The Contribution of External Audit to Business Resilience in Lebanon during Crises

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Abstract

The contribution of external auditing to the resilience of companies in Lebanon during times of crisis, examined through a qualitative study based on semi-structured interviews with six auditing firms, highlights its essential role amid the crisis that has affected the country since 2019. Amid the collapse of the Lebanese pound and ongoing economic instability, which significantly complicated corporate accounting, external audits emerged as a vital tool. Auditors ensured that accounting operations were recorded using the official exchange rate of 1,507.5 Lebanese pounds when preparing the tax declarations of audited entities for the years 2020 to 2022. In the context of unclear and ambiguous legislation, auditors also played a role in preventing tax avoidance. They provided continuous oversight of company operations, monitored financial management, ensured accurate inventory tracking, validated the reliability of financial statements, enforced tax declaration deadlines, offered strategic recommendations, and verified their implementation. These interventions contributed significantly to maintaining the resilience of Lebanese enterprises during the economic downturn. In 2023, following the stabilization of the exchange rate at 89,500 Lebanese pounds, auditors continued to verify the accuracy of financial transactions based on the daily exchange rate and ensured the proper closure of prior fiscal years, thereby enabling the preparation of reliable financial statements. The findings of this study underscore the pivotal role of external auditing as a cornerstone of corporate accounting resilience in Lebanon, helping businesses navigate and survive periods of severe uncertainty.

Keywords: crisis, Lebanese pound collapse, resilience, financial statement, exchange rate, external audit, tax declaration

1. Introduction

External auditing plays a fundamental role in verifying the accuracy of financial transactions and ensuring the transparency of corporate financial statements. By ensuring compliance with accounting standards and evaluating the effectiveness of internal controls, it strengthens stakeholder confidence and contributes to the financial stability of organizations. This role becomes even more critical during periods of crisis, when companies are confronted with significant economic and accounting challenges.

Since 2019, Lebanon's economic crisis has profoundly impacted the business sector, leading to the devaluation of the national currency, exchange rate volatility, and increased financial instability. These disruptions have weakened corporate accounting practices, fostered tax evasion, and raised doubts about the reliability of financial statements. In this context, external auditing emerges as a key mechanism for ensuring business resilience by detecting irregularities, enhancing transparency, and offering recommendations tailored to current challenges (Anaman, Ahmed, Oware, & Quaw, 2023).

In light of this ongoing crisis, the objective of this research is to examine the role of external auditing in enhancing the resilience of Lebanese businesses. It analyzes the crisis's impact on the reliability of financial statements, the repercussions of economic instability on accounting and tax operations, and the strategies employed by external auditors to confront these challenges. The study also sheds light on the limitations of current auditing practices and proposes recommendations to improve their effectiveness in times of crisis.

In this unstable economic environment, assessing the effectiveness of external auditing as a lever for business resilience in Lebanon is essential. The central research question is: *How do Lebanese accounting professionals* *perceive the effectiveness of external auditing in ensuring business resilience during times of crisis?*

Using a qualitative methodology based on semi-structured interviews with accounting experts from various audit firms, this study aims to provide in-depth insights into the challenges encountered and the solutions recommended to reinforce business resilience during economic turmoil.

2. Literature Review

2.1 External Audit: Definition and Role

The auditor is responsible for examining a company's accounts and ensuring their compliance with financial reporting standards. Over time, the auditor's role has evolved to address changing economic and societal expectations. Auditing involves assessing a company's activities, forming an independent opinion, and making recommendations to enhance its practices, with a particular focus on identifying and managing risks. It covers various areas, including accounting, finance, and human resources, and follows a structured methodology to ensure the reliability of financial information (Abderrahim & Noureddine, 2022).

External auditing is an independent and objective process aimed at ensuring the regularity, accuracy, and fair presentation of a company's financial statements. It provides assurance to stakeholders—such as investors, creditors, and employees—that the financial information disclosed by a company complies with applicable accounting standards. By certifying financial statements, external auditors—including statutory auditors—help enhance transparency and strengthen trust in financial reporting. This section highlights the various types of external audits and their roles in analyzing financial performance (Ahmad, Hniche, & Chegri, 2023); (Saadi & Ayadi, 2023).

