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METHODS

Impact of audit failures and internal control on performance of public companies in Oman

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The main objective of this research is to examine the relationship between audit failures' and internal control over a company's performance. The research uses method of a quantitative method *via* questionnaire 22 auditors usable data based on State Audit Institution in Oman. The hypotheses of the current research used its variables *via* using Smart-PLS statistical instruments. The findings indicated revealed that a positive and significant relationship between Internal control on Performance. As well as, the findings revealed that the audit failures have an insignificant influence on performance in public companies in Oman.

Keywords: audit failures, internal control, performance, Oman

1.Introduction

The of auditing involves looking at and raising the caliber of numerous systems within a business (1, 2). The primary goal of maintaining audit quality is to provide the public with trust in the timeliness and accuracy of financial reports issued by significant corporations like banks and insurance companies (2). The expansion and development of the world economy and of enterprises depend heavily on auditing (3). Consumers of financial statements must be able to trust that the data is being reported, measured accurately, and presented fairly (4). One control mechanism that prohibits management from influencing a company's profitability is audit quality (5, 6). An impartial, high-quality audit helps to maintain a competitive market environment by enhancing credibility, which is essential for better financial success (7, 8). The auditor's qualifications and the caliber of his or her work are two of the three general standards that each auditor must adhere to while carrying out their duties. They are broken down into three categories: general standards, which talk about the traits and temperament of auditors; standards on fieldwork, which talk about how the audit is conducted; and standards of reporting, which talk about how audit results and opinions are conveyed (7, 9). As a result, the quality of the audit opinion the auditor issues will be influenced by his or her ability to apply these standards while performing his or her duties. Failures in an audit could lead to a company's bankruptcy, which would result in job losses for staff and significant financial losses for investors (10–14). Various accounting and auditing regulations exist despite this. Additionally, low audit quality is invariably associated with audit failure, and conflicts of interest between auditors and shareholders account for the majority of audit failures (15). As a result of audit failures, the accounting profession is experiencing a crisis of confidence and legitimacy. A severe distortion of the financial statements that is not depicted in the audit report and a serious error by the auditor during the auditing process are both considered audit failures (16). When information in a financial report is discovered to be inaccurate, this may provide a difficult scenario for a firm in addition to its regulator and auditors, leading to insolvency as well as legal action (17), the 2002 Sarbanes-Oxley Act (SOX). These and other accounting crises are commonly cited as instances of "audit failure," which is defined as a situation where an auditor fails to. When an auditor does not follow the applicable accounting and auditing standards, such as General Accepted Auditing Standards (GAAS), the audit report's conclusion is incorrect because the auditor fails to identify and/or report known substantial misstatements (15). Auditing mistakes could lead to corporate failures, which would cost employees their jobs and investors a lot of money. Despite the numerous accounting and auditing regulations that must be adhered to [i.e., SOX, 2002]. The economic and regulatory environment, the nature of the audit firm, the industry of the client, and geography are only a few of the many variables that affect the frequency of audit failures. Additionally, businesses with poor internal control (15).

