces and non-academic sources are excluded.

Data sources include academic databases such as Google Scholar, Web of Science, and Scopus, in addition to regulatory reports from Moroccan audit oversight bodies. The analysis is guided by three theoretical frameworks: agency theory, signaling theory, and institutional theory, which collectively provide a structured lens to interpret the impact of economic crises on audit quality.

1. Literature review and research methodology

1.1. Previous research on economic crises and audit quality

Numerous studies have examined how economic crises affect the mechanisms of external audit and financial reporting. Research conducted after the 2008 global financial crisis revealed a significant decline in audit fees, increasing pressure on audit firms to compromise their independence and reduce audit effort (Krishnan & Zhang, 2014; Kim et al., 2015). Similar findings emerged during the COVID-19 pandemic, with auditors facing increased client pressure and weakened regulatory enforcement in various jurisdictions (Hamdan & Braendle, 2024). Scholars have also emphasized the role of audit quality in mitigating earnings management during financial crises (Persakis & Iatridis, 2016). In particular, firms audited by Big Four firms demonstrated greater transparency and resilience under economic stress (Hammami & Zadeh, 2020).

In the context of emerging markets, audit quality tends to be more vulnerable due to weaker institutional frameworks and limited regulatory capacity (Oubahou & El Ouafa, 2025). Studies from Morocco indicate that during periods of financial instability, companies often reduce audit expenditures and engage in opportunistic reporting behaviors (Laouane & Torra, 2023). These findings underscore the importance of exploring audit resilience through a structured synthesis of prior research, especially within emerging market economies.

1.2.Research approach

This study adopts a modified positivist paradigm, which supports the use of a systematic literature review as an exploratory, evidence-based method. Although no primary data is collected, the positivist orientation is preserved through a structured, analytical synthesis of existing empirical research. This methodological choice enables a rigorous examination of how economic crises influence external audit quality and financial reporting among Moroccan listed companies. A systematic literature review is particularly suitable for addressing complex, multi-dimensional topics such as audit quality, where multiple interacting variables - such as regulatory pressure, auditor independence, and financial distress - must be analyzed in a coherent framework. This approach also allows the researcher to draw generalizable insights from a wide range of academic contributions, following a transparent and reproducible process. The literature review is guided by clearly defined inclusion and exclusion criteria to ensure the validity, reliability, and relevance of the findings. The synthesis is grounded in three complementary theoretical frameworks - agency theory, signaling theory, and institutional theory - which provide a robust conceptual lens through which the effects of economic crises on audit practices are interpreted.

1.2.1. Justification for a literature review methodology

A literature review methodology is chosen to systematically analyze how financial distress impacts external auditing processes. It enables the identification of patterns in financial reporting quality, regulatory interventions, and auditor behavior during economic downturns.

Studies show that firms under financial pressure tend to cut audit-related expenses, potentially compromising audit quality (El Gharbaoui & Chraibi, 2021). Additionally, crises create regulatory uncertainties that can either reinforce audit oversight or weaken it due to corporate lobbying efforts (Elhamma, 2023).

Literature reviews are also valuable for integrating different theoretical perspectives. Agency theory suggests that managers, in times of financial distress, have stronger incentives to manipulate earnings, making high-quality audits even more critical (Krishnamurti & Boolaky, 2015). Signaling theory highlights how high audit quality reassures investors and reduces the cost of capital (El Badlaoui & Cherqaoui, 2023). Institutional theory explains how regulatory and legal frameworks influence audit resilience during crises (Oubahou & El Ouafa, 2025). By synthesizing empirical evidence from multiple sources, this study provides a comprehensive view of how these theories interact in the Moroccan context.

1.2.2. Selection criteria for articles

To ensure a rigorous and high-quality analysis, the selection of articles follows strict inclusion and exclusion criteria. The inclusion criteria emphasize relevance, recency, and empirical robustness. Studies are included if they explicitly examine the relationship between economic crises, audit quality, and financial reporting. Given the rapidly evolving regulatory and economic landscape, recent studies published within the last ten years are prioritized, although seminal works that laid the theoretical foundation are also considered (Moalla, 2017).

