

DISCLAIMER OF OPINION AS A TYPE OF MODIFIED AUDIT OPINION – AN EMPIRICAL STUDY

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Purpose: The article aims to answer the question of what grounds formed the basis for auditors' 'disclaimers of opinion,' which audit firms issued such opinions, and in relation to how many companies the 'disclaimer of opinion' modification was applied.

Design/methodology/approach: The study covered independent auditors' reports on the audit of 2023 financial statements. A total of 390 (out of 410) reports on the audit of annual financial statements of 390 (out of 410) Warsaw Stock Exchange Main Market-listed companies were examined. The method of audit report content analysis was used, with a focus on the 'Opinion' and 'Basis for Opinion' sections.

Findings: 'Disclaimers of Opinion' accounted for 1.8% of all opinions issued and 38.9% of modified opinions, relating exclusively to smaller companies outside the WIG20, mWIG40, sWIG80 indices. The disclaimers were issued by 9.8% of the auditors who examined the financial statements of the population analyzed - exclusively entities outside the so-called Big Four. A recurring basis for issuing a 'disclaimer of opinion,' in 85.7% of the disclaimers, was the inability to obtain sufficient and appropriate audit evidence. In 71.4% of the disclaimers, the description of the matters triggering the modification indicated problems with going concern. All disclaimers were preceded by the issuance of a modified opinion in the previous year. The narrative employed to describe the reasons for issuing the 'disclaimers of opinion' may indicate the auditors' use of impression management techniques. Comparing the results obtained with the results of a 2001-2006 study, auditors currently much more frequently issue 'disclaimers of opinion' when modifying their opinions.

Research limitations/implications: The study was limited to content analysis of 2023 financial statement audit reports concerning companies listed on the Main Market of the Warsaw Stock Exchange, available on websites. The article may inspire further empirical research, including comparative studies covering subsequent periods, particularly on the use of impression management methods in audit reports.

Originality/value: The article contributes to partially filling the research gap in empirical studies on 'disclaimers of opinion' concerning financial statements of companies listed on the Polish stock exchange, providing a practical study of the disclosures underlying the issuance thereof.

Keywords: disclaimer of opinion, modified audit opinion, independent auditor's report, auditor's opinion.

Category of the paper: Research paper.

1. Introduction

An auditor's opinion on an entity's financial statement comprises the outcome of the audit process, presented in a report referred to as an 'independent auditor's report,' pursuant to the International Standards on Auditing and Poland's National Standards on Auditing (Polish: Krajowe Standardy Badania, KSB). It constitutes "the most essential final part of the audit process" (Nurhidayah et al., 2024, p. 2). Expression of an opinion on whether the financial statement has been prepared, in all material respects, in accordance with the applicable financial reporting framework, fulfills the audit objective of enhancing the level of intended users' confidence in the financial statement (KSB 200 in the wording of ISA 200 "Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing", para. 3). In issuing an opinion, the auditor must respond to the expectations and needs of various categories of information users, in particular financial and commercial creditors, current or potential shareholders and partners, employees, management, the public, and other stakeholders (Mořoc, 2022). As noted by Qiong and Rahmat (2024), the examinations conducted by auditors verify the quality of accounting information, while "[...] audit opinions serv[e] as vital cues for investment decisions by individual and institutional investors," and "significantly influence how listed companies manage issues before disclosures". The opinions issued by independent auditors, confirming the reliability of the information contained in the financial statements, can entail serious consequences. The type and content of the opinion, providing the basis for decision making by stakeholders, may determine their reactions, which gains particular significance in the case of listed companies. By the same token "[...] adverse opinions and disclaimers are signals that the financial statements are presented unfairly, dishonestly and may not be reliable [...]", as stated by Nguyen et al. (2021, pp. 85-86). Such opinions furthermore show a stronger association with negative company events than other modified opinions (Nguyen et al., 2021).

The article aims to answer the question of what grounds formed the basis for independent auditors' 'disclaimers of opinion' in the audit reports on the financial statements of Warsaw Stock Exchange Main Market-listed companies, which audit firms were responsible for issuing such opinions, and how many companies were subject to a 'disclaimer of opinion' modification. To implement the objective, the content of independent auditors' reports on the audit of 2023 financial statements was analyzed. A total of 390 (out of 410) reports on the audit of annual financial statements of 390 (out of 410) Warsaw Stock Exchange Main Market-listed companies were examined. The content analysis of the auditors' reports was carried out with a focus on the 'Opinion' and 'Basis for Opinion' sections. Examined was whether the auditors modified their opinions, determining which audit firms had audited the financial statements. In cases of a modified opinion, identified was whether it entailed a 'disclaimer of opinion'. Additionally, the disclosures were analyzed to determine the bases for the 'disclaimers of

opinion'. The study was carried out by grouping the companies into four categories: large, medium, and small entities, classified under the WIG20, mWIG40, and sWIG80 stock indices, respectively, and a group of other entities not included in the above-named indices (GPW Benchmark Indices, 2023). The first stage of the empirical study aimed to identify how many companies were subject to a modification in the form of a 'disclaimer of opinion', and which audit firms were responsible for issuing such opinions, as well as to present these results against the results obtained for modified opinions in total. The second stage was aimed at answering the question of what grounds formed the basis for the auditors' 'disclaimers of opinion'.

