

-RESEARCH ARTICLE-

## THE ROLE OF OWNERSHIP STRUCTURE, BOARD CHARACTERISTICS, AND AUDIT QUALITY ON FINANCIAL REPORTING QUALITY

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### —Abstract—

The quality of financial reporting is critical for organizational success and demands researchers' attention. The current study examines the influence of ownership structure, board characteristics, and audit quality on the financial reporting quality of commercial banks in Iraq. This study investigates the moderating effect of stakeholder pressure on the relationship between ownership structure, board characteristics, audit quality, and financial reporting quality. The primary data for this study was collected through surveys conducted with commercial banks in Iraq. The study employed smart-PLS to examine the relationship between variables. The results suggest a positive relationship between ownership structure, board characteristics, audit quality, and financial reporting quality. The study results indicate that stakeholder pressure has a significant moderating effect on ownership structure, board characteristics, audit quality, and financial reporting quality. The study guides regulators in developing regulations to enhance the quality of financial reporting through effective ownership structure, prominent board characteristics, and high audit quality.

**Keywords:** Ownership structure, board characteristics, audit quality, financial reporting quality, stakeholder pressure

### INTRODUCTION

In recent decades, there has been a significant and ongoing increase in financial issues within the business sector. The causes of these issues include weak financial control, non-compliance with legal regulations, and financial embezzlement. The stock market

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decline and loss of investor confidence in such a scenario are often attributed to insufficient corporate governance and unreliable financial reporting. The presence of financial issues leads to a decline in shareholder interest. The employees are essential to the functioning of the firms, and the firms cannot afford to lose them. The disparity between investors' current expectations and their historical experiences regarding corporate governance and financial reporting has widened due to these disasters. The primary objective of the firm is to protect the interests of its shareholders (Hsu & Yang, 2022).

One way to achieve this is through the implementation of corporate governance procedures. The governance of public companies is linked to various activities at the firm level. According to Hasan et al. (2022), these processes can be categorised into two main groups: internal and external. External governance systems encompass various mechanisms such as the market for corporate control, product market rivalry, the labour market for managers, stockholders, and the board of directors as the primary internal monitoring body. Efficient corporate governance systems aim to establish a high-quality financial reporting framework to facilitate optimal resource allocation and promote economic growth. Capital providers primarily depend on financial reporting as a reliable and verifiable source of information regarding managers' performance (Hasan et al., 2022).

Corporate governance procedures play a crucial role in ensuring accurate financial reporting, as explained by agency theory (Agyei-Mensah, 2018; Nikbakht & Ahmadkhanbeigi, 2018). This perspective has brought attention to the importance of management decision-making and various types of internal and external bonding and monitoring systems in both theoretical discussions and practical research. Agency conflicts arise between professional managers and scattered shareholders due to the separation of ownership and control (Goel, 2018). The applicability of agency theory to explain the need for corporate governance is called into doubt as the nature of conflict changes from principal-agent (P/A) to principal-principal (P/P) in rising nations like Iraq. Despite this crucial distinction, much research utilises Western agency theory to formulate study questions examining the impact of corporate governance on the quality of financial reporting (Kyere & Ausloos, 2021).

Iraq is recognised as a major global producer of oil. The unique cultural and historical context of Iraq makes it an interesting case for examining the impact of corporate governance on financial reporting (Al-Hashimi, 2019; Wahhab & Al-Shammari, 2021). In Iraq, like in many other countries, the government exercises significant control over listed firms in order to maintain its influence over privatised businesses. The split share structure was introduced in the early 1990s to support state-owned firms and uphold governmental control over their operations. The crisis in Iraq led to the implementation of regulatory controls. Several challenges hinder the effective implementation of

corporate governance in Iraq, including issues related to ownership structure (Mahmood et al., 2018), auditing and financial reporting (Hameedi et al., 2021), and the quality of institutions (Amagtome & Alnajjar, 2020). The present study investigated these factors, taking into consideration the aforementioned issues.