In Lebanon, external auditing plays a critical role in ensuring the reliability of financial statements, yet concerns remain regarding adherence to ethical standards and the true independence of auditors. Although some progress has been made—such as the implementation of client relationship management procedures—challenges persist. Notably, the economic dependence of auditors on their clients may compromise their objectivity.

For Lebanese SMEs in particular, external audit supports compliance with IFRS, but greater efforts are needed to safeguard auditor independence, including by imposing stricter limits on audit tenure. SMEs must also invest in training and internal procedures to meet IFRS requirements. Enforcing these standards and strengthening external audit practices will increase transparency and investor confidence, contributing to a more robust and trustworthy financial environment for Lebanese SMEs and the broader economy (Abrach & Feghali, 2023); (Wehbi & Hamze, 2023).

2.2 The Impact of Crisis on Businesses

Crises, once perceived as sudden and unpredictable events, are now recognized as foreseeable threats capable of severely disrupting a company's reputation and operations. Today, crises are understood as dynamic processes that unfold over time, often resulting from accumulated dysfunctions. They may manifest through sudden, dramatic events—such as wars or natural disasters—or through deeper structural shifts in social, economic, or political systems. These disruptions create critical decision-making junctures marked by uncertainty and intense pressure. Yet, crises can also be catalysts for transformation, offering opportunities for strategic renewal and innovation (Koselleck, 2023).

Historically, a wide range of crises—financial, economic, and health-related—have had adverse effects on businesses worldwide. They often lead to declining consumer demand, reduced investments, disrupted supply chains, and volatile financial markets. In response, companies may be forced to downsize, shut down operations, or declare bankruptcy. Governments and international institutions play a crucial role in deploying effective policy responses to enhance economic resilience.

Financial crises are especially detrimental to small and medium-sized enterprises (SMEs), which often face limited access to credit and rising interest rates, increasing their financial vulnerability. Economic crises, typically marked by commodity price fluctuations and currency depreciation, can trigger recessions and negative growth. Health crises, such as pandemics, severely disrupt business activities by causing revenue losses, operational halts, and reduced consumer demand (Krasniqi, Kotorri, & Aliu, 2023).

In an increasingly globalized world, companies must navigate a complex environment shaped by natural disasters, political instability, and economic slowdowns. These external shocks make it more difficult to manage pricing strategies, forecast demand, and maintain profitability.For example, the COVID-19 pandemic had a profound impact on businesses around the globe—including in Congo, Algeria, and France—causing severe financial strain through reduced cash flows, mounting debts, and operational disruptions. Similarly, the 2008 financial crisis led to massive financial losses, restricted access to credit, and forced many companies to implement drastic cost-cutting and restructuring measures in order to survive (Tchibozo & Roman, 2020), (El Houcine, 2021), (Mapouka Mboungou, 2023).

Fiscal pressures also intensify during crises, as businesses struggle to meet tax obligations and repay debts, threatening both their financial health and public revenue. Some firms exploit tax loopholes to ease their burden, while others face heightened risks of tax evasion. Meanwhile, the acceleration of digital transformation, spurred by the pandemic, has enabled businesses—including accounting firms—to maintain continuity through remote work and automation, though this comes with increased risks of cybersecurity threats and data protection challenges (Leroy, 2012), (Ministère de l'Économie et des Finances, 2024).Crises thus reveal the fragility of corporate systems, underscoring the need for robust risk management, strong governance, and adaptive strategies to ensure resilience and long-term sustainability.

In Lebanon, the prolonged economic crisis—exacerbated by decades of ineffective governance—has deeply affected the labor market and business environment. Youth unemployment is particularly high, and companies increasingly rely on foreign labor. Catastrophic events like the Beirut port explosion have further strained an already fragile economy. Private-sector firms, especially those reliant on imports, face growing challenges due to banking restrictions, currency devaluation, and shrinking advertising budgets.

