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Original Article

Audit Risk Assessment as a Determinant of Fair Financial Reporting: Empirical Evidence from the Muscat Stock Exchange

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Abstract: *This study examines how the evaluation of audit risk influences the integrity of financial reporting among firms listed on the Muscat Stock Exchange. It explores auditors' views on risk assessment practices during audits and underscores their importance for directors and stakeholders in enhancing decision-making and reducing financial failures. The audit risk framework includes the assessment of inherent risk, control risk, and detection risk, which guides auditors in identifying areas prone to material misstatement. A quantitative deductive approach was adopted, using structured questionnaires distributed to external auditors and investors. Out of 250 distributed surveys, 162 valid responses were analysed using SPSS to test the hypotheses. The result shows a significant positive relationship between audit risk evaluation and the credibility of financial statements, which in turn strengthens stakeholder trust in financial reporting within the Omani market. Practical implications suggest that enhanced risk assessment helps auditors improve audit quality and efficiency. This research fills a gap in the Omani context where limited studies exist on audit risk assessment and its impact on financial statement reliability. The use of advanced statistical analysis lays the groundwork for future research, supporting a broader understanding of how risk assessment promotes asset protection and helps prevent corporate distress.*

Keywords: *Audit Risk Assessment, Financial Statement Integrity, Inherent Risk, Control Risk, Detection Risk.*

I. INTRODUCTION

A) Background of the Study

Auditing plays a crucial role in ensuring corporate financial transparency by providing assurance that financial statements fairly present an entity's financial position. A key element of the audit process is the identification and assessment of risks that may lead to material misstatements. If these risks are not properly evaluated, auditors may fail to detect errors or fraud, thereby reducing the credibility of financial reporting and affecting stakeholders' decisions. The effectiveness of auditing depends largely on assessing three components of audit risk: inherent risk, control risk, and detection risk.

Inherent risk refers to the susceptibility of financial information to misstatement due to the nature of business activities. Control risk arises when internal controls fail to prevent or detect errors, while detection risk occurs when audit procedures do not uncover existing misstatements. These components form the audit risk model used in planning audit procedures.

Professional standards, including international auditing frameworks, emphasize risk-based audit planning to ensure reliable reporting. However, inadequate risk assessment may expose auditors to legal liability and reputational damage. Therefore, a thorough understanding of audit risks enhances audit quality and strengthens stakeholder confidence.

B) Risk Assessment in Auditing Practices

Risk assessment is fundamental to audit planning and execution. Auditors evaluate client-specific factors such as industry conditions, financial complexity, internal controls, and prior misstatements to determine risk levels using professional judgment. The relationship between the audit risk components influences the extent of audit work: lower detection risk requires more substantive testing. Without proper evaluation of inherent and control risks, audit procedures may be insufficient, reducing audit quality. Assessing internal controls—including authorization procedures, transaction recording, error correction, and segregation of duties—enables auditors to design focused strategies that minimize audit risk and ensure effective audit performance.

C) Practical Audit Framework in Oman and Problem Statements

In the Sultanate of Oman, auditing is regulated under Royal Decree No. 18/2019, requiring companies to prepare financial statements in accordance with IFRS and undergo external audits by licensed auditors. Public joint stock companies must also comply with regulations issued by the Capital Market Authority, ensuring governance and transparency. Auditors are required to maintain independence and protect shareholder interests.

Despite this framework, challenges remain due to legal exposure arising from inadequate risk assessment. Variations in audit quality, particularly among companies listed on the Muscat Stock Exchange, highlight the need to strengthen audit risk evaluation to enhance credibility and stakeholder confidence.

D) Research Questions:

- RQ1: What is the relationship between inherent risk assessment and the fairness of financial statements?
- RQ2: What is the relationship between control risk assessment and the fairness of financial statements?
- RQ3: What is the relationship between detection risk assessment and the fairness of financial statements?

E) Research Objectives:

- RO1. To examine the relationship between inherent risk assessment and the fairness of financial statements.
- RO2. To investigate the relationship between control risk assessment and the fairness of financial statements.
- RO3.To measure the relationship between detection risk assessment and the fairness of financial statements.