This study aims to fill the gaps in the existing literature by investigating the relationship between ownership structure, board characteristics, audit quality, and financial reporting. Additionally, it examines the moderating effect of stakeholder pressure. Further, 1) Yasser et al. (2017) and Aifuwa and Embele (2019) examined the relationship between ownership structure and financial reporting. Additional variables, such as board characteristics and audit quality, were incorporated into the current study. In addition, the moderating effect of external pressure was also examined. 2) Aifuwa and Embele (2019), and Alzoubi (2014) investigated the relationship between board characteristics and financial reporting. The current study incorporated additional variables such as ownership structure and audit quality. 3) Ado et al. (2020) and Kaawaase et al. (2021) investigated the relationship between audit quality and financial reporting. The current study incorporated additional factors such as ownership structure and board characteristics.

Additionally, the moderating effect of external pressure was also examined in this study. 4) Haleem et al. (2015), and Wijethilake and Lama (2019) have previously investigated the moderating effect of stakeholder pressure in various relationships at different time points. Therefore, the same approach is adopted in this study to examine the relationship between ownership structure, board characteristics, audit quality, and financial reporting. The significance of the present study lies in three main aspects. Firstly, it emphasises the importance of ownership structure, audit, and financial reporting. Secondly, it contributes to the existing literature on financial reporting. Lastly, it aids professionals in gaining a better understanding and application of the concepts related to firms' ownership and financial reporting.

## LITERATURE REVIEW

Corporate governance aims to ensure compliance with relevant rules in order to protect the interests of shareholders, who are vital to the firm's success. The impact of ownership structure on managers' incentives and firm efficiency makes them crucial to corporate governance (Puni & Anlesinya, 2020). The ownership structure is characterised by the allocation of equity in terms of money and votes, as well as the identities of the equity owners. The ownership structure has a significant impact on the financial setup of the firm. Yasser et al. (2017) examined the impact of ownership structure on financial reporting. The investigation utilised samples from Australia, Malaysia, and Pakistan. The study utilised three years of data from European companies. The dataset consists of tenure data from 2011 to 2013. The collected sample

was analysed using Smart PLS. The findings suggest that ownership structure has an impact on financial reporting in the Eastern region.

Further, 1) In Pakistan, there is a negative relationship between group and individual ownership and profit management. Conversely, in Malaysia, 2) the relationship is positive. Furthermore, a negative correlation was observed between state ownership and business success. Among the control variables, larger companies showed a negative correlation with financial reporting, while companies with more experienced and larger boards exhibited a positive correlation with earnings management. Similarly, [Aifuwa and Embele \(2019\)](#) investigated the relationship between institutional and foreign ownership and earnings management. They found that both types of ownership have a significant negative impact on earnings management, leading to improved reporting quality. Moreover, a negative correlation exists between managerial ownership and earnings management. This study effectively addresses the issue of unobserved heterogeneity, which has been overlooked in previous research.

Therefore, future corporate governance changes should recognise and endorse these initiatives. The report recommends that companies increase the allocation of shares to international and institutional investors to promote their ownership expansion. This is significant because auditors play a crucial role in helping companies achieve their corporate objectives and promote proper reporting practices through their expertise and extensive knowledge. The significance of financial reporting is heightened when it pertains to a financial institution. The banking sector is a crucial industry in every country. Hence, it is imperative that the financial reporting meets the required standards. [Adebiyi and Olowookere \(2016\)](#) investigated this relationship. The study was conducted on a sample of Nigerian banks. The study utilised nine years of data from European companies. The dataset includes tenure data from 2005 to 2013. The collected sample was analysed using the OLS regression approach. The findings suggest a correlation between ownership structure and financial reporting. Managerial ownership significantly impacts financial reporting.

**H1:** *Ownership structure is significantly associated with financial reporting.*

Corporate governance emerged in response to corporate scandals and changes in the global economy. These controversies revolved around the financial reporting phenomenon. The 1997-1998 East Asian financial crisis revealed the vulnerability and insufficiency of governance norms, which played a significant role in causing the disaster indirectly ([Gardi et al., 2023](#)). The confidence curve of international investors in the capital market experienced a significant decline. Given these circumstances, there is a significant emphasis on enhancing corporate governance to enhance FRQ and ultimately regain investor confidence in the capital market ([Rostami & Rezaei, 2022](#)). In this context, [Aifuwa and Embele \(2019\)](#) examined the impact of board characteristics on financial reporting. The investigation utilised a sample from the manufacturing