While the tourism sector showed signs of recovery in 2023, businesses continue to struggle with inflation and escalating production costs. The lack of governmental support, coupled with unbalanced fiscal policies, contributes to growing uncertainty. Declining tax declarations, driven by an inefficient tax system, have led to a sharp drop in public revenues, aggravating the fiscal crisis. Meanwhile, the devaluation of the Lebanese pound has disrupted accounting systems, making it difficult for firms to ensure financial accuracy and stability (Hariri, Scala, & Dirani, 2021), (Babin, 2021), (Ministère de l'Économie et des Finances, 2023), (Salameh, 2024).

2.3 The Role of External Auditing in Enhancing Business Resilience

Resilience refers to the capacity to "bounce back" after a setback. In organizational contexts, it denotes a company's ability to recover from disruptions or shocks by developing new internal capabilities (Ewango-Chatelet, 2022). It encompasses behaviors and practices that enable organizations to overcome difficulties, survive, and thrive in uncertain and high-risk environments. During a crisis, resilience can take multiple forms, creating new opportunities for strategic and risk management under conditions of uncertainty (Chalus-Sauvannet & Ewango-Chatelet, 2022).

Resilience accounting aims to measure an organization's capacity to absorb shocks and maintain continuity of operations over time. This approach integrates economic, social, and environmental performance dimensions, providing a more holistic view that supports strategic decision-making and enhances transparency and communication. Implementing resilience accounting is a gradual process requiring commitment across all levels of the organization. Its benefits include improved overall performance, strengthened stakeholder trust, and contributions to building a more resilient society (Giordano-Spring, Arnaud, David, & Fé, 2022).

The COVID-19 crisis severely disrupted business operations, particularly financial functions. Companies that had strong financial fundamentals, liquidity, and funding access before the crisis demonstrated greater resilience. Consequently, resilience accounting relies on several pillars: robust financial structures, cost flexibility, liquidity generation, and transparent financial communication. These elements empower businesses to navigate uncertainty with greater confidence (Barzi & Bammousse, 2023). External audits play a vital role in supporting resilience during such crises by aiding financial decision-making, income diversification, and reserve creation to weather turbulent times (OIT, 2024).

External audit is essential for promoting sound governance and ensuring the reliability of financial data, particularly in the aftermath of financial crises and corporate scandals. It offers an independent and objective review of accounting practices, helping reduce information asymmetry among stakeholders and building trust with investors, shareholders, and the general public. The audit's quality is critical—poor-quality audits can lead to flawed decisions with lasting negative impacts (Achouri, Ghazlane, & El Menzhi, 2022).

In times of crisis, external audits ensure the reliability of financial reporting, verify compliance with both international and national accounting standards, and detect errors in financial disclosures. This supports informed decision-making among stakeholders. Moreover, audits help identify risks and guide the implementation of mitigation strategies, thus enhancing an organization's ability to confront crisis-related challenges (Deloitte, 2024). Financial statements certified by external auditors increase transparency and credibility, which are key to maintaining investor confidence and securing financing during turbulent periods (Aouina & Moussamir, 2019).

The rise of digital transformation, particularly through artificial intelligence, has greatly enhanced the role of external audits in supporting resilience. During the COVID-19 pandemic, digital tools enabled remote audits, facilitated real-time communication with clients, shortened audit durations, and allowed secure access to financial data without the need for on-site visits. These innovations also improved fraud detection and the continuous monitoring of financial activities—key components in maintaining organizational resilience (Mighiss & Kabbaj, 2021).

3. Research Methodology

Drawing from the literature review, this study proposes the following five hypotheses:

(1) Hypothesis H1: The crisis period had a negative impact on business accounting practices in Lebanon.

(2) Hypothesis H2: External auditing played a critical role in the management of business accounting during the crisis in Lebanon.