The study employed such research methods as: analysis of legal regulations, review of literature on the subject, detailed analysis of the content of auditors' reports on the audit of companies' financial statements, as well as inductive reasoning and synthesis, to formulate conclusions. The article represents the publication of the second part of the results obtained by the Author in her study of modified opinions issued by independent auditors on the financial statements of listed companies. The first portion of the results has been presented in the Author's study entitled "Audit opinion modifications on the example of Warsaw Stock Exchange-listed companies" (in press). In the present article, the Author drew on selected data from the above-mentioned study concerning the overall modified opinions, cited as background to the results on the 'disclaimers of opinion'.

While many subject-literature publications have focused on potential determinants of modified opinions, the vast majority of these articles concerned modified opinions overall, and did not factor in determinants by the type of opinion issued, with 'disclaimer of opinion' included. There appear to be relatively few analyses in the area of modified opinions, including 'disclaimers of opinion' on the financial statements of Warsaw Stock Exchange-listed companies. Most apparently, no empirical research has been conducted on the triggers of the 'disclaimers of opinion' issued by auditors in the reports on the audit of Polish listed companies' financial statements, that is, the grounds for issuing such opinions, as disclosed by the authors of these modifications, have not been analyzed. Therefore, the Author of the present article has intended to contribute to partially filling the research gap in the field of empirical research on 'disclaimers of opinion' concerning the financial statements of Warsaw Stock Exchange listed companies. The article also provides a practical study of the disclosures underlying the 'disclaimers of opinion', from the perspective of the authors of these modifications, i.e., the auditors who issued these opinions. The study paves the way for further empirical research, while the subject matter raised merits further elaboration in subsequent publications.

2. Theoretical Background

In accordance with the National Auditing Standards (NSA) and the International Auditing Standards (IAS), a ‘disclaimer of opinion’ on a financial statement represents one of the types of modified opinions issued by auditors. Modified opinions are issued when, based on the audit evidence obtained, it can be concluded that the financial statement as a whole contains material misstatements, or if sufficient and appropriate audit evidence cannot be obtained to conclude that the statement is free of material misstatements (KSB 700 (Z) in the wording of ISA 700 (Revised) “Forming an Opinion and Reporting on Financial Statements”). By expressing an opinion on whether the financial statement has been prepared in all material respects in accordance with the applicable financial reporting framework, the auditor can achieve the objective of the audit, which is to increase the level of intended users' confidence in the financial statement (KSB 200). Auditors' opinions confirm the reliability of the information presented in financial reports. There is a view presented in the literature on the subject that these opinions influence stakeholder decision-making, and even the very companies whose reports have been audited (Tian, Xin, 2017; Qiong, Rahmat, 2024). As noted by Tian and Xin (2017), they are vitally significant in terms of the capital market and shareholders. Of key relevance is the type and content of the opinion issued. When it comes to companies listed on developed country stock exchanges, ‘disclaimers of opinion’ are a rarity, but nevertheless trigger numerous effects (Malau et al., 2021). These disclaimers “[...] contain the most severe audit issues, if not the worse form of any audit opinion, which forbids any reliance on the financial accounts being audited for decision making” (Malau et al., 2021, p. 7), and provide no level of assurance as to the reliability of the financial statements (Cipriano et al., 2016).

According to the regulations contained in NSA 705 (Z), in the wording of ISA 705 (Revised), “Modifications to the Opinion in the Independent Auditor's Report”, a ‘disclaimer of opinion’ on a financial statement is issued under the following circumstances (para. 9-10):

- when the auditor is unable to obtain sufficient and appropriate audit evidence to form the basis for an opinion, and the possible impact of any undetected misstatements on the financial statement could prove both material and extensive; as well as
- in extremely rare circumstances involving multiple uncertainties, when, despite obtaining sufficient appropriate audit evidence for each individual uncertainty, the auditor is unable to express an opinion on the financial statement due to the potential interaction of the uncertainties and the possible cumulative effect thereof on the financial statement.

This standard also regulates the form and content of the audit report. If the auditor issues the above-described modification, the section specifying the type of opinion is headed ‘Disclaimer of Opinion,’ while the section specifying the basis on which the opinion was issued is headed ‘Basis for Disclaimer of Opinion’.

If the issuance of such an opinion is caused by the former of the circumstances listed above, the auditor states that they express no opinion on the financial statement. In addition, they include a statement that, due to the significance of the matters described in the ‘Basis for Opinion’ section, they were unable to obtain sufficient and appropriate audit evidence to form the basis for an opinion, replacing the wording “the financial statement has been audited” with “engaged to audit this financial statement” (KSB 705 (Z), para. 19).

The auditor is required to provide a range of information in the ‘Basis for Opinion’ section, including a description of the matter causing the ‘disclaimer of opinion’. A material misstatement in the financial statement, concerning specific amounts in that statement, requires a description thereof, along with a quantification of the financial impact or a statement that it is not practicable to quantify the impact. If it concerns qualitative disclosures, the auditor explains how the disclosures have been misstated. If the material misstatement pertains to a lack of disclosure, the auditor describes the type of information omitted and, having sufficient and appropriate audit evidence of such information, includes the omitted disclosures. A ‘disclaimer of opinion’ resulting from the inability to obtain sufficient and appropriate audit evidence involves inclusion of information about the reasons therefor. (KSB 705 (Z) pars. 20-24). The cited standard also requires the auditor to disclose information describing the reasons for and effects of any other matters of which they are aware, requiring a modification of the opinion. (KSB705 (Z) para. 27).