sector. The collected sample was analysed using the GLM regression approach. The findings suggest that, at a significance level of 5%, there is a favourable and statistically significant association between board competence and the quality of financial reporting. However, there is no meaningful relationship between board independence and diversity and the quality of financial reporting. The composition of the board has an influence on the quality of financial reporting. In order to reduce management costs, we recommended reducing the number of non-executive directors on the board. The importance of corporate governance i.e., financial sector enhances board characteristics in the context of listed firms. [Alzoubi \(2014\)](#) examined the relationship between board characteristics and financial reporting in this study. An investigation was conducted on a sample from Jordan. The study utilised a three-year sample of data. The dataset includes tenure information from 2008 to 2010. The collected sample was analysed using the MJ model. The study's findings support the existence of a relationship between board characteristics and financial reporting. The relationship between earning management and board independence, financial expertise, governance expertise, and size is negative. In addition, there is a strong positive relationship between CEO duality and board expertise in relation to the company and discretionary accruals. The investigation also suggests that the board of directors should take a more proactive approach in identifying earning management, thereby improving the quality of financial reporting. In a recent study, [Saidu and Aifuwa \(2020\)](#) delved into the relationship between board characteristics and financial reporting. The study was conducted on a sample from Nigeria. The collected sample was analysed using the BP regression analysis approach. The findings indicate a significant association between board characteristics and financial reporting. In addition, the non-executive directors also have a crucial role to play.

## **H2:** *Board Characteristics are significantly associated with financial reporting.*

Ensuring the financial performance of companies relies heavily on the quality of audits. A reliable and thorough audit is essential for instilling confidence in the accuracy and trustworthiness of financial reports. This, in turn, plays a crucial role in promoting efficient markets and improving overall financial performance ([Mardessi, 2022](#)). Furthermore, external audits conducted in accordance with superior auditing standards can ensure that relevant businesses adhere to accounting principles with greater rigour, resulting in trustworthy, clear, and informative financial reporting ([Alsmady, 2022](#)). Implementing independent audits can help organizations enhance their internal control mechanisms, risk management strategies, and corporate governance standards, leading to improved financial performance. [Ado et al. \(2020\)](#) examined the relationship between audit quality and financial reporting in this particular context. The study was conducted on a sample from Nigeria. The study utilized 756 samples over a span of 9 years. The data consists of the tenure from 2010 to 2018. The collected sample was analyzed using the ML regression analysis approach. The findings indicate that there is

a direct correlation between audit fees and return on assets (ROA). This suggests that reducing the amount paid to auditors for their services could potentially lead to improved financial performance for listed companies in Nigeria. According to agency theory, the auditor's size has a significant positive correlation with the ROA. This finding indicates a potential improvement in financial performance (ROA) when Big4 audits more companies. There is a positive and statistically significant relationship between auditor independence and the ROA. Ultimately, it is evident that auditor independence has a greater impact on financial performance than auditor size. In a similar vein, [Kaawaase et al. \(2021\)](#) delved into the connection between corporate governance, audit quality, and financial reporting in Uganda. The study sampled data from 62 financial institutions. The sample data was collected using a straightforward random sampling technique. The collected sample was analysed using the SPSS analysis approach. The findings indicated a strong correlation between the quality of financial reporting and the performance and knowledge of the board. In addition, there is a significant link between the excellence of internal audits and financial reporting. Board independence does not have a significant impact on the quality of financial reporting. In addition, [Bose et al. \(2022\)](#) conducted a study on the relationship between the audit committee, CEO, and audit quality and financial reporting. The study was conducted on a sample of European economies. The study utilised a three-year dataset as a sample. The provided data spans from 2015 to 2017. The collected sample was analysed using the SPSS analysis approach. The findings indicated that the audit committee, CEO, and audit quality have a collective impact on financial reporting.