Empirical validity is a key selection criterion, favoring peer-reviewed journal articles and research papers with strong methodological frameworks. Studies using econometric analysis, case studies, and comparative analyses are given preference over theoretical discussions or non-academic sources (Laouane & Torra, 2023). Research covering Morocco is prioritized, but relevant international studies are included for comparative insights, particularly those examining similar emerging market economies.

Data sources include Google Scholar, Web of Science, and Scopus, as well as official reports from regulatory bodies such as the Moroccan Financial Market Authority (AMMC) and the International Federation of Accountants (IFAC). These sources ensure that the findings are well-supported by evidence and relevant for policymakers, auditors, and financial analysts concerned with audit resilience in times of economic crises.

1.3. Theoretical framework

Understanding the relationship between economic crises and external audit quality requires a robust theoretical foundation. This study employs three complementary theories: agency theory, signaling theory, and institutional theory. These frameworks provide a structured approach to analyzing how financial distress influences audit processes, financial reporting, and regulatory responses.

1.3.1. Agency theory: The role of external audit in mitigating information Asymmetry

Agency theory, first developed by Jensen and Meckling (1976), posits that conflicts of interest arise between managers (agents) and shareholders (principals) due to asymmetric information. Managers, seeking to maximize their own benefits, may engage in opportunistic behaviors such as earnings management, especially during economic crises when financial pressures are heightened (Krishnamurti & Boolaky, 2015). External audits play a crucial role in reducing these agency conflicts by providing independent verification of financial statements, thereby increasing transparency and investor confidence (Bansal, 2024).

During financial downturns, firms may have stronger incentives to manipulate earnings to present a more favorable financial position. In such cases, high-quality audits are essential to prevent aggressive accounting practices and maintain financial integrity (Salehi et al., 2019). However, economic crises can also weaken audit quality due to fee reductions and heightened client pressures, potentially undermining auditors' independence (Ntim et al., 2013).

Studies have demonstrated that stronger audit oversight and regulatory interventions can mitigate these agency risks. For instance, Hammami and Zadeh (2020) found that firms audited by Big Four audit firms exhibit lower earnings manipulation, particularly during financial downturns. These findings underscore the importance of maintaining robust audit mechanisms to counteract agency problems exacerbated by economic instability.

1.3.2. Signaling theory: How audit quality affects investor confidence

Signaling theory, introduced by Spence (1973), suggests that firms use financial disclosures and audit quality as signals to convey their reliability and stability to external stakeholders, particularly investors. High-quality audits serve as a positive signal that a company adheres to strict financial reporting standards, reducing the perceived risk of investment (Al-Najjar & Abed, 2014).

In times of economic crises, investor confidence is often shaken due to increased market volatility and corporate failures. Firms with strong audit assurance mechanisms are more likely to maintain their market value and attract investment compared to those with weak audit oversight (Adeyemi & Fagbemi, 2010). Research by Chowdhury and Eliwa (2021) confirms that companies receiving unqualified audit opinions during financial crises experience lower stock price declines than those with modified audit opinions, reinforcing the signaling effect of audit quality.

Furthermore, regulatory bodies and financial institutions often use audit quality as a basis for lending and investment decisions. Empirical evidence from emerging markets suggests that firms with consistently high audit quality enjoy lower financing costs, as they are perceived as more trustworthy by creditors and investors (Abu Afifa et al., 2020). Thus, maintaining strong audit practices during economic downturns is critical for sustaining investor confidence and market stability.

1.3.3. Institutional theory: The impact of regulatory frameworks during economic downturns

Institutional theory, as formulated by DiMaggio and Powell (1983), examines how organizations conform to regulatory, cultural, and normative pressures. In the context of external audits, institutional factors - such as legal requirements, professional standards, and regulatory enforcement - significantly influence audit quality, particularly during financial crises (Baker & Bédard, 2014).