The literature on the subject presents numerous publications dedicated to modified opinions. These articles likewise discuss ‘disclaimers of opinion,’ as they constitute one of the types of modification. Empirical research on the issuance of only one type of modified opinion is rather scarce, concerning mainly ‘qualified opinions’, with relatively few studies on ‘disclaimers of opinion.’ Studies on opinion modifications feature literature reviews (Habib, 2013; Tian, Xin, 2017; Lu, 2020; Matonti et al., 2024; Nurhidayah et al., 2024; Simões, Carvalho, 2024) and empirical studies (Wielgórska-Leszczynska, 2008, 2010; Gromis di Trana, Bava, 2013; Zhao, Lin, 2015; Moazedi, Khansalar, 2016; Tahinakis, Samarinas, 2016; Tommasetti et al., 2018; Włodarczyk, Białek-Jaworska, 2018; Carp, Georgescu, 2019; Malau et al., 2021; Nguyen et al., 2021; Ruban, Haṭegan, 2022; Moṭoc, 2022; Matonti et al., 2024; Qiong, Rahmat, 2024; Simões, Carvalho, 2024). The authors have focused, inter alia, on topics related to the consequences of issuing such opinions, including the reaction of the market and the audited entities (Zhao, Lin, 2015; Cipriano et al., 2016; Tahinakis, Samarinas, 2016; Carp, Georgescu, 2019; Nguyen et al., 2021; Moṭoc, 2022), the likelihood of the issuance of such opinions, depending on the occurrence of various factors (Habib, 2013; Moazedi, Khansalar, 2016; Tommasetti et al., 2018; Włodarczyk, Białek-Jaworska, 2018; Ruban, Haṭegan, 2022; Matonti et al., 2024; Qiong, Rahmat, 2024; Simões, Carvalho, 2024), the correlation between such opinions and the occurrence of fraud (Malau et al., 2021) or between such opinions and going concern issues (Gromis di Trana, Bava, 2013). Publications present the potential determinants of modified opinions in a breakdown into internal, i.e., company-related, and external,

i.e., auditor-related (Habib, 2013; Matonti et al., 2024). The researchers analyzed the relationship between the issuance of modified opinions and such factors as: the size of audited entity, debt, liquidity, leverage, return on assets, current and previous year financial results; as well as other variables, including: the size of the auditing firm and its affiliation with the so-called Big Four, change of auditor, modification of the opinion issued in the previous fiscal year, audit report lag, auditor's gender, auditor industry, audit firm and partner tenure, level of non-audit fees, and audit fees. Synthetic summary of the results of research on the above-listed potential determinants of modified opinions can be found, *inter alia*, in the publications by Habib (2013), Simões and Carvalho (2024). For some of the factors analyzed, the impact on the issuance of a modified opinion is not explicit, and the results obtained by researchers may vary depending on the country (Lu, 2020), or the sector which the audited entity operates in, including the private and public sectors (Simões, Carvalho, 2024). A selection of authors have also analyzed the impact on the issuance of a modified opinion of, *inter alia*, the amount of information disclosed by the company to the public (Qiong, Rahmat, 2024), intellectual capital (Matonti et al., 2024), and earnings management practices (Moazedi, Khansalar, 2016; Tommasetti et al., 2018). With regard to the Polish stock exchange, research into the determinants of modified opinions was conducted by Włodarczyk and Białek-Jaworska (2018). The results obtained by the authors indicate that the following factors exert a significant impact on the issuance of such opinions: liquidity, debt, corporate governance approximated by the share of significant shareholders in the share capital, profitability, company size, and the risk of bankruptcy. They also found that stronger corporate governance - a higher share of significant shareholders in the share capital - reduces the likelihood of such an opinion being issued. The study did not confirm any significant relationship between the quality of audit services – approximated by the reputation and size of the Big Four audit firm – and the likelihood of a modified opinion being issued (Włodarczyk, Białek-Jaworska, 2018). Results of a research on the opinions of independent auditors were also published under the editorship of Wielgórska-Leszczyńska (2008), based on the analysis of opinions from the examination of 1407 financial statements of listed companies for the years 2001-2006. The study provides an interesting reference from the perspective of the present article, although it does not address the question of the grounds for issuing modified opinions. Conclusions regarding the market for the auditors of Warsaw Stock Exchange-listed companies were also published by one of the audit firms (Grant Thornton, 2025). The study did not, however, present a detailed description of the methodology used to draw the conclusions, and the results were based on a limited number of observations due to the lack of available data at the time of the analysis. Both these points raise the Author's doubts as to the validity of comparing the results obtained with those of the said study. Furthermore, the study did not address the grounds for issuing modified opinions.

The above-cited analyses of potential determinants of modified opinion issuance covered modified opinions as a whole. These studies made no distinction between factors potentially influencing the issuance of specific types of such opinions, with ‘disclaimer of opinion’ included. Nor did they analyze the reasons underlying the issuance of modified opinions, disclosed by auditors in their audit reports, i.e., no examination was made of the reasons from the perspective of the authors of these modifications. Only the study conducted by Çakali (2022) addressed the question of the grounds for issuing ‘disclaimers of opinion’, with an analysis of audit reports on the financial statements of Turkish companies, and empirical studies on modified opinions, including ‘disclaimers of opinion,’ in the context of financial statements of Warsaw Stock Exchange-listed companies are scarce.

3. Empirical Research Methodology

The analysis covered the content of independent auditors' reports on the audit of listed companies' financial statements. Reports on the audit of 2023 annual financial statements prepared by entities listed on the Main Market of the Warsaw Stock Exchange were examined. In cases of a fiscal year not corresponding to the calendar year, auditors' reports on the financial statements for the period beginning in 2023 and ending in 2024 were analyzed. Entities preparing consolidated financial statements were subject to an analysis of the consolidated statement audit report; otherwise, audit reports on separate financial statements were examined. The content analysis of the auditors' reports was focused on the ‘Opinion’ and ‘Basis for Opinion’ sections in particular.