**H3:** *Audit quality is significantly associated with financial reporting.*

Organisations are recognised for their ownership as they bear responsibility for the outcomes of their decisions and management abilities. Corporate governance is a crucial tool for ensuring compliance with the law of the land and establishing ownership. The ownership of a firm determines the system to be adopted, such as management, accounting, and HR. Typically, companies tend to favour a clear and open financial reporting system. Oftentimes, the ownership structure deliberately or inadvertently evades compliance. When faced with this situation, stakeholders may exert pressure and intervene as moderators, pushing for the adoption of internationally approved financial reporting standards to ensure transparency ([Pratama, 2021-2023](#)). Furthermore, the literature suggests that stakeholder pressure plays a role in influencing corporate governance. In this particular context, [Ahmed et al. \(2020\)](#) delved into the role of stakeholder pressure in the relationship between environmental collaboration, innovation, and firm performance. The study utilised the data of 225 firms as a sample. The study utilised the simple random sampling technique. The study examined the collected data using the AMOS analysis approach. The study's results suggest a strong link between environmental collaboration, innovation, and firm performance. In addition, the influence of environmental collaboration on firm innovation is more

significant when there is a high level of stakeholder pressure. In a recent study, [Haleem et al. \(2015\)](#) examined the relationship between CSR practices and financial performance, specifically focusing on the influence of stakeholder pressure. They delved into the moderating effect of stakeholder pressure on this connection. The study used one year of data as a sample. The provided data covered the period from January to December 2013. The study examined the collected data using the hierarchical regression analysis approach. The investigation's findings suggest that stakeholder pressure plays a significant role in moderating the relationship between CSR practices and financial performance.

**H4:** *Stakeholder pressure moderates the nexus between ownership structure and financial reporting.*

The board of any company is comprised of individuals with diverse natures and characteristics. They all contribute their efforts based on their expertise and skills in decision-making. In any situation, the Board must ensure strict adherence to legal compliance in order to uphold the firm's credibility. It has been suggested in academic literature that there are instances where companies do not adhere to reporting laws and regulations. In such a scenario, the pressure from stakeholders compels firms to prioritise adherence to corporate governance rules, with the aim of acting as a moderator ([Hajawiyah et al., 2020](#)). Research suggests that the firm's management was compelled by external influences to prioritise reporting compliance in order to maintain financial transparency ([Shan & Tian, 2022](#)). To examine the moderating effect, In a recent study, [Kraus et al. \(2020\)](#) examined the relationship between the choice of environmental strategy and its impact on performance. The study employed the linear regression model to examine the hypothesis. The investigation's findings suggest that stakeholder pressure plays a significant role in moderating the association between environmental strategy choice and performance. In addition, companies that adopt proactive environmental strategies tend to achieve better environmental performance compared to those that have reactive approaches. In addition, the investigations also highlight the positive impact of environmental strategies on environmental performance. However, [Hayes'](#) findings do not provide strong evidence for a significant relationship between SP moderation and the connection between environmental strategies and environmental performance choices. In this particular context, [Wijethilake and Lama \(2019\)](#) conducted a study that delved into the role of stakeholder pressure in the relationship between sustainability, value, and sustainability risk management in Sri Lanka. The study utilised the PLSSE model for analysis purposes. The findings suggest a strong connection between value and sustainability risk management, which is further influenced by stakeholder pressure.