II. SIGNIFICANCE OF THE STUDY

External auditors are required to understand the audited entity and its internal control system to assess risks of material misstatement due to fraud or error. Audit failures, such as the collapse of Enron and the dissolution of Arthur Andersen in 2001 (Thomas, 2002), demonstrate the consequences of weak risk assessment. Given the limited research within the Omani context, this study contributes to improving audit quality, strengthening financial reporting reliability, and enhancing stakeholder confidence in Oman.

A) Operational Definitions

Audit risk assessment refers to the process by which auditors evaluate the likelihood of issuing an inappropriate opinion on materially misstated financial statements. The International Federation of Accountants defines audit risk as the risk that the auditor will express an inappropriate opinion when the financial statements are materially misstated. Similarly, Strawser (1990) defined audit risk as the risk that an auditor may unknowingly fail to modify an opinion on materially misstated financial statements. AU-C Section 315 describes it as an identified and assessed risk of material misstatement requiring special audit consideration (AICPA Professional Standards). According to International Standard on Auditing (ISA) 315, audit risk arises when the auditor expresses an inappropriate opinion on materially misstated financial statements (ISA 315, 2009, p.4). Risk is defined as the probability that an event may adversely affect an organization (Powers CIA Review Part 1, 2006).

Risk assessment is a systematic process of integrating professional judgments to evaluate adverse conditions and organize audit work effectively (Powers CIA Review Part 1, 2006). Audit risk consists of three components: inherent risk, control risk, and detection risk (AICPA, 1983). Inherent risk refers to the susceptibility of financial statements to material misstatement in the absence of internal controls. It may arise from the nature of the business, transactions, or accounts (Poddubna, 2021). Factors influencing inherent risk include asset flow, accounting assumptions, economic conditions, and technological development (Leuz and Wustemann, 2004). Control risk is the probability that internal controls fail to prevent or detect material misstatements in a timely manner (Bedard and Graham, 2002, pp.39–56). It is influenced by the organization of the accounting department, internal anti-fraud conditions, information system security, and management monitoring (Bedard and Graham, 2002). Detection risk refers to the possibility that audit procedures will not detect existing material misstatements (Nguyen et al, 2020). Factors affecting detection risk include improper audit planning, execution errors, misinterpretation of results, and inappropriate sampling methods (Bedard and Graham, 2002).

Auditors cannot control inherent or control risks but must assess them to determine the nature, timing, and extent of audit tests, aiming to achieve reasonable assurance, often considered at least 95% confidence (Messier and Austen, 2000, p.119). Throughout audit stages, planning, execution, evaluation, and reporting, auditors must consider risks of material misstatement due to fraud or error (Barua et al, 2017). Auditing standards require auditors to identify fraud risk factors and discuss them with management and those charged with governance. Fraud risk varies across firms and may include illegal profit manipulation, frequent management changes, weak internal controls, financial instability, asset misappropriation, inadequate recordkeeping, and lack of segregation of duties (Kummer et al, 2014). Proper assessment of these risks strengthens audit effectiveness and enhances financial reporting reliability.

III. LITERATURE REVIEW

This section includes a review of different research papers that discussed the factors of Audit risk assessment and its effect on the fairness of the financial statements. It also presents the research variables and the relationship between the independent variables of risk Assessment, inherent risk, control risk, and detection risk, and the dependent variable of the fairness of the financial statements.

A) Audit Risk Assessment

The auditing standards require that auditors evaluate and identify the risks, ensuring that the overall risk level is very low (for example, 0.05). After that, auditors must evaluate the inherent risks of the client's accounts and transactions. The client's understanding and evaluation of the control risks come in two phases. The first is performed before the tests and evaluation of the controls, and the second is performed after implementing the test results. Then the detection risks are evaluated by referring to the control risks to determine the acceptable level and try to reach the best level of risk assessment (Stephen W. Wheeler, 2000)

B) Auditing Function and Procedures

Al-Adawi (2018) studied the inability of the internal control system to help in deciding auditing with statistical samples. The study's descriptive and historical methodology was used to analyze data from previous studies, and the deductive method was used to formulate the hypotheses. The study concluded that the presence of a good accounting system leads to higher audit process quality in the samples. The study also proved that accounting control contributes to reducing fundamental errors in financial transactions. The study also found that failure to perform the inspection tests results in a clean opinion despite the presence of fundamental misstatements in the financial statements.