Economic downturns often prompt regulatory shifts aimed at strengthening financial oversight and restoring investor confidence. For example, following the 2008 global financial crisis, many jurisdictions introduced stricter audit regulations, including mandatory auditor rotation and enhanced disclosure requirements (Lin et al., 2014). In Morocco, the adoption of International Financial Reporting Standards (IFRS) and the reinforcement of the Financial Market Authority's (AMMC) role have been key institutional responses to financial instability (Oubahou & El Ouafa, 2025).

However, the effectiveness of these institutional interventions varies across countries. Research by Hammami and Zadeh (2020) highlights that regulatory measures are most effective when accompanied by strong enforcement mechanisms and independent audit oversight. In contrast, weak institutional frameworks can allow for regulatory arbitrage, where firms exploit loopholes to avoid compliance, ultimately weakening audit effectiveness.

In sum, institutional theory underscores the importance of a dynamic regulatory environment in safeguarding audit quality during financial crises. Strong institutional responses not only enhance corporate transparency but also contribute to broader financial stability by reinforcing market discipline and investor protection.

1.4.Data sources and collection

This study relies on a systematic and rigorous selection of academic articles to ensure the validity and reliability of the research findings. The data sources comprise peer-reviewed journal articles, working papers, and official reports from regulatory institutions. The selection criteria are guided by the principles of relevance, recency, and empirical rigor to ensure that the analysis is based on high-quality and credible sources.

1.4.1. Selection of articles

The selection of articles follows a systematic review approach, ensuring that only the most relevant and scientifically rigorous studies are included. Articles are sourced from major academic databases such as Google Scholar, Web of Science, Scopus, and SSRN. These databases provide access to high-impact journals and authoritative research on audit quality and financial crises.

To refine the selection, a combination of keyword searches is employed. These keywords include "audit quality and economic crisis," "financial distress and external audit," "regulatory impact on audit resilience," and "audit independence during financial downturns." Studies focusing on the Moroccan market are prioritized, but international studies are also included to provide a comparative perspective.

The selection process is structured into three stages. The first stage involves an initial search to gather all potentially relevant articles. In the second stage, articles are screened based on their abstracts and conclusions to assess their alignment with the research objectives. The final stage involves a full-text review to ensure that the selected articles provide empirical evidence or strong theoretical contributions to the topic.

1.4.2. Inclusion criteria: Relevance, recency and empirical validity

The inclusion criteria are designed to maintain the academic rigor of the study. The first criterion is relevance, meaning that the selected articles must explicitly address topics related to external audit quality, economic crises, and financial reporting. Studies focusing on earnings management, regulatory interventions, and auditor independence during financial downturns are also considered.

The second criterion is recency, with preference given to articles published within the last ten years. This ensures that the findings reflect the most recent developments in audit practices and regulatory responses. However, seminal works that provide foundational theoretical insights, even if older, are included to establish a strong conceptual basis.

The third criterion is empirical validity, ensuring that the selected studies are based on sound research methodologies. Preference is given to peer-reviewed journal articles that employ quantitative analysis, case studies, or systematic literature reviews. Studies using econometric models, survey data, and archival financial records are considered particularly valuable. Regulatory reports from organizations such as the International Federation of Accountants (IFAC), the Moroccan Financial Market Authority (AMMC), and the International Auditing and Assurance Standards Board (IAASB) are also included to provide authoritative insights.

1.4.3. Exclusion criteria: Outdated studies and non-peer-reviewed sources

To maintain the quality and reliability of the study, specific exclusion criteria are applied. The first exclusion criterion is outdated studies, particularly those published more than 15 years ago unless they provide critical theoretical foundations. Given that audit regulations and financial reporting standards have evolved significantly in response to recent crises, older studies may not accurately reflect current realities.