2. Critical issues on financial auditing

The study showed a link between the performance of the public sector and audit failures in internal controls. The issue of the expectation gap between the auditing process and results is one of the issues that emerge and grow at this time. The expectation gap is essentially the discrepancy between users of financial statements and auditors in terms of the level of performance anticipated in light of the auditors' findings (Shaikh and Talha, 2003, 18). The drawback of this issue is that audit failures could lead to business bankruptcies, which would result in job losses for employees and significant financial losses for investors. Audit failures are nevertheless commonplace today, despite the fact that a number of accounting and auditing standards have been implemented over the past 10 years to restore investor confidence in auditing services. Poor audit quality is always associated with audit failure, and conflict of interest between auditors and shareholders commonly results in audit failures (15). For instance, Oman's corporate accounting scandals have prompted the country to increase its activities in reviewing financial data for extraordinary quality and integrity (1, 19). Therefore, the primary driver of financial stability, trust, and market confidence is auditing (19). Auditing is a crucial instrument for evaluating and confirming the effectiveness of both public and private sector organization (20). Because it enables auditors to compare government performance to its own goals, public sector performance auditing has grown in importance (21). Additionally, there is a benefit to resolving the problem of audit failure, namely the fact that selecting an audit approach is one of the most important factors determining the audit's outcome. When auditors employ a subpar audit strategy, the likelihood of the audit failing rises (22). There is a general concern that the current coronavirus pandemic and the inevitable global recession will expose a pattern of audit failures akin to other high-profile corporate mistakes that have surfaced in the past two years. The phrase "gatekeepers of capitalism" has been used to describe auditors (23). Kurniasih and Rohman (2014) state that the goal of audit quality is to enhance the client's financial reporting audit performance so that users of audited financial statements can rely on it. This is done by ensuring that the auditor carries out their responsibilities to look for material financial statement misstatements and to report those findings in a transparent manner using the evidence they have gathered (24). When auditors give a negative ICFR opinion, for instance, they inform financial statement users that they discovered one or more significant flaws in the company's internal control system and that there is a higher risk of a material misstatement as a result. Regulators emphasize the significance of internal controls and their role in the quality of financial reporting. The ICFR opinion acts as an immediate and transparent channel of communication between auditors and stakeholders as well as a measure of the auditor's performance (25). Finally, organizations should conduct thorough performance reviews to assure independent auditors and high-quality financial reports and to prevent the audit committee from performing poorly, which would negatively impact the company's performance (26). The Oman government, its regulatory framework, and investors will all profit from this study. Gulf nations have very few regulations governing firm performance, corporate governance, and audit committees (27). Thus, the main objective of this research is to examine the relationship between audit failures and internal control over a company's performance.

3. Literature review

The earlier research will be covered in this chapter and will include studies from various years. The majority of research such as (Hasan et al., 2017–AL-Hashimy, 2019), discovered a connection between internal control and the effects of the failed audit on the level of performance in the public sector. Other studies are (15, Alabdullah et al., 2022–Alabdullah, 2016). For instance, Xie and Daniel's study from 2021 evaluates numerous audit failure measures from 2000 to 2018 to reveal the features of audit failures and how they have changed over time depending on various variables including industry, location, and audit firm. Given the significant correlation between poor audit quality and audit failure, it is illuminating to view audit failure through the lens of low audit quality. Since audit quality cannot be observed, several proxies are used in academic research to estimate it. The results of their research show that the organizational and financial environments have a direct impact on the frequency of audit failures. Considerations include changes, the industry, firm size, locations, and audit service providers. Additionally, Mohammad Rezaei et al.'s study from 2021 looked at how fraudulent audits affected audit quality in terms of independence, impartiality, honesty, and efficiency. Warp-PLS, a statistical tool, is employed in this work. The study's findings demonstrated that the public accounting firm's audit quality increased with the length of the audit period. According to Mohammad Rezaei et al. (28), the goal of their research is to determine how fake audits affect the independence, impartiality, integrity, and effectiveness of audits. The study was focused on the group of public accounting firm auditors who perform audits for the same company. According to the study's findings, a public accounting firm's audit quality improves with increased audit tenure.