The external auditors need to understand the accounting system of the client firm to master audit planning and develop effective ways to implement it, besides evaluating the internal control. When performing auditing procedures, the auditors must make a professional 8 effort to assess the audit risks and design the procedure to reduce those risks to minimum levels (Al matarneh, 2011). The Generally Accepted Auditing Standards (GAAS) require the auditor to consider audit risks and must determine materiality at the level of the financial statements taken to identify and assess the risks of material misstatement and evaluate whether the financial statements are taken as a whole fairly presented, in all material respects, including it conforms to Generally Accepted Accounting Principles (GAAP), in the account balance, class of transactions, related assertion, or level of disclosure. (SAS:47,2006).

C) Audit Risk Components

Audit risk assessment procedures should be coherent, continuous, and comprehensive, beginning with the collection of preliminary client information and ending with the audit opinion (Florentin-Emil, 2018). ISA 315 states that the process starts with risk assessment, followed by identifying specific risks and evaluating their impact on financial statements (ISA 315). This approach is often described as the “business risk approach,” which incorporates operational risk evaluation before planning audit procedures. A study by Benladghem et al (2019) investigated the impact of audit risks on external audit quality in Algeria using SPSS analysis. The findings showed that proper assessment and control of audit risks positively influence audit quality and support adopting a risk-based audit approach. According to (IFAC, 2007), audit risk consists of inherent risk, control risk, and detection risk. Differences in auditors’ perceptions may lead to inconsistent application of the audit risk model; however, its proper use helps reduce risk to acceptable materiality levels. Audit risk is defined as the risk of expressing an inappropriate opinion when financial statements are materially misstated (IFAC, 2007). Because audit evidence provides reasonable rather than absolute assurance, auditors may unknowingly fail to modify their opinion appropriately (SAS 47, 2006). Stephen W. Wheeler (2000) found that audit risk components are interrelated and influenced by materiality assessments, making a comprehensive evaluation essential during audit planning.

D) Inherent Risk

Inherent risk is defined as the susceptibility of an account balance or transaction to material misstatement, assuming no related internal controls (IFAC, 2007). Professional judgment in assessing inherent risk is influenced by factors such as audit environment, staff competence, audit evidence, and decision-making methods (Arens et al, 2005). Auditors evaluate management integrity, experience, business nature, account complexity, and operational pressures (Naghi, 2000). Both external factors - such as economic conditions and technological changes - and internal factors - like asset vulnerability and transaction complexity - also affect inherent risk (Monroe et al, 1993).

E) Control Risk

Zaqoot (2016) found that the signals of financial statements' risk control enhance the effectiveness of the external audit in discovering financial fraud at the α0.05 level. The results of this study showed that there is a positive correlation (73.16%) between the red flag indicators and the effectiveness of external audits for the detection of financial fraud. The International Standard (400) specifies evaluation risks and internal control. It considers the initial assessment of control risks, which is a process of evaluating the effectiveness of the accounting system, internal control system for prevention, correction, or detection of material errors, and assessment of control risks at the level of each target for each financial transaction. It also happens when the auditor finds that the accounting system is not effective, and the internal control system is ineffective, in which case the assessment of control risks is at a high level (Al Matarneh, 2011). The definition of control risk is “the risk which occurs in the account balance or a range of transactions which could be material individually or when aggregated with the error information

in the balances or other communities, which cannot be prevented or detected and corrected at the right time by the accounting system or internal control system" (IFAC, 2007).

F) Detection Risk

Alssabagh (2016) examined the effect of quantitatively measuring material misstatement risks on improving audit risk assessment accuracy. The study applied a proposed framework to 151 accounts across industrial, commercial, and service sectors in Syria (2011–2013). Using the audit risk model, if acceptable audit risk is 5%, with inherent risk at 50% and control risk at 40%, then Planned Detection Risk (PDR) = 5% ÷ (50% × 40%) = 25%, meaning a 25% chance of failing to detect material errors. Results showed that quantitative measurement enhances audit accuracy. Detection risk is the risk that audit evidence fails to detect misstatements exceeding tolerable levels (Elder et al., 2010). It may arise from sampling limitations or methodological uncertainty (Eilifsen et al, 2006). Detection risk includes analytical risk, substantive test risk, sampling risk, and non-sampling risk related to auditor competence (Dhunaibat, 2006).

G) The Audit Risk Model

Al-Shaheen (2015) studied the impact of applying the audit risk model (Statement No. 47 of the CPA, 1983) on audit quality in Syria. Data were collected from 50 audit engagements involving 25 clients audited between 2011 and 2012. The results showed that audit risk assessment significantly improves audit quality, and that detection risk and fraud-related material misstatement risk strongly influence the nature, timing, and extent of audit procedures.