A total of 390 (out of 410) audit reports on the annual financial statements of 390 (out of 410) WSE Main Market-listed companies, included in the list as of March 6, 2025, were examined. Twenty entities were excluded from the analysis due to non-publication of financial statement audit reports on the Warsaw Stock Exchange and/or company websites. Two of these entities made their stock market debut after 2023.

In the first stage of the empirical study, analyzed was whether the auditors modified their opinions, while determining which audit firms conducted the financial statement audits. In cases of modified opinions, specified was whether a ‘disclaimer of opinion’ was involved. The content analysis of the auditors' reports was carried out in a division into four groups of companies: large, medium-sized, and small entities included in the WIG20, mWIG40, and sWIG80 stock indices, respectively, and other entities. For this purpose, the content of the audit reports was examined, with particular emphasis on the headers and the wording in the ‘Opinion’ sections. At this stage of the study, companies were divided using the following dichotomous coding: (1) entities for which the auditors issued modified opinions and (0) entities without modified opinions on their financial statements. In the next step, groups were identified

among the companies with modified opinions, employing again a dichotomous coding system: (1) a group of entities that were issued ‘disclaimers of opinion,’ and (0) a group of entities that received an auditor’s opinion modification other than a ‘disclaimer of opinion’. Subsequently, based on their inclusion in a given stock exchange index, these entities were classified into several groups using the following coding: (1) entities included in the WIG20 index, (2) the mWIG40 index, (3) the sWIG80 index, and (4) other entities not included in the above-named indices.

In the second stage, the auditors’ reports with a ‘disclaimer of opinion’ were examined, analyzing the grounds on which the auditors based their ‘disclaimers of opinion’. This step involved a content analysis of the audit reports, with particular emphasis on the ‘Opinion’ and ‘Basis for Opinion’ sections.

The article represents the publication of the second part of the results obtained by the Author in the study of independent auditors’ modified audit opinions on the financial statements of listed companies. Accordingly, the methodology used in the present work is analogous to that employed in the Author’s previous publication entitled “Audit opinion modifications on the example of Warsaw Stock Exchange-listed companies” (in press). The results presented in the article follow from the analysis of a total of 390 auditor’s reports on the 2023 financial statements of 390 companies, encompassing: 20 companies comprising the WIG20 index, 39 entities classified in the mWIG40 index, 79 entities classified under the sWIG80 index, and 252 companies not included in the above-mentioned indices.

4. Research Results

In the first stage of the study, determining the quantity of companies in reference to which a modification in the form of a ‘disclaimer of opinion’ was issued, the analysis of the financial statement audit reports, with particular emphasis on the ‘Opinion’ sections, revealed that a ‘disclaimer of opinion’ was issued for 7 out of the 390 examined companies. The auditors issued a total of 18 modified opinions and 372 unmodified opinions.

The financial statements of the analyzed population were examined by independent auditors from 41 entities authorized to audit financial statements, four of which issued ‘disclaimers of opinion’ in their reports. No ‘disclaimers of opinion’ were issued by the Big Four auditing firms. Modified opinions were issued by 10 auditing firms, and in the case of 31 entities auditing the financial statements, the auditors concluded that no modification to the opinion was required. The number of the ‘disclaimers of opinion,’ relative to the total number of modified opinions, in distribution by the entities that audited the financial statements, is presented in a graph (Figure 1a, Figure 1b).

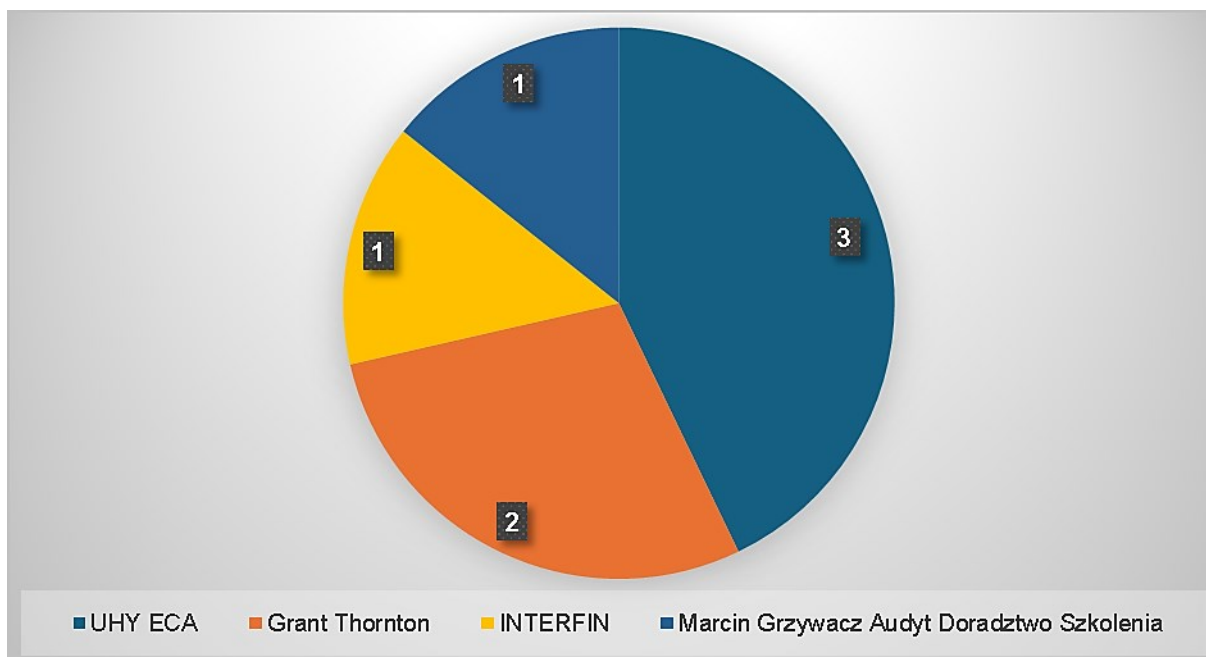


Figure 1a. Total number of ‘disclaimers of opinion’ – in distribution by auditing firms conducting financial statement audits.

