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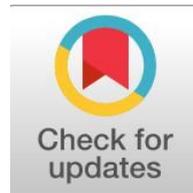
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The Impact of Implementing International Financial Reporting Standards (IFRS) on the Efficiency and Effectiveness of Internal Auditing in Financial Institutions

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Abstract

General Background: Financial reporting is essential for providing transparent and comparable financial information to stakeholders, encouraging the adoption of global accounting standards. **Specific Background:** International Financial Reporting Standards (IFRS) provide a unified framework to standardize financial reporting practices across institutions. **Knowledge Gap:** Empirical evidence on IFRS adoption and financial reporting quality in developing economies, particularly Iraqifinancialinstitutions, remains limited. **Aims:** This study examines IFRS adoption and its relationship with financial reporting quality while considering internal control systems. **Results:** Data from 512 financial professionals analyzed using PLS-SEM show that perceived benefits, ease of adoption, and government support encourage IFRS implementation, while legal enforcement plays a smaller role. IFRS adoption is associated with improved clarity, comparability, and timeliness of financial reports. **Novelty:** The study presents empirical evidence from Iraqi financial institutions and evaluates internal control systems within this relationship. **Implications:** The findings provide guidance for policymakers to support IFRS implementation and promote transparent financial reporting practices.

Highlights:

- IFRS Adoption in Iraqi Financial Institutions Is Primarily Motivated by Perceived Benefits, Ease of Implementation, and Government Support.
- Financial Statements Prepared Under IFRS Demonstrate Higher Levels of Accuracy, Comparability, Clarity, and Reporting Timeliness.
- Internal Control Systems Show Limited Moderating Contribution in the Relationship Between IFRS Adoption and Reporting Quality.

Keywords: IFRS Adoption, Financial Reporting Quality, Internal Control System, Financial Institutions, Iraq

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1. Introduction

Financial reporting simply entails a description of the financial position of a company to external parties. It is scrutinized by investors, banks and regulators and even ordinary stakeholders who may simply be willing to know whether the company is progressing well or being gradually dragged into the abyss. The issue was rather clear before the introduction of IFRS when each nation had its accounting principles. Therefore the same company could appear completely different on paper through reporting the same company in different places. And frankly speaking, this made the rating of companies in different countries irritating and even perplexing. In many instances, the data was even not coherent, and individuals were not certain how many they could rely on the amounts [1, 2].

Over a period of time other countries began to shift towards IFRS since they desired reporting to become more homogeneous and easier to understand. The entire concept of IFRS was to ensure that financial statements are not only readable, but also identifiable within one geographical spot to another. However, inevitably another question has been raised and it can be a reasonable one: does IFRS really enhance the quality of reporting, or is it simply a matter of reformatting and making reports look more presentable [3, 4].

It is easy enough as far as an investor is concerned. They would prefer to have simple, precise and understandable financial information. People may feel confused when they are not actually aware of what the changes in practice of IFRS entail. And when investors begin to experience doubt, things get more slowly and risky. Moreover, despite the fact that IFRS was meant to solve the reporting issues, its implementation in practice is not necessarily easy. Different countries have different legal systems, the level of enforcement, experience, and professional capability. And then there is still a possibility that IFRS will be applied differently according to the country. And this is where the issue of comparability and reliability may still be presented [5, 6].

Today, many previous research works conclude that IFRS could decrease the earnings management, enhance the transparency and make the financial reporting process more informative in general. And in emerging markets, IFRS adoption is occasionally beneficial to foreign investors in making companies appear serious and reliable before they open their wallets [7][8][9][10].

Nonetheless, there is an aspect to it: the research is not completed so far. Most studies are geared towards developed countries, and therefore we lack adequate information relating to the effects of IFRS on the quality of reporting in a developing context [11, 12]. Another problem that is not given the due attention is the internal control system (ICS). And that is somewhat strange, as internal controls are significant. The lack of internal controls will not magically turn the quality of reporting to be somehow fixed by the IFRS. Therefore, one can simply say that ICS can exert its influence on effectiveness of the actual IFRS implementation [13, 14].