Similarly, Popoola et al (2014) investigated the relationship between audit risk assessment and the detection of material errors in Nigeria using 360 questionnaires and multiple regression analysis. Findings indicated that applying the audit risk model positively enhances error detection and reduces material misstatements in financial reports.

The audit risk model is expressed as AR = IR × CR × DR (Low, 2004; Khurana and Raman, 2004). In this model, inherent risk (IR) and control risk (CR) are sometimes referred to as "auditee risk," as they exist before the audit and cannot be controlled by auditors. Therefore, auditors must assess these risks to determine appropriate audit test levels (Messier and Austen, 2000).

H) Fairness of Financial Statements

As the gap between shareholders and management grows, conflicts of interest may affect financial reporting. Management may present results favourably, while shareholders require accurate information reflecting the company's true financial position. Therefore, auditors provide an independent and unbiased opinion to enhance reliability. Greapca and Lungu (2024) found no clear link between internal audit and risk monitoring in the government sector. Al Jubory (2016) concluded that risk management improves performance and audit quality. Adebayo (2011) showed that auditor independence enhances financial statement credibility. Abdullatif and Al Khadash (2010) noted the limited application of the business risk approach due to weak governance. Jarbou (2007) emphasized responsibility for detecting material errors, while Martinis (2005) confirmed that audit risk affects effectiveness. MacLullich (2001) stated that statements are correct when prepared in accordance with standards. Bartlett (1993) defined independence as an unbiased attitude, and DeAngelo (1981) linked audit quality to the detection and reporting of misstatements. Recommendations include audit rotation and limiting non-audit services to strengthen independence.

IV. DATA ANALYSIS AND FINDINGS

This section analyses data collected from the questionnaire using SPSS to examine relationships between independent variables risk assessment, inherent risk, control risk, and detection risk and the dependent variable, fairness of financial statements. The questionnaire was tested for validity and reliability and distributed electronically to external auditors in audit firms and financial statement stakeholders in the Sultanate of Oman via Google Forms and social media. The responses were analysed using SPSS, including tests of normality, reliability, and hypothesis tests, with a summary of the findings presented at the end. It also includes an analysis of respondents' demographic data**.**

A) Gender

Table 1 shows that the percentage of male respondents out of several samples is (89.5%), while the percentage of female respondents is (10.5%). That indicates that the number of external auditors in these offices targeted primarily males.

Table 1: Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	145	89.5	89.5	89.5
	Female	17	10.2	10.5	100
	Total	162	100	100	

B) Level of education

Table 2 confirms that most respondents hold a bachelor's degree, with a rate of (58%). Secondly, MBA holders accounted for (27.8%), while respondents of chartered accountants and PHD holders are equal to (3.7%), which indicates most external auditors hold a bachelor's degree, compared with those auditors holding a chartered accountant certificate.

Table 2: Level of Education

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	PHD	6	3.7	3.7	3.7
	MBA	45	27.8	27.8	31.5
	Bachelor	94	56	58	89.5
	Chart. Acc	6	3.7	3.7	93.2
	Others	11	6.8	6.8	100
	Total	181	100	100	

C) Actual job position

Table 3 shows that most of the respondents have the position of supervisor, which represents (33.3%). The position of partner or manager represents (28.4%), while the position of auditors represents (22.8%), and finally, the least respondents have the position of senior auditors (15.4%). That indicates the most responding auditors are in high-level positions.

Table 3: Actual Job Position

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Partner/Manager	46	28.4	28.4	28.4
	Supervisor	54	33.3	33.3	61.7
	Senior auditor	25	15.4	15.4	77.2
	Auditor	37	22.8	22.8	100
	Total	162	100	100	

D) Number of work experiences

Table 4 shows that most respondents have work experience above 15 years (36.4%) of the total respondents, and the respondents with work experience between 11-15 years are (32.1%). The respondents with work experience between 5-10 years are (22.2%), and lastly, the respondents with work experience less than 5 years are (9.3%). That indicates that most of the respondents have experience for long years above 15 years, which increases the credibility and importance of the data.