(3) Hypothesis H3: The demand for external auditing services by Lebanese businesses increased during the crisis period.

(4) Hypothesis H4: External auditing, through its tools and recommendations, contributed to sustaining business resilience in Lebanon during the crisis.

(5) Hypothesis H5: Lebanese businesses integrated external audit recommendations into their risk management and financial planning strategies to navigate the crisis successfully.

This study employs a qualitative research design to gain in-depth insights into the perceptions of external auditors and to explore the relational dynamics in a crisis context. A purposive sample of six audit firms operating in Lebanon was selected. Data saturation was reached by the fourth interview, confirming the adequacy of the sample. Semi-structured interviews were conducted between April 17 and May 6, 2024, with one representative from each firm, allowing for the collection of rich, detailed, and varied perspectives.

Table 1. List of studied audit firms

Audit firms	Employees' number	Clients' number	Year of experience
Audit firm A	20	700	15
Audit firm B	130	1200	18
Audit firm C	8	100	15
Audit firm D	7	40	25
Audit firm E	8	4200	13
Audit firm F	4	170	12

The analysis is based on two primary methods: verbatim analysis, which captures key expressions and participants' viewpoints, and thematic analysis, which organizes and interprets responses in line with the research hypotheses. This methodological approach seeks to deepen the understanding of how external auditors contribute to business resilience during times of crisis.

4. Findings

4.1 The Evolution of Demand for External Audit Services

Interviews conducted with auditors from six audit firms reveal that, despite ongoing economic crises, the overall demand for external audit services has remained relatively stable. While some firms experienced a decline in clients due to business closures, others offset these losses by attracting new clients from emerging or resilient sectors. This relative stability is largely attributed to the legal requirement for companies to submit tax declarations, regardless of whether they were operational.

Audit firm A reported: “We have 700 clients, and this number has remained fairly consistent over the past few years.”

Audit firm B stated: “Demand declined due to business closures, particularly between 2021 and 2022, but we continued working with around 1,200 clients in 2023 and increased to 1,300 in 2024.”

Audit firm C shared: “We initially lost about 25% of our clients, mostly small businesses, but later gained new ones—especially in the restaurant sector—maintaining a total of approximately 100 clients.”

Audit firm D noted: “Our client base remained unchanged despite several business suspensions, as clients are still legally required to declare their accounts.”

Audit firm E explained: “We lost many clients in the automotive sales and rental industry during the early stages of the crisis but gained new ones from the fuel station sector.”

Audit firm F added: “Our number of clients has remained stable over the past two years. Even with temporary business closures, tax declaration requirements ensured continued audit engagement.”

Table 2. Number of clients in studied Audit firms

Audit firms	2019	2020	2021	2022	2023	2024
A	720	690	700	730	715	700
B	1250	1250	1190	1200	1200	1300
C	120	120	90	100	104	100
D	42	42	40	41	43	40
E	4220	4050	4150	4170	4150	4200
F	180	140	145	150	170	170

4.2 The Challenges of Corporate Accounting in Lebanon during Times of Crisis

Lebanon’s prolonged economic crisis—particularly the extreme volatility of the Lebanese pound against the US dollar—has profoundly disrupted corporate accounting practices. One of the most pressing challenges has been the emergence of multiple exchange rates: the official rate, the bank rate, the Sayrafa platform rate, and the fluctuating parallel market rate. This complexity has created significant difficulties in transaction recording, VAT calculation, and financial reporting.

Auditing firms report that companies often struggled to accurately record invoices and calculate VAT, as there was no consistent standard for which exchange rate to apply. Additionally, inventory valuation became problematic; products purchased at the official rate were often sold at market rates, resulting in significant reporting discrepancies.

The use of outdated exchange rates—particularly the official fixed rate of 1,507.5 LBP/USD—has distorted financial statements, creating a disconnect between reported data and actual business performance. This led to inaccurate tax filings and opened the door to widespread tax evasion, as many businesses exploited the legal and regulatory ambiguity. Despite substantial fluctuations in the market rate, the Lebanese government maintained the outdated official rate for tax purposes, further exacerbating the issue. As a result, companies frequently reported exaggerated losses or profits that did not reflect their true economic condition.