In addition to that, IFRS could have a different effect on various industries. Therefore, it is more reasonable at times to consider each sector individually instead of combining everything. It is the reason why this research is centered on Iraqi financial establishments. It also examines the hypothesis whether the adoption of IFRS actually enhances the quality of reporting relevance, comparability, timeliness, understandability, and reliability.

It also looks into what drives the institutions into the adoption of IFRS in the first place, which includes perceived benefits, perceived ease of implementation, legal pressure and government support. And lastly, it examines whether internal control mechanisms reinforce the correlation between the adoption of the IFRS and the quality of reporting. The overall aim is to offer practical information to the policy makers, regulators, auditors, investors and the senior management that seek financial reporting in Iraq to be more transparent and more credible.

2. Literature review

2.1 Theoretical and hypothesis development

2.1.1. *International Financial Reporting Standards (IFRS)*

The IASB drove IFRS since financial reporting in the cross countries was everywhere. Each nation possessed its system, logic and style of presenting numbers. So, when an investor is attempting to compare companies across national borders, it might become disheartening within a very short period of time. The IFRS was fundamentally intended to lower that clutter and simplify reports on various markets [15, 16].

The financial statements of any company should allow investors to open them and know what they are reading, even though that company may be located in a different country. And when the language of reporting is more similar, then the international investment will be less risky or at least a little less bewildering.

This is among the reasons why a lot of nations eventually switched to IFRS. In others, the local standards were just too divergent with the global expectations. The IFRS also proved to be a viable solution to companies that operated in more than one country. It is similar to a common reporting language, thus analysts and investors do not need to continuously change between entirely different formats whenever they access a new company [10, 17].

That notwithstanding, IFRS is not without the actual problems. It may be too costly to implement and enforcement is not

universal. In practice therefore, the application of IFRS is not always applied using the same mode in all countries. However despite those concerns it has nonetheless come to be the most popular reporting framework in the planet. It is viewed by many researchers as a significant leap in enhancing transparency and enhancing comparability in financial reporting [18, 19].

2.1.2. IFRS Adoption

Application of IFRS has been on the increase in the global scene but in the real sense it did not occur in a vacuum. A major breakthrough came in the year 2005 when the European Union indicated that all companies publicly listed would have to apply IFRS. Then, many other nations began to think, "Okay, that is what we should do, also. Since IFRS tends to render financial information more understandable, as well as facilitating a comparison between various countries [20, 21].

However, not all of them did this. A good example is the United States. They continue to employ their own accounting standards. Therefore, due to that, a number of countries chose to implement IFRS in a limited manner. Or they attempted to bring their local standards more similar to IFRS, without fully switching [22].

In the case of multinational firms, IFRS may prove to be of great assistance. It is similar to a single reporting language. Therefore, the company is able to use one primary system instead of coming up with financial reports in ten ways to suit the ten different countries. It is also easier to consolidate in cases where the company is located in various regions [7, 23].

These advantages in addition to improved comparability and investor confidence are among the key factors that made most companies switch to IFRS. However, it is not all that smooth at the same time. In practice, the transition to the IFRS can frequently require training, new systems, and even reforms in the company financial reporting policies. Yes, IFRS may be very unlike local accounting regulations.

Among the largest motivation sources of adopting IFRS in organisations is just the perceived benefits. Several papers cite the attraction of foreign investors, enhancing credibility of the reports and the elimination of the headache of having to deal with various national standards [24, 25]. Investors also prefer it when the figures can be more readily compared across markets.

Naturally, however, there are problems. A global standard cannot best suit all countries. Its implementation may be costly and, at times, it is difficult to apply IFRS in precisely the same manner across all regions due to cultural or legal disparities [26, 27].

Despite all these fears, a majority of the evidence is running in a favorable direction. A lot of research demonstrates that the adoption of IFRS is associated with the quality of financial reporting. And the controversy around IFRS is rather indicative that has its own larger problem as well: which is how can we maintain global standards, and yet still accommodate the various realities of the nations [28, 29]. Based on all these points, the study suggests the following hypothesis:

H1a: Perceived benefits positively impact IFRS adoption.

The ease of use is also a huge issue as far as IFRS is concerned. When individuals believe that IFRS is not difficult, then a disintegration to it tends to be more hassle free. It's kind of that simple. The transition to IFRS is more manageable in those countries where accounting system is already strong and organised. Individuals already possess experience, they are structured, and they understand the way things operate [30, 31].