**H5:** *Stakeholder pressure moderates the nexus between board characteristics and financial reporting.*

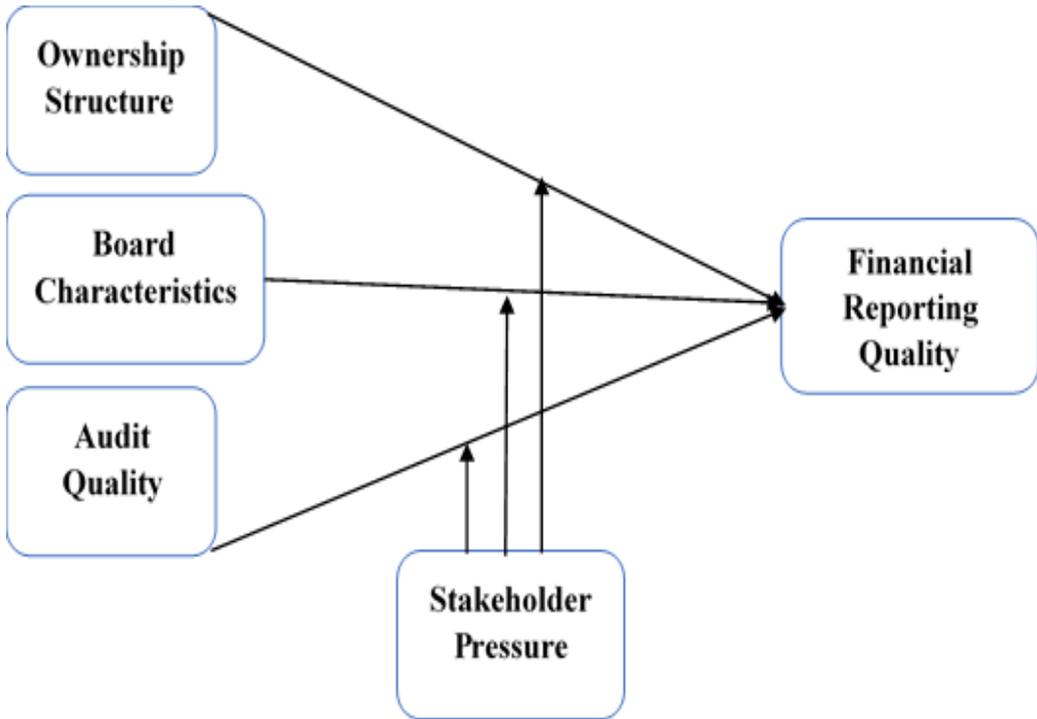
Transparency is essential for the advancement, achievement, and reputation of any organisation. The financial section of any firm plays a crucial role in the overall functioning of the organisation. The auditing system plays a crucial role in maintaining transparency across all areas of the firm. Research suggests that financial embezzlement can be attributed to various factors, including the auditing structure of the firm (Nazir et al., 2022). Many times, companies choose to implement an unauthorised or inadequate auditing structure with the intention of committing fraud. In this situation, the firm was compelled by external pressures to establish a robust auditing system in order to maintain transparency. In such a scenario, the pressure from stakeholders plays a moderating role (Torp & Lien, 2023). In the context of moderation, Moghaddam et al. (2021) examined the relationship between CEO reputation, quality management, and environmental innovation, taking into account the moderating influence of stakeholder pressure. The research was conducted in Ghana. The study utilised the data of 217 firms as a sample. The study examined the collected data using the linear regression analysis approach. The investigation findings suggest a strong correlation between the reputation of CEOs, quality management, and environmental innovation. In addition, the influence of environmental collaboration on firm innovation is more significant when there is pressure from stakeholders. The study also highlighted the importance of CEO reputation in relation to stakeholder pressure. In this particular context, the researchers Nazir et al. (2022) delved into the examination of how stakeholder pressure influences the relationship between sustainability disclosure and competitive advantage. The investigation was conducted in Pakistan. The study utilised Hayes PROCESS and IBM SPSS 26 for analysis purposes. The findings suggest a strong connection between sustainability disclosure and gaining a competitive edge, with stakeholder pressure playing a moderating role. In addition, the impact of stakeholders can differ depending on the type of organisation, such as public or private.

**H6:** *Stakeholder pressure moderates the nexus between audit quality and financial reporting.*

## RESEARCH METHODS

This study seeks to analyse the influence of ownership structure, board characteristics, and audit quality on the financial reporting quality of commercial banks in Iraq. Additionally, it explores the potential moderating role of stakeholder pressure in this relationship. The study collected primary data from commercial banks in Iraq through surveys. The variables are measured using items sourced from previous literature. For example, ownership structure is measured using five items (Md Zaini et al., 2020), board characteristics are measured using five items (Roffia et al., 2022), audit quality is measured using four items (Putria & Mardijuwonob, 2020), stakeholder pressure is measured using four items (Jakhar et al., 2020), and financial reporting quality is measured using six items (Albawwat et al., 2021).

The study selected employees from commercial banks as the participants. Furthermore, the study employed the simple random sampling technique to select the participants. In addition, the surveys were distributed to the employees through personal visits. A total of 533 surveys were distributed by the researchers, with 290 valid surveys received, indicating a response rate of 54.41 percent. In addition, the article utilised the smart-PLS method to examine the relationship between variables. This tool is highly effective and yields optimal results by utilising intricate models (Hair Jr et al., 2020). Lastly, three predictors were utilised: ownership structure (OS), board characteristics (BC), and audit quality (AQ). Additionally, a moderating variable called stakeholder pressure (SP) and a predictive variable known as financial reporting quality (FRQ) were included. These are displayed in [Figure 1](#).