The second exclusion criterion is non-peer-reviewed sources, including opinion articles, blog posts, and unpublished manuscripts that lack rigorous academic validation. Articles published in predatory journals or with questionable methodological quality are also excluded. Reports from private consulting firms are not included unless they are widely cited and endorsed by regulatory bodies.

By applying these strict selection and exclusion criteria, this study ensures that its findings are based on robust and credible academic research. The selected literature provides a well-rounded perspective on how economic crises impact external audit quality and financial reporting, particularly in the Moroccan context.

2. Results

2.1. Impact of economic crises on external audit quality

Economic crises create significant disruptions in financial markets and corporate governance structures, which, in turn, affect the quality of external audits. Audit quality is typically assessed through factors such as auditor independence, audit fees, regulatory compliance, and professional judgment. Studies have shown that financial downturns exert pressure on audit firms, leading to reduced audit fees, increased earnings management, and weakened auditor independence (Lee et al., 2015). This section examines four key areas in which economic crises impact audit quality.

2.1.1. Financial constraints and reduction in audit fees

Economic downturns often force companies to cut operational costs, including expenditures on external audits. Studies have shown that during financial crises, audit fees decline due to budget constraints and increased bargaining power of distressed firms (Kim et al., 2015). A reduction in audit fees can compromise the quality of external audits, as auditors may allocate fewer resources to client engagements, leading to less thorough examinations of financial statements (Matozza et al., 2020).

Empirical evidence suggests that audit fee reductions are associated with an increased risk of financial misstatements and earnings manipulation. For example, a study conducted on the 2008 financial crisis found that companies that negotiated lower audit fees were more likely to engage in aggressive accounting practices, ultimately leading to a decline in financial reporting quality (Zhang et al., 2019). This raises concerns about the ability of auditors to detect and report financial irregularities during periods of economic instability.

2.1.2. Pressures on auditor independence and ethics

One of the most significant challenges during financial crises is maintaining auditor independence. Corporate clients experiencing financial distress may exert pressure on auditors to issue favorable reports to maintain investor confidence and secure financing. This creates a conflict of interest, as auditors face the dilemma of either preserving their professional integrity or accommodating client demands to retain business relationships (Beattie et al., 2013).

Studies have documented cases where auditors compromised their independence during financial crises, leading to high-profile corporate failures. Research by Krishnan and Zhang (2014) found that auditors were more likely to issue unqualified opinions during economic downturns, even when financial distress indicators suggested a higher risk of bankruptcy. Additionally, audit firms that rely heavily on a small number of clients for revenue may be particularly susceptible to client influence, increasing the likelihood of biased audit opinions (Persakis & Iatridis, 2016).

Regulatory interventions, such as mandatory audit firm rotation and strengthened oversight mechanisms, have been proposed as potential solutions to mitigate these risks. However, their effectiveness remains debated, as corporate lobbying efforts often resist stricter regulations (Nguyen et al., 2023).

2.1.3. Regulatory adaptations during crises

Regulatory bodies worldwide respond to financial crises by implementing reforms aimed at strengthening audit oversight and restoring public confidence in financial reporting. Following the 2008 crisis, various jurisdictions introduced stricter disclosure requirements, enhanced auditor reporting standards, and reinforced enforcement mechanisms (Knechel, 2016).

In some cases, regulatory reforms have led to improved audit quality by increasing transparency and accountability. For example, the introduction of Public Company Accounting Oversight Board (PCAOB) audit inspections in the U.S. has been credited with enhancing audit firm compliance with professional standards (Carson et al., 2013). Similarly, in Europe, mandatory auditor rotation and the prohibition of certain non-audit services have been implemented to reduce conflicts of interest (Holm & Zaman, 2012).

However, the effectiveness of regulatory interventions varies across countries. Some studies indicate that excessive regulation may increase compliance costs for audit firms without necessarily improving audit quality (Alexeyeva & Svanström, 2015). In emerging markets, regulatory frameworks may lack enforcement mechanisms, allowing firms to circumvent audit requirements and engage in financial misreporting (Alharasis & Mustafa, 2024).