However, in nations with a developing accounting system, it tends to be harder. Many individuals are not conversant with IFRS and there is minimal training. Consequently, they have a hard time not because they do not want IFRS but because they do not actually know how to operate it [5, 32].

Something that is very human is also discussed by Nobes (2013). Decisions that are perceived to be easy are normally preferred by decision-makers. Complicated standards they do not like. It is quite compatible with the Technology Acceptance Model (TAM), which is essentially the following: when individuals believe that something is easy, the more they accept it [6, 31].

Nevertheless, even at that time, IFRS is not that easy. It is a complicated set of rules and some of its components might appear rather simple. In powerful countries, the transition to IFRS would still require training, education, and system and day-to-day work adjustments.

Therefore, in the final conclusion, when individuals believe that IFRS is simple enough, it becomes more likely to adopt it [33]. Other countries are favored by the fact that they already possess good accounting systems. However, IFRS previously requires an effort, and without training and knowledge, its implementation is a factual challenge [34, 35]. In this explanation, the study proposes the following hypothesis:

H1b: Perceived ease of implementation positively impacts IFRS adoption

Lots of discussion has been made about legal and regulation pressure regarding IFRS adoption. And, truth to be told, it is not a very easy story.

Many researchers would say that it is just a matter of choice when the government makes IFRS mandatory. They are provided with a clear guideline and they simply need to adhere to it. And in most cases, this would make the adoption process quicker. It also contributes to the consistency of reporting as they are all using the same standards [36-38].

This becomes all the more critical in the countries where the enforcement is lax. There, legal regulations may to some extent compel businesses to prepare more transparent and more homogenous financial statements. Another study conducted by Daske et al. 2008 revealed that the combination of strong regulations and transparency will result in favorable market responses to the adoption of IFRS [39].

However, the people do not always get along with the mandatory is always good thought. Other scholars say that the imposition of IFRS may be excessive. As, not all industries operate in the same manner and all companies are not equal in size. This is because a single standard might not be equally suitable to all people [38].

The other issue is enforcement. It is one thing to make IFRS mandatory and it is another thing to enforce it appropriately. You require resources, training, powerful institutions, and an effective legal system. When the legal system is already weak, then imposing IFRS using laws might not actually benefit it might simply turn into a rule on paper [34, 40].

Therefore, the connection between the law and IFRS adoption is not simple. A compulsory adoption may compel companies to increase the pace and take IFRS more seriously. However, the situation in any given country is significant. The legal system must be also elastic to operate in various industries and on various stages of development [41].

H1c: Legal requirements positively impact IFRS adoption.

In general, most studies show one thing pretty clearly: when the government is really serious about IFRS, the whole transition becomes easier and more successful.

Daske et al. (2008) explain it in a simple way. If the government actually supports the switch like creating clear rules that fit IFRS, giving training opportunities for accountants, and building proper enforcement systems then the chance of real adoption becomes much higher [39]. Also, when government policies talk openly about the benefits of IFRS, like easier access to international markets and stronger investor trust, more companies feel motivated to follow the standards [42, 43].

But still, government support doesn't work the same everywhere. It depends a lot on the local situation. For example, if the accounting system is already strong, and politics are stable, IFRS adoption usually goes smoother. Chi et al. (2022) mention that countries with strong legal and institutional systems can handle the complicated parts of IFRS transition better [44].

On the other hand, if political support keeps changing, or the government is not consistent, it creates uncertainty. And once companies feel uncertainty, they slow down and hesitate [31, 45].

Even with these problems, government policy is still one of the biggest drivers of IFRS adoption. When governments create a supportive environment and clearly explain why IFRS matters, organisations feel more ready and more willing to move toward global reporting standards [46].

H1d: Government policy positively impacts IFRS adoption.

Most studies like [47] basically say this: once a company starts using IFRS, the financial reports usually look cleaner, more open, and way easier to compare. And that's a big deal, because investors hate confusion. When things are clearer, the information gap between companies and investors shrinks, and people feel more confident putting money on the table [18, 32].