The failure of auditing in corporate fraud is one of the most significant challenges in auditing, according to Hejazi et al.'s research from 2021. These hypotheses were tested in two samples of 97 and 105 companies listed on the Tehran Stock Exchange between the years 1390 and 1397. As a result, the findings indicate a changing statistically significant correlation between audit failure and the complexity of information coming from transactions with related parties. Al-Aamri et al. (26) looked at this study's findings regarding how audit committees affect the caliber of financial reports. This study used a cross-sectional design and a quantitative methodology to obtain quantitative information from a sample of 60 businesses utilizing secondary data and the partial least square (PLS) method. The conclusions showed that the audit committee benefited from good financial reporting across the board. The results show that the audit committee significantly affects the accuracy of the financial reporting. This conclusion suggests that the quality of financial reporting increases with the number of audit committees. Additionally, García-Hernández et al. (29) Ramrez's essay explores whether the audit failure gap has led to a change toward greater protection of auditor independence. They employed a qualitative approach and developed a sample of 192 auditors. The audit gap and auditor independence are related, according to their findings. In light of the coronavirus outbreak, Leaver et al.'s work from 2020, "Auditing with Accountability Reducing Opportunity Spaces for Audit Failure," was published today. It examines the causes of prior significant audit failures and suggests reform measures. The findings of this study demonstrated that auditing is a social function since when it fails, it affects everyone. When business confidence declines, banks stop lending, investors stop making investments, employees stop showing up for work, suppliers stop doing business, and customers stop making purchases. Additionally, Rahman et al. (30) looked at the comprehensive analysis of academic papers on audit failure. Because of this, they selected three main categories: (a) alternative metrics of audit failure, (b) reasons for audit failure, and (c) repercussions of audit failure. The study's findings indicate that audit failures result in a decline in the market worth of clients and the auditor's capacity to keep them. The effects of the Sarbanes-Oxley Act of 2002 on auditing frequency and internal control effectiveness are theoretically examined by Patterson et al. (2022). We propose a strategic auditing paradigm in which the manager assesses the effectiveness of internal controls and the degree of fraud, and the auditor is free to employ resources for both substantive and internal control tests. When control strength provides insight into the possibility of fraud, the auditor can benefit from using control tests as a tool. Although fraud is reduced and internal control systems are strengthened, Sarbanes-Oxley does not always lead to more frequent control testing. Our model suggests that the Sarbanes-Oxley Act has raised audit risk.

According to Salih and Almajdob (31), they tested and evaluated the role of the supreme auditing organizations in preventing and looking into oversight errors. They found that fewer audit failures had a favorable effect on population growth and the economy. By choosing a sample of 1,734 reviewers to test the search model utilizing structural equations modeling of squares, Smart PLS 3 was specifically used to evaluate the study hypotheses (PLS-SEM). According to the study's conclusions, the SAI's efforts to combat corruption have made the biggest contributions to the fight against corruption, the reduction of audit failure, and the advancement of accountability and transparency—all with the aim of fostering a sound financial-management system and economic growth.

The goal of De Fuentes and Porcuna's study (2019) is to pinpoint the major causes of audit failure and to add to the conversation about auditor tenure and economic policies that is now taking place in the European Union in order to preserve auditor independence. The sample of auditors and auditing firms subject to fines for the years 2002—2013 was covered by the enforcement statements resulting from the investigations of the Spanish General Supervisory Board. According to the study, audit failure is more likely when there is a higher chance of a financial disaster, when rising profits are managed, and when just one auditor has signed the audit report. John Coffee (2019) study aims to outline the most likely reasons for auditor failure and then connect these ideas to solutions that make sense. However, it appears that there is a general issue with audit quality. The International Forum of Independent Audit Regulators has brought up issues with defects ("IFIAR"). In total, 40% of the audits were inspected by its members. It became clear after studying the studies that there is not a complete or consistent metric because the percentages differ depending on how they are computed. Each regulator is picky about whether the audits they look at are representative. The data nonetheless shows that the regulator's obvious audit failures are subscriber-related. Salih and Hla (32), on the contrary, wanted to explore how corruption and audit failures affected the performance of the Iraqi public sector and provide quantitative estimates of the impact on businesses operating in that sector. The results of their study, which involved a questionnaire distributed to 143 respondents, show a high and unfavorable correlation between audit failure and corruption and the performance of the public sector in Iraq. Lai and Gul's (33) study findings on Deloitte were unfavorable and came out in 2021. Audit fees were later reduced as a result of adjustments to audit fees made by other auditors. This was especially clear when Deloitte was not the industry leader. According to Xie et al.

(2021), the organizational and financial contexts directly affect how frequently audits fail. Considerations include changes, the industry, firm size, locations, and audit service providers. Additionally, according to Mohammad Rezaei et al. (28), the audit performed by the public accounting firm is of greater quality the longer the audit term is.