Audit firm A noted: “Businesses recorded transactions at different exchange rates due to the absence of a clear, unified rate. This resulted in distorted financial reports and misleading tax declarations, with profits, VAT, and salaries declared at outdated values.”

Audit firm B stated: “The coexistence of multiple exchange rates complicated sales, purchases, and VAT accounting. The lack of regulatory clarity encouraged tax evasion, especially amid weak governmental oversight.”

Audit firm C commented: “Frequent fluctuations in exchange rates made accounting for foreign currency transactions and VAT extremely challenging. This often produced artificial profits or losses and incentivized unreported salary payments, deepening tax evasion.”

Audit firm D explained: “The sharp depreciation of the Lebanese pound disrupted both accounting and inventory valuation. Financial reports became unreliable, and businesses incurred losses due to tax obligations based on outdated exchange rates.”

Audit firm E added: “The multiplicity of exchange rates created confusion in pricing and VAT calculations. Exchange rate discrepancies inflated financial statements, resulting in billion-pound variations in reported tax liabilities.”

Audit firm F declared: “Recording transactions at inconsistent exchange rates caused major accounting distortions. Consequently, financial statements became disconnected from reality, undermining transparency and compliance with tax regulations.”

4.3 External Audit and Business Resilience in Lebanon: An Evaluation of Auditor Actions during Crisis

The prolonged financial crisis in Lebanon since 2019, marked by severe currency devaluation and economic instability, has underscored the critical role of external auditors in supporting business continuity and resilience. This study explores how audit firms adapted their practices and provided strategic support to companies facing unprecedented challenges, particularly those related to exchange rate fluctuations and regulatory ambiguity.

Findings from interviews with auditors from six firms reveal that external auditors served as key advisors, especially in guiding companies to record transactions at prevailing market exchange rates. This practice helped align financial statements more accurately with the economic realities on the ground, enhancing the credibility of financial reporting. Most audit firms, with few exceptions, emphasized the importance of ongoing audit operations, proactive recommendations, and close monitoring of their implementation. These measures enabled businesses to adapt more effectively to the volatile financial landscape.

A significant degree of collaboration between auditors, business owners, and accounting personnel was observed, with auditors often serving as the primary reference point for navigating the crisis. This cooperation facilitated more stable accounting practices, particularly in the interpretation and application of ambiguous tax laws. Nevertheless, several firms, notably Audit Firm A, reported that the unclear regulatory environment limited the added value of external audits. In such cases, the stabilization of the exchange rate at 89,500 LBP in 2023 emerged as a more influential factor in improving the accuracy of financial reporting.

Beyond compliance, auditors played a vital role in verifying that purchases and sales were recorded at market rates, thereby contributing to transparency and consistency in financial disclosures. While most firms successfully aided clients in managing the crisis, businesses in certain specialized sectors continued to face structural challenges beyond the scope of audit intervention.

The findings of this study affirm the indispensable role of external auditors in enhancing business resilience under crisis conditions. Through expert guidance, regulatory navigation, and a commitment to accurate reporting, auditors provided essential support that contributed to stabilizing the financial performance of many Lebanese enterprises.

Selected Firm Insights:

- **Audit Firm A**: Despite offering guidance on market-based recording of transactions, limited regulatory enforcement and high tax burdens curtailed the effectiveness of audit efforts. Only 10% of clients successfully overcame the crisis.
- **Audit Firm B**: Assisted companies in adapting to new regulations and compensating for staff shortages in accounting departments. Approximately 90% of clients implemented audit recommendations, with financial reporting improving markedly post-2023 stabilization.
- **Audit Firm C**: Provided support in managing exchange rate impacts and inventory control. Full client cooperation was reported, with 90% recovery rates by 2023.
- **Audit Firm D**: Encountered persistent issues with tax evasion due to regulatory vagueness, despite clients' willingness to share financial data. However, post-2023 stabilization, the majority of clients improved reporting accuracy.
- **Audit Firm E**: Conducted in-depth resilience assessments and promoted accurate tax compliance. While 70% of clients recovered post-2023, certain industry-specific barriers remained.
- **Audit Firm F**: Offered multiple tax planning strategies and emphasized market-based pricing in invoices. Improved financial accuracy was observed following exchange rate stabilization.