**Figure 1:** Research model

## Research Findings

The results revealed the convergent validity, indicating a strong correlation between the items. The study examines the relationship between items using Alpha and composite reliability (CR), and both tests indicate values higher than 0.70. Furthermore, the study examines the relationship between items using average variance extracted (AVE) and factor loadings, both of which demonstrate values higher than 0.50. These values demonstrate a strong correlation among items. The results are presented in [Table 1](#).

**Table 1: Convergent validity**

Constructs	Items	Loadings	Alpha	CR	AVE
Audit Quality	AQ1	0.606	0.803	0.850	0.595
	AQ2	0.912			
	AQ3	0.899			
	AQ4	0.609			
Board Characteristics	BC1	0.800	0.852	0.892	0.623
	BC2	0.794			
	BC3	0.752			
	BC4	0.793			
	BC5	0.807			
Financial Reporting Quality	FRQ1	0.849	0.909	0.929	0.687
	FRQ2	0.808			
	FRQ3	0.820			
	FRQ4	0.864			
	FRQ5	0.767			
	FRQ6	0.862			
Ownership Structure	OS1	0.865	0.884	0.915	0.684
	OS2	0.831			
	OS3	0.804			
	OS4	0.780			
	OS5	0.853			
Stakeholder Pressure	SP1	0.865	0.899	0.929	0.766
	SP2	0.875			
	SP3	0.881			
	SP4	0.881			

**Table 2: Discriminant validity**

	AQ	BC	FRQ	OS	SP
AQ					
BC	0.155				
FRQ	0.419	0.186			
OS	0.514	0.083	0.566		
SP	0.768	0.123	0.432	0.472	

The results revealed the discriminant validity, indicating a correlation between the variables. The study examines the correlation between variables using the Heterotrait Monotrait (HTMT) ratio, and the values obtained are below 0.85. The values indicate a weak correlation among variables. The results are provided in [Table 2](#).

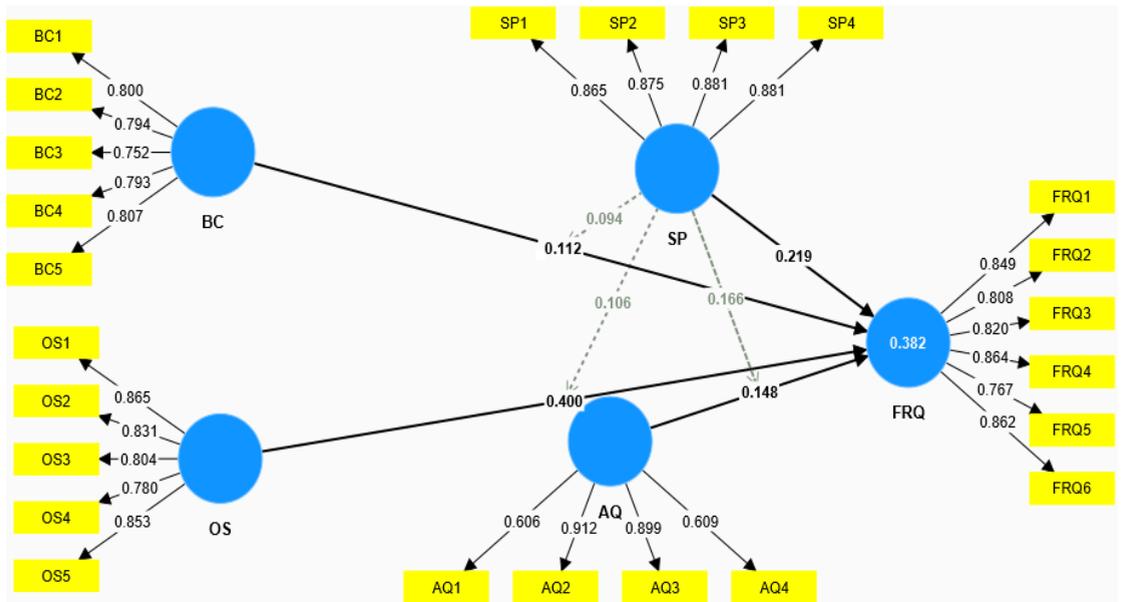


Figure 2: Measurement model assessment

The results showed that the ownership structure, board characteristics, and audit quality are positively related to financial reporting quality, confirming hypotheses H1, H2, and H3. Ultimately, the findings revealed that stakeholder pressure plays a significant role in moderating the relationship between ownership structure, board characteristics, audit quality, financial reporting quality, and the acceptance of hypotheses H4, H5, and H6. The results can be found in Table 3.