The longer the audit tenure, the greater the audit quality delivered by the public accounting company, claim Mohammad Rezaei et al. (28). Furthermore, Hejazi et al. (34) the complexity of information originating from transactions with related parties and audit failure have a varying statistically significant relationship. The audit committee was also positively impacted by the quality of financial reporting across the board, according to Al-Aamri et al. (26). The results show that the audit committee significantly affects the accuracy of the financial reporting. This conclusion suggests that the quality of financial reporting increases with the number of audit committees. According to García-Hernández et al. (29), the audit gap and auditor independence are related. According to Leaver et al. (23), auditing is a social function, and when it fails, it affects everyone. When business confidence declines, banks stop lending, investors stop making investments, employees stop showing up for work, suppliers stop doing business, and customers stop making purchases. The market worth of clients and the auditor's ability to retain clients both decline as a result of audit failures, according to Rahman et al. (30).

The SAI's efforts to combat corruption, according to Salih and Almajdob (31), represent the organization's most important contribution to preventing corruption, reducing audit failure, and fostering accountability and transparency, all with the aim of fostering a sound financial-management system and economic development. According to De Fuentes and Porcuna (35), the likelihood of an audit failing increases when there is a higher chance of a financial crisis, the auditor allows the management of increasing profits, and the audit report is signed by a single auditor. In addition, Yuan et al. (36) found that, regardless of whether the audit firm is exposed to regulatory repercussions of audit failure or not, the client IPO rejection rates increase dramatically following audit failure. The negative effects of an IPO on clients vary depending on the type of audit firm and the underwriter's listing board. According to the research findings by Hamshari et al. (37), there is a strong and statistically significant correlation between professional skepticism and internal control. Internal control and this connection show how much correctness there is and how internal control affects it. Most financial auditors exercise professional skepticism when visiting businesses and studying financial reporting.

The facts, according to John Coffee (2019), show that the regulator's obvious audit mistakes are subscriber-related. Salih and Hla (32) found a high and unfavorable correlation between audit failure, corruption, and the performance of the public sector in Iraq. According to Hrvoje apina and Sabina Ibrahimagi (2011), the following factors contribute to audit errors: a lack of legislative oversight in BIH, a lack of continuing education for auditors, inadequately developed auditing procedures, a lack of internal quality control in most audit firms, and a lack of public oversight. As a result, the developed theory is:

3.1. The relationship between impact of audit failure and internal control on performance of public company

Lai and Gul's (33) study findings on Deloitte were unfavorable and came out in 2021. Audit fees were later reduced as a result of adjustments to audit fees made by other auditors. This was especially clear when Deloitte was not the industry leader. According to Xie et al. (2021), the organizational and financial contexts directly affect how frequently audits fail. Considerations include changes, the industry, firm size, locations, and audit service providers. Additionally, according to Mohammad Rezaei et al. (28), the audit performed by the public accounting firm is of greater quality the longer the audit term is.

The longer the audit tenure, the greater the audit quality delivered by the public accounting company, claim Mohammad Rezaei et al. (28). Furthermore, the complexity of information resulting from transactions with linked parties and audit failure have a shifting statistically significant association (34). The audit committee was also positively impacted by the quality of financial reporting across the board, according to Al-Aamri et al. (26). The results show that the audit committee significantly affects the accuracy of the financial reporting. This conclusion suggests that the quality of financial reporting increases with the number of audit committees. According to García-Hernández et al. (29), the audit gap and auditor independence are related. According to Leaver et al. (23), auditing is a social function, and when it fails, it affects everyone. When business confidence declines, banks stop lending, investors stop making investments, employees stop showing up for work, suppliers stop doing business, and customers stop making purchases. The market worth of clients and the auditor's ability to retain clients both decline as a result of audit failures, according to Rahman et al. (30). The SAI's efforts to combat corruption, according to Salih and Almajdob (31), represent the organization's most important contribution to preventing corruption, reducing audit failure, and fostering accountability and transparency, all with the aim of fostering a sound financial management system and economic development. According to De Fuentes and Porcuna (35), the likelihood of an audit failing increases when there is a higher chance of a financial crisis, the auditor allows the management of increasing profits, and the audit report is signed by a single auditor. In addition, Yuan et al. (36) found that whether the audit firm is exposed to regulatory repercussions of audit failure or not, the client IPO rejection rates increase dramatically following audit failure. The negative effects of an IPO on clients vary depending on the type of audit firm and the underwriter's listing board. According to the research findings of Hamshari et al. (37), there is a strong and statistically significant correlation between professional skepticisms and internal control. This correlation shows how much correctness there is and how internal control affects it. Most financial auditors exercise professional skepticism when visiting businesses and studying financial reporting. The facts, according to John Coffee (2019), show that the regulator's obvious audit mistakes are subscriber-related. Salih and Hla (32) found a high and unfavorable correlation between audit failure, corruption, and the performance of the public sector in Iraq. Insufficient legislative oversight in BIH, inadequate auditor continuing education, inadequately developed auditing practices, absence or insufficiency of internal quality control in most audit firms, and a lack of public oversight are all factors that contribute to audit errors, as mentioned by Hrvoje apina and Sabina Ibrahimagi (2011). Thus, the following hypotheses are developed:

H1: A negative relation between the impact of audit failures on the performance of public companies in Oman.

H2: A positive relation between the impact of internal control on the performance of a public companies in Oman.

4. Methodology

This cross-sectional study uses quantitative methodologies, and primary data is used to gather quantitative information (questionnaire). Internal control factors and audit failure are the independent variables in this study. Dependent variables also refer to performance.

Auditors from the State Audit Institution make up the study's population using a random sample strategy with 22 auditors.

5. Results

5.1. Response rates

According to **Table 1**, there are 40.09% female respondents and 59.01% male respondents. Additionally, 9.1% of respondents have a master's degree, 9.1% have a diploma, and 72.7% have a bachelor's degree. In addition, 4.5% of respondents were between the ages of 43 and 52, while 77.3% of respondents were between the ages of 23 and 32. With regard to the quality of experience in the field of auditing, 45.5% of employees have less than 4 years of experience, 22.7% have 4–6 years of experience, and 18.2% have more than 7–9 years of experience. Also, 9.1% of those have more than 10 years of experience. Moreover, 40.9% of the respondents effort in the arena of accounting and auditing, 31.9% in the field of management, and 13.6% in the fields of finance and other specializations.

TABLE 1 | Demographic profiles of respondents.

Demographics	Frequency	Percentage (%)
Gender		
Male	13	59.01
Female	9	40.09
Total	22	100
Education		
Diploma	2	9.1
Bachelor degree	16	72.7
Master degree	2	9.1
CPA	0	0
Doctoral degree	2	9.1
Total	22	100
Age		
Less than 23 years	0	0
23–32	17	77.3
33–42	4	18.2
43–52	1	4.5
Total	22	100
Experience quality		
Less than 4 years	10	45.5
4–6 years	5	22.7
7–9 years	4	18.2
more than 10 years	2	9.1
Total	21	100
Major		
Accounting and Auditing	9	40.9
Economic	0	0
Management	7	31.8
Finance	3	13.6
Other	3	13.6
Total	22	100

5.2. Descriptive statistics

Based on the imaginative statistics it was attained, the dependent variable showed the following results: audit performance (AP-1)—a mean of 3.864, a standard deviation of 1.179, and the minimum and maximum values of 1.000 and 5.000, respectively. (AP-2)—a mean of 4.136, a standard deviation of 0.625, and the minutest and maximum values of 3.000 and 5.000, respectively. (AP-3)—a mean of 4.045, a standard deviation of 0.562, and the minimum and maximum values of 3.000 and 5.000, respectively. (AP-4)—a mean of 3.864, a standard deviation of 0.814, and the minimum and extreme values of 2.000 and 5.000, respectively. (AP-5)—a mean of 3.682, with a standard deviation of 0.925, and the minutest and maximum values of 1.000 and 5.000, respectively.

TABLE 2 | Descriptive statistics of variables.