4.4 External Audit in Lebanon: Past Challenges and Future Innovations to Strengthen Business Resilience During Crises

The insights gathered from leading audit firms in Lebanon underscore the urgent need for structural reforms to enhance the transparency, consistency, and effectiveness of external audits—particularly during periods of economic crisis. The persistent volatility of the Lebanese pound and the lack of regulatory clarity have compromised the quality and integrity of the auditing process. According to practitioners, these factors have made it increasingly difficult to conduct accurate financial evaluations and have introduced systemic inefficiencies in audit practices across the country.

The data reveal a consensus among audit professionals regarding the need for comprehensive reforms. Central among these is the call for greater collaboration between government authorities—particularly the Ministry of Finance—and the Association of Certified Public Accountants. Strengthening this partnership is deemed essential for resolving ambiguities in tax and financial regulations and for ensuring uniform interpretation and implementation of policies. Several firms, including Audit Firms B and C, emphasized the importance of establishing precise and unified procedures for accounting and tax reporting, along with clearly defined deadlines to mitigate confusion. Audit Firm A further suggested that stabilizing the national exchange rate would provide a more predictable and reliable context for conducting audits.

Additionally, the findings point to the necessity of developing institutional mechanisms to facilitate dialogue between the public and private sectors. For instance, Audit Firms D and E proposed forming a specialized committee composed of accounting experts and government representatives to deliberate on fiscal policies and auditing standards before they are enacted. Such an initiative would help align regulatory intent with implementation, ultimately enhancing audit quality and tax compliance.

Overall, the study highlights the urgent need for a more structured and coordinated approach to external auditing in Lebanon. This includes implementing clear regulatory frameworks, promoting inter-institutional collaboration, and improving communication channels to mitigate the adverse effects of currency fluctuations and legal ambiguities. These reforms are critical to ensuring that external audits contribute meaningfully to business resilience and financial transparency during times of crisis.

Selected Firm Perspectives:

- **Audit Firm A**: Identified confusion arising from conflicting legislation and undefined deadlines, compounded by exchange rate volatility. Recommended stabilizing the exchange rate and allowing businesses to revalue past accounts at the 1,507.5 LBP rate to improve the accuracy of financial statements and audits.
- **Audit Firm B**: Highlighted challenges related to the loss of skilled personnel and pandemic-related communication barriers. Stressed the need for unified and transparent government policies to improve consistency in tax declarations.
- **Audit Firm C**: Reported disruptions in tax declarations (particularly for income tax and VAT) due to erratic exchange rates and inconsistent government decisions. Called for comprehensive laws with detailed implementation guidelines.
- **Audit Firm D**: Emphasized the chaos caused by daily exchange rate fluctuations and inconsistent business reporting. Advocated for stronger enforcement against tax evasion and proposed establishing an expert committee to guide fiscal decisions.
- **Audit Firm E**: Cited issues including delayed deadlines, decision-making errors by business owners, and logistical challenges such as acquiring tax stamps. Recommended the creation of a joint committee between the government and the Syndicate of Certified Public Accountants for pre-emptive decision-making.
- **Audit Firm F**: Pointed to the confusion caused by legal ambiguities and exchange rate instability. Recommended closer cooperation between the Association of Certified Public Accountants and the Ministry of Finance to ensure clearer and more practical implementation of regulations.

The following table presents a summary of the key findings that inform the subsequent discussion and support hypothesis validation.