Source: Own elaboration based on independent auditors’ reports on the audit of companies’ financial statements.

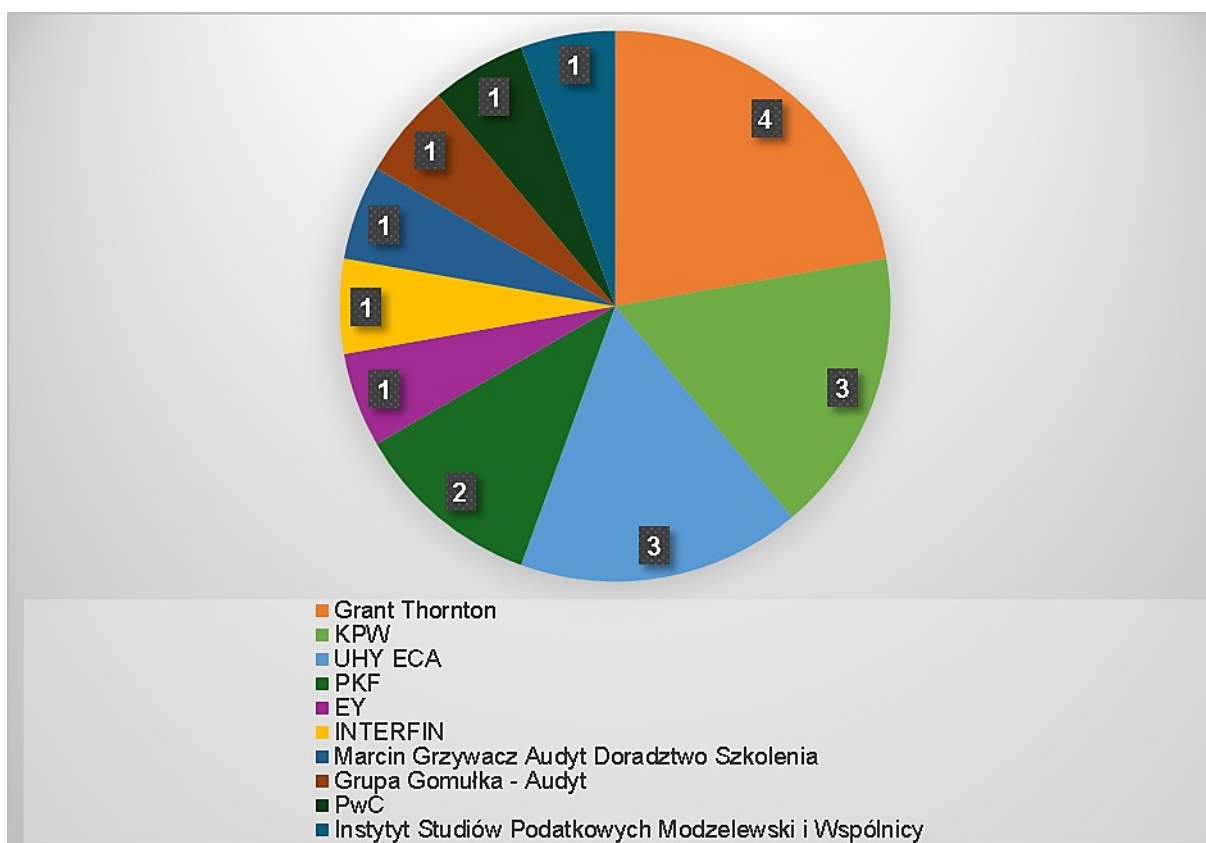


Figure 1b. Total number of modified opinions – in distribution by auditing firms conducting financial statement audits.

Source: Own elaboration based on independent auditors’ reports on the audit of companies’ financial statements.

The share of ‘disclaimers of opinion’ for auditing firms that issued more than 10 opinions, relative to the share of total ‘modified opinions’, in the number of opinions issued by a given entity is presented in Table 1.

Table 1.

The share of ‘disclaimers of opinion’, relative to the total number of ‘modified opinions’, in the number of opinions issued by a given audit firm - entities that issued more than 10 opinions

Audit firm name	UHY ECA	PWC	Grant Thornton	EY	KPW	BDO	KPMG	PKF	Misters Audytor	Mazars	Moore Polska	4AUDYT	INTERFIN
Percentage share of ‘disclaimers of opinion’ in the number of opinions issued by the audit firm	7.1	0	5.1	0	0	0	0	0	0	0	0	0	9.1
Number of ‘disclaimers of opinion’ issued by the audit firm	3	0	2	0	0	0	0	0	0	0	0	0	1
Percentage share of modified opinions in the number of opinions issued by the audit firm	7.1	2.5	10.3	3.7	11.1	0	0	10.5	0	0	0	0	9.1
Number of modified opinions issued by the audit firm	3	1	4	1	3	0	0	2	0	0	0	0	1
Number of opinions issued by the audit firm	42	40	39	27	27	25	24	19	18	14	14	13	11

Note. The data is arranged from left to right according to the number of opinions issued, starting with the leftmost entity that issued the most opinions.