2.1.4. The Moroccan context and regulatory specificities

The Moroccan audit environment is shaped by a regulatory framework that aligns with international standards, such as the International Standards on Auditing (ISA) and the International Financial Reporting Standards (IFRS). However, economic crises expose vulnerabilities in the Moroccan regulatory system, particularly concerning audit independence and corporate governance practices (Oubahou & El Ouafa, 2025).

One of the main challenges in Morocco is the concentration of audit firms serving a limited number of publicly listed companies. This raises concerns about auditor-client familiarity and the potential for conflicts of interest (El Badlaoui & Cherqaoui, 2023). Additionally, regulatory enforcement remains inconsistent, with limited resources allocated to audit oversight bodies such as the Moroccan Financial Market Authority (AMMC).

During financial downturns, Moroccan firms often negotiate lower audit fees, which can impact audit quality. Empirical research suggests that Moroccan companies that reduced audit expenses during the COVID-19 crisis exhibited higher levels of earnings management compared to firms that maintained audit expenditures (Laouane & Torra, 2023). This finding underscores the need for stronger regulatory mechanisms to ensure that audit quality is not compromised during economic instability.

To address these challenges, Moroccan policymakers have considered adopting stricter audit rotation policies and enhancing the independence of audit committees. Additionally, increased collaboration between regulatory bodies and international audit firms may help improve audit quality and financial reporting transparency (Elhamma, 2023).

2.2.Consequences on the quality of financial information

Economic crises significantly impact the reliability, transparency, and overall quality of financial information. During financial downturns, companies face mounting pressures to maintain their financial stability and meet investor expectations. This often results in increased instances of earnings management, reduced transparency, and declining investor confidence. Additionally, cross-country comparisons reveal variations in how different economies manage financial reporting integrity during crises.

2.2.1. Increased risk of earnings management and accounting manipulations

Earnings management-the deliberate manipulation of financial statements to influence perceptions of a firm's performance-tends to increase during economic crises. Companies experiencing financial distress often resort to income smoothing, asset write-downs, or aggressive revenue recognition to maintain a stable financial outlook (Persakis & Iatridis, 2016). This manipulation compromises the reliability of financial statements, making it difficult for investors and regulators to assess the true financial health of a company.

Empirical research has shown that firms engaged in earnings management during financial crises tend to underperform in the long run. For instance, Krishnan and Zhang (2014) found that firms that artificially boosted earnings during the 2008 financial crisis later faced significant financial restatements and regulatory penalties. Similarly, in emerging markets like Morocco, weak enforcement mechanisms may allow firms to engage in more aggressive accounting practices, further distorting financial reporting (Oubahou & El Ouafa, 2025).

Auditors play a crucial role in detecting and mitigating earnings management, but financial constraints and pressures on auditor independence (discussed earlier) can weaken their effectiveness during crises. Firms that negotiate lower audit fees may receive less rigorous audits, increasing the risk of undetected financial manipulations (Kim et al., 2015).

2.2.2. Reduced transparency and investor confidence

One of the most concerning consequences of economic crises is the decline in corporate transparency, which directly impacts investor confidence. Transparency is essential for efficient capital markets, as it ensures that investors receive accurate and timely information for decision-making. However, financial crises often lead to increased uncertainty, prompting firms to withhold negative financial information or delay disclosures to avoid investor panic (Matozza et al., 2020).

Studies have documented a strong correlation between economic crises and declining investor confidence due to reduced transparency. For instance, research by Beattie et al. (2013) found that companies that delayed the release of financial statements during the 2008 crisis experienced greater stock price volatility and investor withdrawals. Similarly, Holm and Zaman (2012) demonstrated that firms that provided comprehensive financial disclosures maintained higher levels of investor trust, even during periods of economic instability.