Table 4: Number of Years' Experience

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 5 years	15	9.3	9.3	9.3
	Between 5-10 years	36	22.2	22.2	31.5
	Between 11-15 years	52	32.1	32.1	63.6
	Above 15 years	59	36.4	36.4	100
	Total	162	100	100	

E) Descriptive analysis

This section presents a descriptive analysis of the study variables identified in the conceptual framework, including Inherent risk, Control risk, and Detection risk as independent variables, and fairness of financial statements as the dependent variable. These variables are measured on a five-point Likert scale (strongly agree = 5, agree = 4, neutral = 3, disagree = 2, strongly disagree =1). When the study variables were linked to ordinal values and statistical tests were performed using the SPSS program, descriptive statistics were made by averaging the variables in addition to the mean between the different variables. Table 5 shows the mean average score for each category on the Likert scale.

Table 5: Five Likert Scale Gap Width

Categories	Mean Average
Strongly Agree	4.21 – 5.00
Agree	3.40 – 4.20
Neutral	2.61 – 3.40
Disagree	1.81 – 2.60
Strongly Disagree	1.00 – 1.80

F) Descriptive Statistics of Inherent Risk

Table 6 shows the mean and standard deviation of inherent risk. Five elements were questioned to analyze the variable of inherent risk, and a total of 160 responses were received. The mean of the five items of inherent risk is (3.896)

(corresponding values of agree, i.e., between 3.40-4.20), with an average standard deviation of 1.080, which indicates that the assessment of inherent risk is within the auditing procedure.

Table 6: Descriptive Statistics of Inherent Risk

	N	Minimum	Maximum	Mean	Std. Deviation
The external auditor is assessing the nature of the company's operation procedure when assessing the inherent risk.	160	1	5	4.19	.966
The Auditors are generally assessing unusual and complex transactions near the end of the reporting period.	160	1	5	3.84	1.108
Inherent risk is high for accounts balances that are based on estimated value compared to the actual value	160	1	5	3.93	1.061
The inherent risk is mostly not controlled by external auditors, but by those who can estimate the degree of risk and try to reduce it.	160	1	5	3.89	1.127
When inherent risk is high, acceptable detection risks are low for the purpose of reducing risk to the lowest acceptable level.	160	1	5	3.63	1.136
Valid N (list-wise)	160			3.896	1.080

G) Descriptive Statistics of Control Risk

Table 7 shows the average control risk and the standard deviation of the analysis of the importance of assessing the control risk, by analyzing 160 responses. The mean of the four items of the assessment of control risk is 4.035 (corresponding values of agree, i.e., between 3.40-4.20) with an average standard deviation of 1.012, which indicates that control risk affects the fairness of financial statements.

Table 7: Descriptive Statistics of Control Risk

	N	Minimum	Maximum	Mean	Std.Deviation
The control test is performed to ensure the ability of control systems to prevent errors and correct them.	160	1	5	4.20	.923
The External Auditors are assessing control risks at a high level for some or all of the assurances when the accounting system and internal control system are ineffective.	160	1	5	3.91	1.092
External Auditors are mostly assessing the effectiveness of the accounting system for the purpose of assessing the control risk.	160	1	5	4.14	.935
The External Auditors mostly rely on the internal control system of the company to reduce the risk of errors.	160	1	5	3.89	1.097
Valid N (list-wise)	160			4.035	1.012

H) Descriptive Importance of Detection Risk

Table 8 shows the mean and standard deviation of the detection risk assessment for the assessment of the detection risk variable, as 160 responses were received. The mean of the four items of detection risk is 3.905 and corresponding values of agree, i.e., between 3.40-4.20, also an average standard deviation of 1, which indicates that assessment of detection risk has received a lot of attention from external auditors.

Table 8: Descriptive Statistics of Detection Risk

	N	Minimum	Maximum	Mean	Std. Deviation
The amount of evidence to be obtained by the auditor is based on the auditor's assessment of inherent and control risk.	160	1	5	4.02	.928
Detection risks increase when there are fundamental deviations in some budget items, and the audit procedures of the external auditor are unable to discover them.	160	1	5	3.86	1.051
The level of detection risk is directly related to the significant auditor’s procedures.	160	1	5	3.88	1.042
The external auditors mostly accept high detection risk when there is low inherent risk, while continuing to reduce audit risk to an acceptable level.	160	1	5	3.86	.977
Valid N (list-wise)	160			3.905	1

I) Descriptive Statistics of Fairness of Financial Statements

The mean and standard deviation of the fairness of the financial statements are shown in the table below to analyze the effectiveness of the audit risk assessment on the fairness of the financial statements, through analyzing the 160 responses that were received. The mean of the four items of fairness of financial statements is 4.058 (corresponding values of agree, i.e., between 3.40-4.20) with an average standard deviation of .973, which indicates that there is a significant effect of audit risk assessment on the fairness of financial statements.