Source: Own elaboration based on independent auditors’ reports on the audit of companies’ financial statements.

Among audit firms that issued more than 10 opinions, the share of ‘disclaimers of opinion’ in the number of opinions issued by a given entity ranged from 0% to 9.1%. Comparatively, the share of modified opinions in the number of opinions issued by a given entity ranged from 0% to 11.1%, and in the case of the Big Four group of companies - from 0% to 3.7%.

The analysis revealed no ‘disclaimers of opinion’ in relation to the financial statements of companies included in the WIG20, mWIG40, and sWIG80 stock market indices. Cases of disclaimers applied to the group of entities not included in the above-named indices only. ‘Disclaimers of opinion’ in distribution by individual companies whose financial statements were audited by independent auditors are presented in Figure 2.



Figure 2. ‘Disclaimers of opinion’ in individual companies.

Source: Own elaboration based on independent auditors’ reports on the audit of companies’ financial statements.

In the second stage of the study, identifying the grounds forming the basis for the auditors' issuance of the ‘disclaimers of opinion,’ an analysis of the content of the audit reports was conducted, with particular emphasis on the ‘Opinion’ and ‘Basis for Opinion’ sections. The results from the analysis of the empirical material are presented in distribution by individual companies, employing the numbering in Figure 2. To facilitate a better understanding of the below description of the results, it is worth noting that only in the case of two companies, the fourth and sixth, the financial statements were prepared without the going concern assumption. In the case of the remaining five entities, the statements were prepared on a going concern basis.

In the report on the financial statement audit of the first company, the ‘Opinion’ section was titled ‘Disclaimer of Opinion on Going Concern’, and the section justifying the type of the modified opinion issued - ‘Basis for Disclaimer of Opinion on Going Concern’. Despite the headings indicating a disclaimer of opinion, the auditor clearly stated that they “conducted an audit” of the financial statement and it does not present a true and fair view, even though it was prepared based on correctly maintained accounting records and in compliance, in form and content, with the legal regulations and provisions of the articles of association applicable to the entity. The justification for the opinion indicated that the audit evidence was insufficient to express an opinion on the company's ability to continue as a going concern. The auditor was unable to confirm whether, to what extent, and in what area the company would continue its operations. The entity incurred a loss, reported negative equity, and was required to convene a shareholders' meeting to adopt a resolution on the company's continued existence, but the meeting was never convened. In addition, the financial statement for the previous year had not

been approved either. The entity operated with limited capacity in the year under review, due to court rulings in connection with guarantee agreements concluded in previous years and ongoing enforcement proceedings. There are no financial plans for the coming year. Additionally, the war in Ukraine, high inflation, and the economic slowdown exert a difficult-to-estimate impact on the company's operations. The Author's attention was drawn to the narrative used by the auditor in the justification of the opinion issued, in which the words "the company achieved a loss" were used to describe the loss incurred. The use of an expression with positive connotations when referring to a loss, which is a negatively connoted concept, may indicate employment of one of the impression management techniques in the narratives contained in this report. These techniques, serving to build a desired image of an entity, have been discussed by, *inter alia*, Masztalerz (2016), or Czajkowska (2024).

In the case of the second entity, the auditor stated that they were unable to obtain sufficient and appropriate audit evidence to express an opinion on its financial statement. They pointed to a number of uncertainties crucial to the assessment of going concern. A significant legal and economic risk arose from the criminal and fiscal charges brought by the Public Prosecutor's Office against persons sitting on the entity's statutory bodies, involved in its activities. The Public Prosecutor's Office issued a decision to enforce a security interest on the company's assets, in connection with the ongoing proceedings concerning criminal and fiscal offenses, consisting in securing the threatened forfeiture of the financial gains from the offenses, by establishing a prohibition on alienation and encumbrance of real estate. The entity therefore created provisions for this event and disclosed the contingent liabilities. The auditor was unable to verify the value of the provisions created and the contingent liabilities disclosed. The scale, impact, and ultimate consequences of the previous management board's actions, including the potential impact thereof on the financial statement, were stated to be unknown. They concluded that, due to the possible interaction of uncertainties and the potential cumulative impact thereof on the financial statement, it was impossible to express an opinion.

The report on the audit of the third entity's consolidated financial statement likewise stated that the auditor was unable to obtain sufficient and appropriate audit evidence to form the basis for an opinion. Neither were they able to confirm whether the going concern assumption was valid, pointing to significant risks to the continuity of operations. Attention was drawn to the loss incurred by the capital group, negative equity, and the existence of short-term liabilities exceeding current assets by more than 12 times. Indicated was that this surplus resulted mainly from the provision created for the cost of CO₂ emission rights, which the subsidiary was obliged to redeem, and the penalty for untimely redemption of 2020 emissions. The auditor emphasized that control over the subsidiary was lost after the balance-sheet date, following the sale of 51% of its share capital to an entity with a major stake in the parent company. They also stated that the said subsidiary has presented negative equity and negative financial results for years, and may not be able to generate positive cash flows in the long term. As a result of failing to settle the emission allowances on time, the entity was imposed an administrative fine for 2020,

with proceedings initiated to impose a fine for 2021. The company also failed to timely settle its emission allowances for subsequent years. The capital group created no provisions for the aforementioned potential fines for 2021-2022, and the auditor is of the opinion that it is unable to generate sufficient cash flow in the near future to repay these fines. In addition, the capital group failed to create provisions for the court order of payment to the creditor received by the subsidiary, filing an objection to this order with the court.