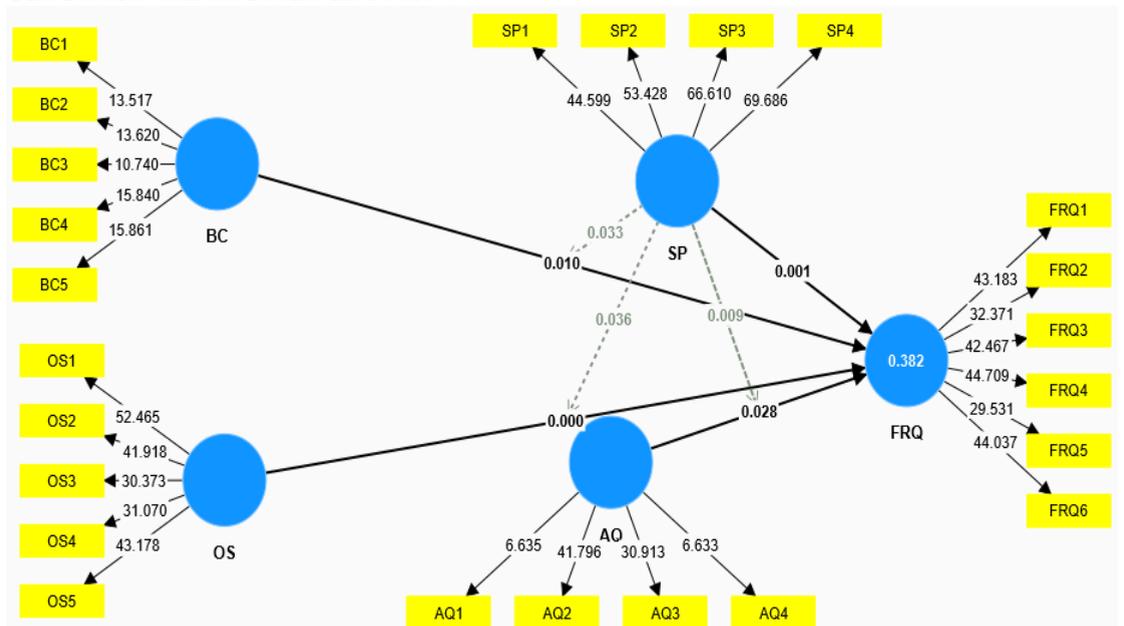


Figure 3: Structural model assessment

**Table 3: Path analysis**

Relationships	Beta	Standard deviation	T statistics	P values
AQ -> FRQ	0.148	0.066	2.230	0.028
BC -> FRQ	0.112	0.043	2.635	0.010
OS -> FRQ	0.400	0.057	6.995	0.000
SP -> FRQ	0.219	0.067	3.280	0.001
SP x AQ -> FRQ	0.166	0.062	2.651	0.009
SP x BC -> FRQ	0.094	0.043	2.165	0.033
SP x OS -> FRQ	0.106	0.050	2.126	0.036

## DISCUSSIONS

The study explores the intricate factors that impact the quality of financial reporting in the unique context of Iraq. This research holds significant value given the ever-changing nature of Iraq's economy and the overall push to enhance the corporate governance system in light of the various socio-economic obstacles present in the country. This paper argues that the ownership structure, board features/makeup, and audit factors play a crucial role in determining the quality of financial reporting. In Iraq, the ownership structure plays a significant role as local firms often face the challenges of concentrated ownership (Alabdullah, 2018). Most Iraqi firms are owned by families or the government. Farah et al. (2021) argue that transparency and accountability have a significant impact on the quality of financial reporting. Concentrated ownership can lead to agency problems and a reduced emphasis on high-quality financial reporting.