Table 3. Summary of the main results

	Hypotheses	A	B	C	D	E	F
The evolution of the demand for external audit	H3	Stable demand	Demand decreased	Lost come clients	The number of clients remained the same	Lost several clients	The number of clients remained stable
The challenges of corporate accounting in Lebanon during times of crisis	H1	Affected by exchange rate fluctuations. Discrepancies in tax declarations.	The multiple exchange rate made it impossible to properly record sales and purchases. Unclear financial reporting.	Constant fluctuations in the exchange rate prevented from properly recording foreign currency transactions and VAT. Improper payroll calculations.	The devaluation of the Lebanese pound and exchange rate collapse disrupted accounting practices, making financial data inefficient and leading to inaccurate tax declarations	Multiple exchange rates created problems in calculating the accounting price of the dollar for companies dealing in foreign currencies. Financial results far from reality	Discrepancies in recording foreign transactions. Financial statements were far from reality, and inaccurate.
External audit and business resilience in Lebanon: Insights into actions and evaluations	H3	Role is limited. Good communication and cooperation with the accounting departments.	Important role. Excellent work with clients, most followed our advice.	Important role. Excellent cooperation, all clients implemented our advice.	Role is limited. Good cooperation, but companies only care about declarations being provided.	Important role. Excellent cooperation, clients applied all our guidance.	Important role. Successful cooperation, transactions recorded accurately with daily exchange rates.
External Audit in Lebanon: Past Challenges and Future Innovations to Enhance Business Resilience During Crises	H4 – H5	Contradictory laws, exchange rate fluctuations. Fix exchange rate, reevaluate accounts at 1,507.5.	Employee departures, communication issues. State must adopt clear, transparent decisions.	Exchange rate fluctuations, state decisions. State must issue clear laws with implementation guidelines.	Exchange rate fluctuations, chaos. Fight corruption, hold companies accountable, expert committee.	Extended deadlines, COVID-19 impact. Establish committee between state and accountants' union.	Exchange rate fluctuations, misunderstood laws. Cooperation between accountants' association and Finance Minister.

5. Discussion

The prolonged economic crisis in Lebanon has profoundly disrupted corporate accounting practices, presenting significant challenges in both financial reporting and tax compliance. Based on interviews conducted with six auditing firms, the principal challenges stem from the depreciation of the Lebanese pound against the US dollar in a predominantly import-based economy. The coexistence of multiple exchange rates, ambiguous regulatory frameworks, and the government's continued reliance on an outdated official exchange rate for taxation have contributed to substantial discrepancies in financial records. Companies frequently record transactions at inconsistent exchange rates, leading to misalignments between inventory valuations and sales figures. This results in unreliable financial statements that undermine transparency and hinder compliance.

These inconsistencies have disrupted daily accounting operations and, more critically, facilitated tax avoidance. Businesses have increasingly exploited legislative loopholes and inconsistencies to mitigate financial pressures, often resorting to profit manipulation and complex financial structures. Such practices have further eroded the credibility of financial reporting and weakened internal control systems. The study's findings align with previous research and confirm **Hypothesis 1 (H1): " The crisis period had a negative impact on business accounting practices in Lebanon."**

External auditing plays a central role in ensuring the reliability and accuracy of financial information, especially in times of economic instability. In the Lebanese context, external auditors have been instrumental in maintaining investor confidence, promoting market stability, and supporting corporate resilience through compliance with international accounting standards. Auditors have also assumed advisory roles, particularly in helping firms navigate challenges related to fluctuating exchange rates. Nonetheless, the efficacy of these audits has been hindered by vague and sometimes contradictory legal regulations, which have limited the practical application of audit recommendations and, in some cases, enabled tax evasion. As such, the findings offer partial support for **Hypothesis 2 (H2): " External auditing played a critical role in the management of business accounting during the crisis in Lebanon."**