In the Moroccan context, the lack of stringent regulatory enforcement exacerbates transparency issues. Unlike developed markets with strong investor protection laws, emerging economies often struggle with incomplete or misleading financial disclosures. Regulatory bodies such as the Moroccan Financial Market Authority (AMMC) have introduced measures to enhance financial transparency, but their effectiveness remains limited due to enforcement challenges (El Badlaoui & Cherqaoui, 2023).

2.2.3. Comparison with international cases

Comparing how different countries respond to financial reporting challenges during crises provides valuable insights into best practices and regulatory gaps. Developed economies, such as the United States and the European Union, have implemented strict accounting standards (e.g., IFRS and US GAAP) and robust enforcement mechanisms to mitigate financial misreporting during downturns (Carson et al., 2013). For example, following the 2008 financial crisis, the U.S. Securities and Exchange Commission (SEC) tightened disclosure requirements and increased audit oversight, leading to improved financial transparency (Knechel, 2016).

By contrast, in emerging markets like Morocco, regulatory oversight is weaker, making it easier for firms to engage in earnings management. Studies show that emerging economies often experience more pronounced financial reporting irregularities during crises due to limited institutional support and enforcement capabilities (Alexeyeva & Svanström, 2015). This discrepancy highlights the need for Morocco to strengthen its regulatory framework and align its financial reporting standards more closely with international best practices.

Despite these challenges, some emerging economies have successfully improved audit quality and financial reporting through targeted reforms. For example, Brazil and South Africa have implemented stronger audit oversight measures and investor protection laws, reducing the incidence of earnings management during financial downturns (Alharasis & Mustafa, 2024). Morocco could benefit from adopting similar regulatory enhancements to safeguard financial information quality during economic crises.

3. Discussion

3.1. Implications for auditors

Economic crises pose significant challenges for auditors, affecting their ability to maintain independence, professional skepticism, and audit quality. One of the primary concerns during financial downturns is the pressure auditors face to accommodate client demands, especially when clients are financially distressed. Studies indicate that auditors may be more likely to issue unqualified audit opinions during economic crises to avoid losing clients, thus compromising the reliability of financial statements (Krishnan & Zhang, 2014).

Financial constraints also impact audit firms by reducing the resources available for conducting rigorous audits. Empirical research has shown that audit firms tend to lower their fees during economic downturns, which can lead to decreased audit effort and increased reliance on audit shortcuts (Carson et al., 2013). This raises concerns about the effectiveness of external audits in detecting financial misstatements and earnings management during crises (Beattie et al., 2013).

Another critical implication is the heightened litigation risk that auditors face during financial crises. When companies fail due to financial distress, auditors are often subject to legal scrutiny, with allegations of audit negligence or failure to detect financial misreporting. Studies have documented a rise in audit-related litigation following economic downturns, underscoring the need for auditors to exercise heightened due diligence in their engagements (Holm & Zaman, 2012).

To mitigate these risks, audit firms must enhance their professional skepticism, increase reliance on forensic accounting techniques, and strengthen their internal quality control measures. Additionally, regulatory bodies should provide clear guidance to auditors on maintaining independence and exercising caution in their financial reporting assessments.

3.2. Implications for regulators and policymakers

Economic crises often reveal weaknesses in financial reporting regulations, prompting governments and regulatory bodies to introduce reforms aimed at enhancing audit oversight and corporate transparency. The 2008 global financial crisis, for example, led to the implementation of stricter disclosure requirements and increased enforcement measures by regulatory authorities worldwide (Knechel, 2016).

One key implication for regulators is the need to strengthen audit independence through policy interventions. Mandatory audit firm rotation, restrictions on non-audit services, and enhanced auditor reporting requirements have been proposed as measures to mitigate conflicts of interest between auditors and their clients (Alexeyeva & Svanström, 2015). In Morocco, similar reforms could enhance the credibility of external audits and prevent financial misreporting during economic downturns.