Table 9: Descriptive Statistics of the Fairness of Financial Statements

	N	Minimum	Maximum	Mean	Std.Deviation
The users of financial statements rely on the audit reports carried out by an independent auditor as an unmodified opinion usually ensures that fraud and illegal behaviours that may be present in the financial statement do not exist.	160	1	5	3.95	1.002
The shareholders expect the auditor to detect the majority of the misstatements that may exist, as the auditor obtains the highest level of assurance during the audit.	160	1	5	3.93	1.067
The external audit enhances the assurance that the financial statements are free from material misstatements and errors.	160	1	5	3.96	.977
The external audit enhances the investor confidence in the integrity of financial statements	160	1	5	4.39	.847
Valid N (list wise)	160			4.058	.973

J) Discriminate Validity

In the components of the correlation matrix that are observed in the table below, the Pearson correlation of all variables is significant, the value is around (1%) indicating that the discriminative validity of these variables has been established.

Table 10: Factor Correlation Matrix

		IR variable	CR variable	DR variable	FS variable
IR variable	Pearson Correlation	1	.504**	.519**	.515**
	Sig. (2-tailed)		.000	.000	.000
	N	160	160	160	160
CR variable	Pearson Correlation	.504**	1	.632**	.681**
	Sig. (2-tailed)	.000		.000	.000
	N	160	160	160	160
DR variable	Pearson Correlation	.519**	.632**	1	.627**
	Sig. (2-tailed)	.000	.000		.000
	N	160	160	160	160
FS variable	Pearson Correlation	.515**	.681**	.627**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	160	160	160	160
**. Correlation is significant at the 0.001 level (2-tailed)					

K) Normality Test

The most common statistical methods of testing for normality are the Shapiro-Wilk test and the Kolmogorov-Smirnov test. The Shapiro-Wilk test shows the secondary data sets (eg, $n < 0.05$), while the Kolmogorov-Smirnov test shows the total samples (> 100). The table and graph below show the mode test results (Hanafi and Fadilah, 2017). Whereas, after analyzing the data, it was found that the sig value for all variables is less than 0.05, which indicates that the data are normally distributed within the required sample.

Table 11: Tests of Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	Df	Sig.
IR variable	.139	160	.000	.934	160	.000
CR variable	.078	160	.19	.948	160	.000
DR variable	.095	160	.001	.948	160	.000
FS variable	.107	160	.000	.932	160	.000
a. Lilliefors Significance Correction						

L) Reliability

Table 12 shows the reliability of the study variables. The reliability of variables has been measured through Cronbach's alpha value. Depending on the results of the analysis that was conducted through the SPSS program, the variables had a Cronbach value above 70%, indicating the reliability of all variables represented by the 160 responses.

Table 12: Reliability Test

NO	Variables	Items of No	Cronbach alpha
1	Inherent Risk	5	.757
2	Control Risk	4	.742
3	Detection Risk	4	.750
4	Fairness of Financial Statement	4	.755

M) Anova

The ANOVA values have shown the statistical significance of independent variables regarding the dependent variables, F (3, 156) = 62.301, p< .005. Then, the value Sig indicates that the model in the table below is significant for further analysis, as the value of Sig. is less than 5%.

Table 13: ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	47.621	3	15.874	62.301	.000[b]
	Residual	39.748	156	.255		
	Total	87.369	159			
a. Dependent Variable: Fairness of Financial Statements variable						
b. Predictors: (Constant), DR variable, IR variable, CR variable						

N) Coefficients

The unstandardized coefficients show that the variance in the dependent variable is caused by the independent variables. This is according to the table below, which shows that the value of the (IR) is (.019), which is less than (5%). This indicates that there is a significant relationship between (IR) and the fairness of financial statements. The value of (CR) and (DR) is (0.000), implying that there is a significant relationship between the independent variable and the dependent variable. Therefore, the value of the coefficient of all variables is accepted.