In the case of the fourth consolidated financial statement, the auditor indicated several grounds for a 'disclaimer of opinion', noting that they were unable to obtain sufficient appropriate audit evidence to form a basis for an opinion. The first matter highlighted in the 'Basis for Disclaimer of Opinion' concerns the subsidiary included in full consolidation, whose fixed assets constituted a significant portion of the consolidated balance-sheet total in previous reporting periods. These assets had been valued as of the end of 2022, and the property appraiser's valuation was not updated as of the end of 2023. For consolidation purposes, the management board of the parent company decided to write down 100% of the value of the fixed assets held by the aforesaid subsidiary, charging the consolidated financial result for 2022. In the auditor's opinion, the property appraiser's valuation of the assets is questionable and carries a high risk. The auditor was unable to comment on the correctness of the accounting-book valuation of the fixed assets held by the subsidiary, nor on whether the group should adjust the impairment losses on these fixed assets. The second matter described by the auditor concerned the inability to verify the correctness of the deferred tax calculated and recognized in the consolidated financial statement. In particular, they were unable to comment on whether the recognized deferred income tax asset required a revaluation write-down. In their opinion, the entity's current results and situation did not provide a basis for assuming its ability to utilize this asset. The third matter raised by the auditor concerned the inability to express an opinion on whether the inventories presented in the consolidated financial statement required write-downs. As they noted, the audit report for the previous year contained a similar 'qualification'. The fourth matter involved the auditor's opinion that the consolidated balance sheet was not reliable, and the documents and explanations obtained provided no confirmation of the amounts reported in the consolidation balance sheet and the consolidated financial statement.

The report on the audit of the fifth entity's financial statement indicated that sufficient and appropriate audit evidence to express an opinion could not be obtained. It stated that the parent company was subject to remedial proceedings, which, in the auditor's opinion, could indicate a risk to the entity's ability to continue as a going concern. After the balance-sheet date, a resolution was adopted on the acceptance of an arrangement by the creditors in the remedial proceedings. As of the date of the audit report, the arrangement had not been approved by the court. In the opinion of the auditor, the parent company did not fully implement the restructuring plan assumptions for the year under review. Given the potential interaction of uncertainties, the auditor was unable to express an opinion on the correctness of the assumption regarding the parent company's ability to continue as a going concern.

The 'disclaimer of opinion' on the financial statement of the sixth entity likewise resulted from insufficient and inappropriate audit evidence. It concerned the same matters as the 'disclaimer of opinion' issued in the year preceding the year under audit. The auditor was unable to confirm the completeness of recognition and the correctness of valuation with respect to: the liabilities recognized as a result of a revocation of an arrangement; the trade payables arising until the commencement date of the remedial, and subsequently the liquidation, proceedings; the provisions for liquidation costs, and the effects of ongoing court proceedings; as well as the trade payables not covered by the arrangement, and the information on disputes and court proceedings. Furthermore, neither were they able to confirm the completeness of contingent liabilities, i.e., sureties, guarantees, and similar agreements, nor the classification thereof as contingent liabilities. The 'Basis for Disclaimer of Opinion' also included information that the liquidator had not signed the consolidated financial statement.

In the case of the seventh entity, it was concluded that, despite obtaining sufficient and appropriate audit evidence regarding each of the uncertainties, an opinion on the financial statement could not be expressed due to the potential interaction of these uncertainties and the possible cumulative impact thereof on the financial statement. The auditor drew attention to a significant threat to the going concern, resulting from a number of uncertainties, indicating the following as key to the group's continued operation: debt reduction through conversion of convertible bonds and arrangement claims into shares, acquisition of a strategic investor, sustenance of financial liquidity, securing of new sources of financing enabling acquisition and implementation of new contracts, execution of the arrangement with creditors, settlement of contracts the execution of which has been interrupted, renegotiation of contract terms with customers, reconstruction of the order portfolio. The entity is undergoing restructuring proceedings and is negotiating with creditors and subcontractors. The financial situation requires additional bridge financing to ensure current liquidity and timely repayment of liabilities, including those under the arrangement. Failure to successfully complete the conversion of shares and arrangement claims, and to obtain bridge financing, may significantly jeopardize the company's ability to attract a new investor and continue operation. The fulfillment of arrangement obligations hinges on the liquidity capabilities, the conclusion of conversion agreements with key creditors, and the success of the investment process. In addition, the auditor emphasized that the fixed asset impairment tests were based on financial plans taking the effects of restructuring measures and plans to attract an investor into account. They were also unable to obtain audit evidence regarding the indicated amount of the subsidiary's revenue. Emphasized was also that one of the contracts may involve significant consequences arising from its termination and a withdrawal from the related settlement, the annex to the loan agreement provides no financing for new contracts, and arrangement proceedings have been opened with respect to the subsidiary. In the Author's opinion, noteworthy, in the case of the seventh entity, is the rhetoric employed to describe the grounds

for the ‘disclaimer of opinion,’ wherein disclosures are phrased through the prism of remedial actions.

Of the seven companies issued with ‘disclaimers of opinion’ on their financial statements for 2023, only in the case of two the auditor’s report included information that a modified opinion had also been issued on the financial statement for the year prior. Based on the reports on the audit of financial statements for 2022, in turn, it can be concluded that modifications regarding their 2022 financial statements were issued for all seven of the above-described companies: 5 ‘disclaimers of opinion’, 1 ‘qualified opinion’, and 1 ‘adverse opinion’.