In the same vein, Habib and Hossain (2013) investigate the significance of board characteristics and board structure in determining financial reporting quality. This paper examines the independence and size of the board of directors, as well as the presence of financial expertise on the board. The study reveals that within Iraqi institutions, boards have limited success in examining management efficiency and financial reports due to the relatively underdeveloped nature of local regulators and enforcers. The presence of independent directors and financial experts on the board is hypothesised to enhance monitoring and provide diverse perspectives, potentially leading to improved quality of financial reports. However, it is important to recognise that the impact of these board characteristics may depend on the external context in which the organisation operates. In the case of Iraq, this context is characterised by political instability, economic uncertainties, and legal ambiguities.

This research also examines the concept of audit quality. Conducting high quality audits is crucial to ensure the accuracy and reflection of the company's financial statements. The audit industry in Iraq is still in its developmental stage, with only a few firms capable of providing high-quality audit services (Allami et al., 2024). The research concludes that companies audited by major audit firms associated with global firms exhibit greater financial reporting responsiveness. These firms are known for their

adherence to rigorous audit standards and their ability to detect and correct significant errors. According to [Al Abdullah and AL Ani \(2021\)](#), there are certain challenges in Iraq that raise concerns about the overall audit quality. These challenges include inadequate regulation and difficulties in detecting violations in the auditing field. The relationships between ownership structure, board characteristics, and audit quality with financial reporting quality are also influenced by variables in the external environment in Iraq. The external environment consists of various macro-level elements, such as the political landscape, economic conditions, legal framework, and cultural factors.

The instability in Iraq's political and economic system creates a sense of uncertainty regarding the value, which could potentially affect corporate governance mechanisms and financial reporting ([Zafari et al., 2023](#)). During times of political risk or economic downturns, organizations may face social pressures that can undermine the quality of their accounting practices. In their study, [Faris et al. \(2023\)](#) observed that the legal structure in Iraq is still undergoing development, which can lead to irregular compliance with corporate governance rules. When companies share information, they might not adhere to rigorous reporting standards if there is a lack of regulation or if the regulations in place are not robust ([Husereau et al., 2022](#)). In addition, the cultural aspects play a vital role in the external environment. Cultural factors have a significant impact on the corporate governance and financial reporting of companies operating in Iraq.

In a recent study by [Endrawes et al. \(2023\)](#), it was discovered that the interplay between collectivist culture and business relationships has a significant impact on the autonomy of board members and auditors. This, in turn, poses a challenge to ensuring the accuracy and reliability of financial reports. The study further supports the notion that the connections between internal corporate governance factors (such as ownership structure, board of directors' qualities, and audit) and the external environment are complex and contingent upon the specific circumstances. Although there has been some improvement in financial reporting quality in Iraq, it is important to address internal organisational conditions and also consider the external environment ([Gardi et al., 2023](#))

## IMPLICATIONS

The study has important implications that are valuable for policymakers, regulators, and corporate stakeholders in Iraq. Ensuring a sound and high-quality financial report requires implementing a series of fundamental reforms. These reforms encompass both internal changes within corporate management and auditors, as well as external reforms to the macro-business environment. It is crucial for policy makers to prioritise efforts in enhancing rules, ensuring compliance, implementing corporate governance codes, and promoting growth in the audit market. Furthermore, efforts should be made to enhance political stability and improve economic conditions in order to create a conducive environment for high-quality reporting. When it comes to corporate

stakeholders, it is essential to prioritise the implementation of effective corporate governance practices. Additionally, it is important to focus on enhancing audit quality in order to promote greater transparency within enterprises. The study guides the regulators in developing regulations that aim to improve the quality of financial reporting by considering factors such as ownership structure, board characteristics, and audit quality.

## LIMITATIONS

In addition to the implications, the study also has some limitations. One potential limitation of the study is that the available data may not provide a comprehensive understanding of the ICSA practices among Iraqi listed firms. Additionally, it is important to consider that findings may be influenced by ongoing political and economic changes, potentially leading to some results that are not directly applicable. Furthermore, the study's focus on Iraq may raise questions about how applicable the findings are to different contexts that have unique regulatory and cultural situations. However, it is important to recognise the limitations of this study, such as the potential distortions caused by self-collected surveys and the subjective nature of evaluating the board's efficiency. Ultimately, one may face challenges with the sample size due to the relatively underdeveloped Iraqi capital markets. This could result in a limited number of relevant cases, potentially affecting the statistical validity of the conclusions.

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