	Mean	Min.	Max.	Standard Deviation
AP-1	3.864	1.000	5.000	1.179
AP-2	4.136	3.000	5.000	0.625
AP-3	4.045	3.000	5.000	0.562
AP-4	3.864	2.000	5.000	0.814
AP-5	3.682	1.000	5.000	0.924
INT-A-1	3.818	1.000	5.000	0.936
INT-A-2	4.091	2.000	5.000	0.668
INT-A-3	3.909	2.000	5.000	0.793
INT-A-4	3.773	2.000	5.000	0.794
INT-A-5	3.818	1.000	5.000	0.983
INT-A-6	3.864	2.000	5.000	0.757
INT-A-7	4.000	1.000	5.000	0.905
AF-1	3.091	1.000	5.000	0.996
AF-2	3.182	2.000	4.000	0.886
AF-3	3.227	2.000	5.000	1.041
AF-4	3.091	1.000	5.000	1.203

TABLE 3 | Discriminant validity.

	Audit-F	Audit-PF	Intr-Cont
Audit-F	1.000		
Audit-PF	0.326	1.000	
Intr-Cont	0.217	0.703	1.000

TABLE 4 | Explanation of the variance.

	R^2	R^2 adjusted
Audit-PF	0.526	0.476

Table 2 shows the following results: independent variable internal control (INT-A-1)—a mean of 3.818, a standard deviation of 0.936, and the minutest and maximum values of 1.000 and 5.000, respectively. (INT-A-2)—a mean of 4.091, a standard deviation of 0.668, and the minimum and maximum values of 2.000 and 5.000, respectively. (INT-A-3)—a mean of 3.909, a standard deviation of 0.793, and the minutest and maximum values of 2.000 and 5.000, respectively. (INT-A-4)—a mean of 3.773, a standard deviation of 0.794, and the minimum and maximum values of 2.000 and 5.000, respectively. (INT-A-5)—a mean of 3.818, a standard deviation of 0.983, and the lowest and maximum values of 1.000 and 5.000, respectively. (INT-A-6)—a mean of 3.864, a standard deviation of 0,757, and the minutest and extreme values of 2.000 and 5.000, respectively. (INT-A-7)—a mean of 4.000, a standard deviation of 0.905, and the minimum and extreme values of 1.000 and 5.000, respectively. In addition, it also showed the following results: independent variable audit failure (AF-1)—a mean of 3.091, a standard deviation of 0.996, and the minimum and maximum values of 1.000 and 5.000, respectively. (AF-2)—a mean 3.182, a standard deviation of 0.886, and the minutest and maximum values of 2.000 and 5.000, respectively. (AF-3)—a mean of 3.227, a standard deviation of 1.041, and the minimum and extreme values of 2.000 and 5.000, respectively. (AF-4)—a mean of 3.091, a standard deviation of 1.203, and the smallest and maximum values of 1.000 and 5.000, respectively.

5.3. Discriminant validity

PLS has standards for evaluating special validity. There must be a strong correlation between each component of every AVE's square root. It also includes the other buildings. According to Fornell and Larcker, (38) to address discriminant validity, the square root of each construct in its AVE must be compared to the constructions' correlations for all other constructs (1981). Table 3 shows the discriminant validity of constructs.

5.4. R square

After assessing the measurement model and meeting every requirement, the structural model was assessed. Checks are made on the R^2 coefficient of determination. This study used variables, namely, Audit-F and Intr-Cont, to assess the effects of audit failures and internal control on audit performance, respectively. As shown in Table 4, the Audit-PF variable has an R^2 value of 0.526, indicating that 52.6% of the disparity in audit performance (Audit-PF) can be explained by the predictors.

5.5. Hypothesis testing

The results of the hypothesis testing are shown in Table 5. It was discovered that the Audit-F hypothesis was rejected, while the hypothesis connected to Intr-Cont was supported. The outcome showed that, with $P = 0.000$ and $t = 5.696$, the Intr-Cont was statistically significant in favor of the Audit-PF. This finding suggests that Audit-PF is significantly impacted by Intr-Cont. However, the results indicated that Audit-F was positively insignificant with respect to Audit-PF, with a P-value of 0.39 and a t-value of 0.875. According to this finding, Audit-F has no effect on the level of Audit-PF.

TABLE 5 | Path coefficients.