5. Conclusion

The article aimed to answer the question of what grounds formed the basis for auditors' issuance of ‘disclaimers of opinion’ in the audit reports on the financial statements of Warsaw Stock Exchange Main Market-listed companies, which audit firms were responsible for issuing such opinions, and in relation to how many companies the ‘disclaimer of opinion’ modification was applied. This objective was achieved through content analysis of independent auditors' reports on the audit of the 2023 annual financial statements of WSE Main Market-listed companies, resulting in the study of disclosures within the scope of ‘disclaimers of opinion’ in listed companies.

The results of the study yield the conclusion that in the population under study, independent auditors issued ‘disclaimers of opinion’ on the financial statements of 7 out of the 390 companies, with modified opinions issued for 18 of the companies. Accordingly, ‘disclaimers of opinion’ in the analyzed audit reports accounted for 1.8% of all opinions issued and 38.9% of modified opinions. Noteworthy is also the fact that these opinions concerned companies not included in the WIG20, mWIG40, and sWIG80 stock market indices. Four audit firms out of 41 entities conducting financial statement audits were responsible for issuing ‘disclaimers of opinion,’ and 10 auditors for issuing all modified opinions. This means that ‘disclaimers of opinion’ were issued by independent auditors representing 9.8% of the entities auditing financial statements in the population under review. Furthermore, the share of ‘disclaimers of opinion’ in the number of opinions issued by a given entity ranged from 0% to 9.1% for audit firms that issued more than 10 opinions, with the share of modified opinions ranging from 0% to 11.1%. Of importance seems to be that ‘disclaimers of opinion’ were issued by entities outside the so-called Big Four. In the Author’s view, a comparison of the results obtained with the findings of the study of independent auditors' opinions on financial statements for the years 2001-2006, published under the editorship of Wielgórska-Leszczynska (2008), may provide a valuable reference in the context of longitudinal analysis. According to the results of this study among Warsaw Stock Exchange-listed companies, ‘disclaimers of opinion’ accounted for

only 0.21% of all opinions issued and 1.96% of modified opinions in 2001-2006. These opinions concerned one company and were issued by one audit firm from the so-called Big Four. Comparing the results of both studies, it can be observed that in the present study, independent auditors resorted more frequently to a 'disclaimer of opinion' when issuing a modified opinion than in the cited study from 2001-2006.

The analysis of empirical data to identify the grounds based on which the auditors issued 'disclaimers of opinion' revealed that in the case of 6 out of 7 entities, i.e., 85.7% of the 'disclaimers of opinion', the auditors were unable to obtain sufficient and appropriate audit evidence to form the basis for a financial statement audit opinion. Only in the case of one company, accounting for 14.3% of the 'disclaimers of opinion', the auditor was able to obtain such evidence, but concluded an opinion on the financial statement could not be expressed due to the potential interaction of uncertainties and the possible impact thereof on the financial statement. In addition, five of the analyzed auditor's reports employed the phrase "engaged to conduct the audit", with the remaining two expressing that "the financial statement audit was conducted". In the case of three companies, no opinion on the financial statement could be expressed due to potential interaction of described uncertainties. Among the recurring matters leading to a 'disclaimer of opinion' in 5 out of the 7 companies, accounting for 71.4% of these disclaimers, problems with going concern were identified. Not without significance is the fact that in the remaining two companies, the financial statements were prepared without the assumption of going concern, thus this matter could not form the basis for a 'disclaimer of opinion'. In the case of all 7 companies concerning which the auditors issued 'disclaimers of opinion' on the financial statements prepared for 2023, the audit reports for the year prior likewise contained modifications to the opinion: 5 'disclaimers of opinion', 1 'qualified opinion', and 1 'adverse opinion'. Worth noting is the narrative employed by the auditors when describing the grounds for issuing the 'disclaimers of opinion'. In the Author's opinion, it may indicate the use of impression management methods, manifested, inter alia, in the use of words with positive connotations to describe concepts of negative connotation, or in the disclosure of information through the prism of remedial measures. Emphasized should also be that in the case of one of the companies, the 'Opinion' section heading was titled "Disclaimer of Opinion on Going Concern", and the content of this section included the statement that "the financial statement does not present a true and fair view of the Company's financial position", which in the auditing standards represents a wording reserved for a 'negative opinion'.

The study bears several limitations. The analysis covered the auditors' reports on the audit of financial statements for 2023 only, concerning exclusively companies listed on the Main Market of the Warsaw Stock Exchange, available on the companies' websites and/or the stock exchange website. Solely the method of content analysis of auditors' reports was employed, limiting the study to the perspective of a specific auditor issuing a 'disclaimer of opinion' on a specific financial statement. No analysis of the market's, company management boards' or other auditors' reactions to the opinions issued was carried out, in which other research methods

would be applicable. Furthermore, the analysis also did not cover the aspects of the relatedness of the opinion issued to corporate governance factors or to auditor-client interaction. The conclusions presented in the present work apply exclusively to the auditors' reports covered by this study.

The analysis presented in the article may inspire further empirical research, including studies covering subsequent periods. The Author intends to conduct in-depth research on the use of impression management methods in audit reports. Furthermore, worth testing in future research would, in the Author's opinion, be a hypothesis whereby part of the 'disclaimers of opinion' issued by auditors, including those concerning Warsaw Stock Exchange-listed companies, are formulated in a manner characteristic, according to international auditing standards, of 'adverse opinions'.

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