Another important consideration for policymakers is the role of regulatory enforcement in ensuring audit quality. Research indicates that strong enforcement mechanisms are crucial in deterring corporate fraud and earnings management, particularly during financial crises (Alharasis & Mustafa, 2024). Countries with weak regulatory frameworks often experience higher incidences of financial misstatements, as firms exploit regulatory loopholes to manipulate financial reports (Oubahou & El Ouafa, 2025).

Policymakers must also address the challenges posed by increased corporate lobbying during crises. Financially distressed companies may pressure regulators to relax reporting requirements or delay the implementation of stricter audit regulations. To counteract these pressures, regulatory bodies must maintain independence and prioritize investor protection over corporate interests (Persakis & Iatridis, 2016).

Lastly, economic crises highlight the need for greater integration of technological advancements in audit practices. Emerging technologies such as artificial intelligence (AI) and blockchain can enhance audit efficiency and transparency, reducing the risk of financial misstatements (El Badlaoui & Cherqaoui, 2023). Regulators should encourage the adoption of these technologies by audit firms to strengthen financial reporting systems in times of economic uncertainty.

3.3.Recommendations for enhancing audit resilience

To strengthen the resilience of external audits during economic crises, a multifaceted approach is required. This includes regulatory and institutional reforms, the adoption of technological innovations in auditing, and capacity-building initiatives for auditors. These measures aim to ensure that audit quality remains robust even in times of financial uncertainty.

3.3.1. Regulatory and institutional reforms

Strengthening regulatory frameworks is critical in ensuring audit resilience during economic crises. Regulatory bodies must enforce stricter independence measures to prevent conflicts of interest between auditors and financially distressed clients. One approach is the implementation of mandatory audit firm rotation, which prevents long-term auditor-client relationships that could compromise auditor objectivity (Alexeyeva & Svanström, 2015).

Additionally, enhanced disclosure requirements can improve transparency in financial reporting. Regulators should mandate greater disclosure of audit fees, non-audit services, and financial risk factors during crises. Countries like the United States and the European Union have successfully adopted such measures following the 2008 financial crisis, leading to improved audit oversight and financial statement reliability (Beattie et al., 2013).

In emerging markets like Morocco, strengthening audit oversight bodies is particularly crucial. The Moroccan Financial Market Authority (AMMC) should adopt stricter enforcement mechanisms, ensuring compliance with International Financial Reporting Standards (IFRS) and International Standards on Auditing (ISA). Research suggests that weak enforcement mechanisms allow firms to engage in financial misreporting, which could be mitigated by stronger institutional oversight (Oubahou & El Ouafa, 2025).

3.3.2. Adoption of technological innovations in auditing

The integration of emerging technologies can significantly enhance audit quality and efficiency, particularly in times of economic crises. Artificial Intelligence (AI) and machine learning have the potential to automate audit processes, detect anomalies, and identify patterns of financial misstatements that may not be easily visible through traditional auditing methods (Alharasis & Mustafa, 2024). AI-driven tools can improve fraud detection and allow auditors to focus on high-risk areas, thereby enhancing overall audit effectiveness.

Blockchain technology is another promising innovation in audit resilience. Blockchain allows for real-time, tamper-proof financial records, reducing the risk of earnings manipulation and financial fraud (Farhan et al., 2024). Several firms have already begun leveraging blockchain to ensure greater transparency in financial reporting, providing a more robust foundation for external audits.

Remote auditing and cloud-based solutions have also gained traction, particularly after the COVID-19 pandemic, allowing auditors to conduct audits efficiently without physical presence. Research shows that audit firms that embrace cloud-based platforms experience improved collaboration, real-time data analysis, and enhanced compliance monitoring (Ebirim et al., 2024).

To facilitate the adoption of these technologies, regulatory bodies must develop technology-driven audit guidelines, ensuring that auditors are adequately trained to use digital tools in their engagements.

3.3.3. Awareness and capacity building for auditors

Investing in auditor training and capacity-building programs is essential for maintaining audit quality during economic downturns. Auditors must be equipped with skills to handle financial crises, regulatory changes, and evolving corporate governance challenges.