Table 14: Coefficients

Model		Unstandardized coefficients		standardized coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.636	.255		2.493	.014
	IR variable	.145	.061	.156	2.379	.019
	CR variable	.451	.076	.428	5.9323	.000
	DR variable	.270	.072	.276	3.780	.000
a. Dependent Variable: FS variable						

H1: There is a positive relationship between inherent risk assessment and the fairness of financial statements. This study concluded that there is a positive relationship between inherent risk and the fairness of the financial statements, where the coefficient (sig) is less than 5%. Therefore, there is a significant relationship between the assessment of inherent risk and the fairness of the financial statements. Based on the prior studies, there was a positive relation and effect between the assessment of inherent risk and the fairness and quality of financial statements, as per Gary et al (1993). When auditors consider the factor of inherent risk that affects their assessment of inherent risk on the financial statement. According to Shahverdi et al. (2023), inherent risk is the possibility of a material misstatement in the accounts, independent of the client's internal control, and is sometimes combined with control risk into a single risk factor. According to Tavares et al (2025), who investigated the impact of the audit risk assessment on the auditing process, the study may include: the auditing risk, the inherent risk, the control risk, and other risks related to the quality of the financial statements.

Zaqoot (2016) found that the signals of financial statements' risk control enhance the effectiveness of the external audit in discovering financial fraud at the α0.05 level. (Khurana and Raman, 2004) “The audit risk model is expressed as AR= IR *CR*DR. When audit risk refers to the risk that the auditees’ 32 of financial statements could not reveal misstatement or fraudulence after their internal control activities and audit personnel’s detection”. In the audit risk model, the items of (IR *CR) are sometimes called “auditee risk” or “occurrence risk” since these two risks both refer to the misstatement has already existed in the financial statement. Finally, most of the studies mentioned in this research have focused on investigating the link and

significant relationship between audit risk assessment and the fairness and quality of financial statements, which require greater attention, care, and effort on the part of auditors in assessing audit risk during the auditing process.

H2: There is a positive relationship between control risk assessment and the fairness of financial statements.

As the result shows, there is a significant relationship between control risk and the fairness of the financial statements, which shows that the correlation coefficient was less than 5%. Therefore, the study confirmed that external auditors in Oman are primarily committed to assessing control risk when performing auditing procedures. The control risk assessment is defined as the auditor's expectation of the ability of the internal control system to prevent errors, the intrinsic nature of the occurrence in the first place, or its ability to discover those errors and correct them if they occur (Arens et al, 2005).

H3: There is a positive relationship between detection risk assessment and the fairness of financial statements.

Through the analysis of the data, it was found that there is a correlation between the assessments of detection risk and the fairness of the financial statements, as it is noted that the correlation coefficient of all variables is less than 5%. Accordingly, the study found that the auditor should conduct a risk assessment during the audit procedures to produce fair financial statements free of any misrepresentations or fundamental errors. Therefore, the external auditor is primarily concerned with detection risks, while control and inherent risk are the responsibility of management. Detection risk is the risk that audit evidence fails to detect errors that exceed acceptable errors in a given set of data (Arens et al, 2005).

V. CONCLUSION AND RECOMMENDATIONS

External auditors report to stockholders and must follow professional standards and procedures. They are required to understand the audited entity, its environment, internal control, and risks of material misstatement, whether from fraud or error, including objectives and strategies (IAASB, 2008). Oman emphasizes governance and transparency under Vision 2040. Commercial Companies Law No. (18/2019) regulates financial reporting under GAAP, and Article 21 of Royal Decree No. 76/87 states that auditors are responsible for damages caused by fraud. This study linked previous research with SPSS results and found significant positive relationships between audit risk assessment and the fairness of financial statements, confirming the importance of audit risk evaluation in enhancing reliability and auditor report credibility in the Sultanate of Oman.

This study recommended that government institutions, auditing offices, and external auditors pay more attention to the assessment of audit risk while performing the auditing procedures. The focus of this study is on Oman, updating and developing the rules and regulations of the Accounting and Auditing law and instructions for the auditing of firms' financial statements, especially for firms listed as corporations. Recommends extra care and attention of the Capital Market Authority to create new regulations, including manuals, checklists, matrices, and guidelines to apply when performing the auditing procedure. Finally, the researcher recommends the application of measuring tools to know the compliance of external auditors and auditing firms regarding assessments of auditing risk.

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