Globally, the demand for external auditing has grown in response to financial scandals, underscoring its importance in promoting sound governance and financial accountability. However, in Lebanon, the economic downturn since 2019 has not led to a significant increase in demand for auditing services. While some audit firms reported client losses due to business closures, these were largely offset by new client acquisitions, particularly in emerging sectors. The sustained demand can be attributed to clients' loyalty to familiar auditors and the high number of audit firms competing in the Lebanese market. Moreover, the shift to online sales has facilitated tax evasion, with some businesses preferring to rely on internal accountants for tax reporting, further diminishing the scope and necessity of external audits. These findings do not support **Hypothesis 3 (H3): " The demand for external auditing services by Lebanese businesses increased during the crisis period."**

Despite resource limitations and outdated practices, external audit firms in Lebanon have significantly contributed to corporate resilience by ensuring financial transparency, verifying operational records, and maintaining regulatory compliance. Although global literature advocates for the adoption of digital auditing technologies, Lebanese firms largely rely on traditional approaches due to prohibitive costs and contextual barriers. Nevertheless, external audits have supported companies throughout the crisis by offering continuous oversight and aligning financial statements with real economic conditions, especially following the temporary stabilization of the exchange rate in 2023. These contributions confirm **Hypothesis 4 (H4): " External auditing, through its tools and recommendations, contributed to sustaining business resilience in Lebanon during the crisis."**

The integration of audit recommendations has proven critical to corporate survival and resilience during the crisis. Most companies demonstrated strong cooperation with auditors, adopting market-based exchange rates and adjusting to new regulations—enabling more than 80% of audited firms to overcome the crisis. However, notable exceptions highlight underlying challenges. For instance, clients of Audit Firm D selectively implemented audit recommendations to minimize tax obligations, while Audit Firm A reported that only 10% of its clients successfully weathered the crisis despite high levels of cooperation, raising concerns regarding audit methodology and data reliability. These results validate **Hypothesis 5 (H5): " Lebanese businesses integrated external audit recommendations into their risk management and financial planning strategies to navigate the crisis successfully."**

6. Conclusion

This study highlights the critical role of external auditing in bolstering the resilience of Lebanese businesses during times of economic crisis. External auditors have served as key agents in ensuring the accuracy of financial reporting, regulatory compliance, and transparency for internal and external stakeholders. By verifying transactions and aligning financial records with market-based exchange rates, auditors have contributed to maintaining the reliability of financial data and mitigating excessive tax burdens, despite the pervasive challenges associated with Lebanon's prolonged economic downturn.

The findings demonstrate the valuable support auditors provide in facilitating legal adherence and financial stability during periods of uncertainty. Nevertheless, the research also identifies several constraints limiting the effectiveness of external audits. Chief among these are legislative ambiguities, limited enforcement mechanisms, and resource constraints within audit firms. To enhance the impact of external auditing, the study recommends granting auditors a more proactive role in shaping fiscal policy, particularly in the drafting and interpretation of tax legislation, leveraging their technical expertise and frontline insights.

Furthermore, integrating emerging technologies—such as computer-assisted audit techniques (CAATs) and artificial intelligence—into the audit process could significantly improve efficiency and precision. These tools would allow auditors to prioritize high-risk areas and focus on strategic data analysis rather than routine verification tasks. Additionally, public education campaigns to raise awareness about tax compliance could help combat tax evasion and enhance the legitimacy of external audits. Clarifying the interpretation and application of proposed financial laws would also strengthen auditors' capacity to guide businesses through complex compliance procedures.

While this research faced certain limitations, including contextual challenges related to regional instability and data confidentiality, it concludes by raising a critical forward-looking question: *To what extent could the integration of artificial intelligence and other advanced technologies further empower external auditors in safeguarding corporate resilience during future crises?*

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8. Authors' Contributions

Elie ACHKAR, Dr. Roger MAROUN were responsible for study design and revising. Elie ACHKAR was responsible for data collection. Dr. Roger MAROUN drafted the manuscript and Dr. Danie KHAWAJA was responsible for methodological issue, Dr. Danie KHAWAJA and Dr. Josiane ABI KHATTAR revised it. All authors read and approved the final manuscript.

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10. Competing Interests

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

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