One key initiative is the integration of forensic accounting training into auditor certification programs. Forensic accounting techniques help auditors detect financial fraud and earnings manipulation, particularly in crisis periods when companies may engage in aggressive accounting practices (Santoso, 2021).

Additionally, continuous professional education (CPE) programs should focus on crisis management, ethical considerations, and risk-based auditing approaches. Countries that have implemented such training initiatives, such as Canada and Australia, have seen improvements in audit quality and professional skepticism among auditors (Mwai, 2023).

Collaboration between academic institutions, regulatory bodies, and professional audit associations can also enhance auditor resilience. By promoting knowledge-sharing platforms and international partnerships, auditors in emerging economies like Morocco can benefit from global best practices in crisis management and financial reporting (Ilori et al., 2024).

Conclusion

This study explored the extent to which economic crises influence external audit quality and the reliability of financial reporting, with a specific focus on Moroccan listed companies.

The findings highlight that financial constraints during crises lead to reduced audit fees, affecting the level of scrutiny applied by auditors. Additionally, pressures on auditor independence and ethical considerations increase, raising concerns about financial misreporting.

Regulatory responses play a crucial role in mitigating these risks. Countries with strong enforcement mechanisms tend to experience better audit resilience, whereas weaker regulatory frameworks allow for increased financial misstatements. In Morocco, the lack of stringent enforcement of audit standards presents challenges in maintaining audit integrity during economic downturns (Oubahou & El Ouafa, 2025).

Furthermore, the study demonstrates that reduced transparency during crises erodes investor confidence. Comparisons with international cases reveal that jurisdictions with proactive regulatory interventions, such as mandatory audit firm rotation and enhanced disclosure requirements, fare better in preserving financial statement reliability.

By integrating agency theory, signaling theory, and institutional theory, this research provides a structured understanding of how financial crises impact external audits. It also highlights the role of technological innovations and capacity-building initiatives in enhancing audit resilience. Despite its contributions, this study has certain limitations. First, the reliance on secondary data through a literature review means that primary data sources, such as interviews with auditors and financial regulators, were not included. Future studies incorporating qualitative insights from industry professionals could provide a more nuanced understanding of audit challenges during economic downturns.

Second, while this research focuses on the Moroccan market, broader generalizations may be limited due to country-specific regulatory and economic conditions. Comparative studies across multiple emerging markets would offer more comprehensive insights into how regulatory environments influence audit resilience.

Another limitation is the evolving nature of financial reporting regulations. As international accounting and auditing standards continue to develop, the findings of this study may require updates to reflect new regulatory measures and technological advancements.

Building on this study, future research can explore several key areas:

- **Impact of digital transformation on audit quality**: Emerging technologies such as artificial intelligence (AI) and blockchain are increasingly being integrated into auditing practices. Future studies should examine how these technologies influence audit effectiveness and financial reporting transparency, particularly in crisis periods (Farhan et al., 2024).
- **Comparative studies of regulatory reforms**: Given the differences in regulatory responses to financial crises, comparative research across multiple jurisdictions could provide deeper insights into best practices for audit resilience. Studies analyzing the effectiveness of regulatory interventions in developing economies versus developed markets would be valuable (Alexeyeva & Svanström, 2015).
- **Ethical challenges in auditing during economic downturns**: Future research could investigate the ethical dilemmas faced by auditors under financial pressure, including how audit firms balance professional integrity with commercial interests. Longitudinal studies tracking changes in auditor behavior across multiple crises would help in understanding recurring patterns (Beattie et al., 2013).
- **Effectiveness of capacity-building programs for auditors**: As regulatory bodies push for greater training and development of auditors, empirical research could evaluate the long-term impact of capacity-building initiatives on audit quality, especially in emerging markets (Ebirim et al., 2024).

By addressing these research gaps, future studies can contribute to a more comprehensive understanding of how external audits can be strengthened to withstand economic crises and maintain financial reporting integrity.

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