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics	*P*-values	Results
Audit-F > Audit-PF	0.182	0.175	0.212	0.875	0.392	Rejected
Intr-Cont > Audit PF	0.664	0.687	0.116	5.696	0.000***	Supported

Levels of significance: *$P < 0.05$ ($t > 1.605$), **$P < 0.01$ ($t > 2.33$), ***$P < 0.001$ ($t > 3.33$).

6. Impact of audit failure and internal control on the performance of public companies

A risk management system's core components include internal control. Internal control can be used in a variety of corporate areas, including "strategic, financial, operational, and compliance." To increase the organization's effectiveness and performance standards, management is in charge of establishing and maintaining this control system (39). Corporate financial fraud results in financial problems and, finally, audit failure as a result of the economy's continued expansion. Businesses have a relationship between audit failure, financial risk, and company success (40). The findings demonstrate a highly significant positive link between performance and internal control ($P = 0.000$, $t = 5.696$). This result is in line with a study by Patterson et al. from the year 2022, which discovered a strong positive correlation between performance and an efficient internal control system. Additionally, according to the research findings by Hamshari et al. (37), there is a strong and statistically significant correlation between professional skepticisms and internal control. This correlation shows how much correctness there is and how internal control affects it. Most financial auditors exercise professional skepticism when visiting businesses and studying financial reporting. Results for the audit failure and performance indicate that the performance was positively insignificant ($P = 0.392$, $t = 0.875$). These findings are in line with those of De Fuentes and Porcuna (35), who found that the likelihood of an audit failing increases when there is a higher risk of a financial crisis, when the auditor allows the management of growing profits, and when the audit report is signed by a single auditor. The facts, according to John Coffee (2019), show that the regulator's obvious audit mistakes are subscriber-related. Salih and Hla (32) found a high and unfavorable correlation between audit failure, corruption, and the performance of the public sector in Iraq. According to Hrvoje apina and Sabina Ibrahimagi (2011), the following factors contribute to audit errors: a lack of legislative oversight in BIH, a lack of continuing education for auditors, inadequately developed auditing procedures, a lack of internal quality control in most audit firms, and a lack of public oversight.

7. Conclusion

This study aims to determine how audit errors impact Oman's publicly traded companies' performance and also to determine the relationship between the performance of an Oman public business and the impact of internal control. This study identifies internal control and audit failures as two independent variables that affect the performance of public companies. This cross-sectional study uses quantitative methodologies, and primary data is used to gather quantitative information (a questionnaire). Auditors from the Stat Audit In station make up the study's population. Using a random sample strategy with 22 auditors, the effect of internal control failures and audit failures on the performance of publicly traded companies in Oman was assessed. In this research, the data gathered is analyzed with structural equation modelling (SEM) with partial least square (PLS) approach.

The hypothesis testing results revealed that the hypothesis related to Intra-Cont was accepted, whereas the hypothesis related to Audit-F was rejected. The result revealed that the Intr-Cont was positively significant for Audit-PF, with $P < 0.000$, $t = 5.696$. This finding indicates that Intr-Cont has a significant effect on Audit-PF. On the contrary, the finding showed that Audit-F was positively insignificant with respect to Audit-PF, which was $P < 0.392$, $t = 0.875$. This result indicates that Audit-F does not influence the level of Audit-PF.

Recommendation

Numerous suggestions for more research are included in this paper. This study first looked at how internal control and audit failures directly affect the performance of publicly traded corporations. There is a dearth of prior research examining the impact of other factors on the relationship between the effectiveness of internal controls and the impact of audit failure on sector performance. Moreover, future studies should consider the impact of auditor failure and weak internal control on the annual performance levels of all public and private sectors by suggesting the researcher found that there are some recommendations. First, given the importance of auditing, we recommend educational authorities such as the Ministry of Higher Education and universities adopt the audit specialization to prepare qualified cadres on audit mechanisms in accordance with international standards. Second, based on the results of previous studies and the significant impact of the role of the auditor in improving the internal system, we suggest the formation of committees and sections for auditors in all institutions. Third, we suggest activating an application for internal control for all employees and enrolling them in training courses in their fields of work on a regular basis, which helps to avoid errors and failures in audits and computerization.

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