Leuz (2010) also says something pretty interesting: after switching to IFRS, earnings manipulation often goes down [48]. Meaning... companies have less space to "decorate" the numbers. So reports start looking more believable. Ball et al. (2012) even argue that some companies end up with lower capital costs after adopting IFRS, because investors see them as safer and more trustworthy [15, 30].

But of course, it's not magic. IFRS doesn't work the same in every country.

Daske et al. (2013) found mixed results and basically said: IFRS works best in countries that already have strong rules and strong institutions [49]. If a country has weak enforcement, IFRS can end up being "IFRS on paper"... but not in real life. Nobes (2008) also points out that one global standard might not fit everyone [50]. Different countries have different accounting habits, different traditions, and different ways of doing things [3, 4].

And let's not forget small companies for them, moving to IFRS can feel like being told to rebuild your whole house while still living inside it. It costs money, takes time, needs training, and during that messy transition period, reporting quality might actually get worse before it gets better.

Still, even with all that, most research leans positive. Studies like Bose et al. (2017) show that once IFRS is adopted, financial reporting usually improves in ways that investors and other stakeholders actually care about [51].

So yeah, IFRS is generally seen as a good move. But the bigger debate is still there: having one global reporting "language"

sounds great... until you remember that every country has different laws, different economies, and different realities. And those differences can seriously change how well IFRS works in practice [2, 52]. how well IFRS works in practice [2, 52].

H2: IFRS adoption positively impacts FRQ

2.1.3 Financial Reporting Quality (FRQ)

Financial reporting quality mostly comes down to one simple question: **does the financial statement actually help people understand what's going on?** Like... is the information useful, reliable, and good enough for decision-making?

Ghosh (2011) explains it in a nice way: a high-quality report doesn't only tell you what happened last year [53]. It should also give you some kind of clue about what might happen next. That way, investors and other stakeholders can get a feel for the company's future direction, not just its history [18, 26]. Cheng et al. (2018) support this too, showing that when accounting information has strong value relevance, investors usually make better decisions [54]. Watts (2003) even argues that more relevant information makes capital markets work better overall, because people can compare risk and return more clearly [55].

But here's the annoying part: getting "relevant" information is not always easy.

To talk about the future, companies have to use estimates and judgment. And let's be honest, judgment can easily turn into bias. Managers might (sometimes intentionally, sometimes not) push numbers in a direction that makes things look nicer than reality [29, 56]. Also, there's always this trade-off between relevance and reliability. If the estimates are too optimistic, or too uncertain, people start doubting the reports. And once credibility drops, everything becomes questionable.

Even with these issues, relevance is still one of the big ideas behind IFRS. That's why the IASB keeps updating disclosure requirements basically trying to make sure financial information stays useful for different users, not just accountants and auditors [3, 57].

And one more thing: what counts as "relevant" does not stay the same forever. Business models change, expectations change, and markets move fast. So reporting standards need regular updates, otherwise financial statements become outdated and less helpful in a global environment that never stops changing [25, 58].

Based on this discussion, the study proposes the following hypothesis:

H3a: The impact of relevance on FRQ is positive.

Accuracy is honestly one of the biggest parts of financial reporting quality. If the numbers are not accurate, then the whole report becomes kind of useless.

Dechow et al. (2011) basically say that financial information should reflect the company's real economic performance as clearly as possible [59]. If it does not show the real situation, then it cannot really be called accurate [60, 61]. And when reports are accurate, investors and managers feel more comfortable, because they can trust the numbers and make decisions with less doubt.

Lobo et al. (2016) also found something interesting: when companies use more conservative accounting (meaning they do not exaggerate profits and they are more careful with reporting), the cost of capital can go down [62]. In simple words, investors trust the company more, so they do not demand a very high return just because they feel uncertain [63, 64]. Ball and Shivakumar (2006) also say accuracy helps markets work better, because investors can compare opportunities using information that is reliable [65].

But reaching high accuracy is not always easy.

There can be measurement errors, uncertainty in estimates, and sometimes even manipulation or fraud. All of these reduce accuracy. Because of this, regulators and standard-setting bodies push accrual-based reporting and require more detailed disclosures under IFRS. The idea is to make financial information closer to reality and reduce hidden distortions [66].

Still, there is always this problem: perfect accuracy is hard, because financial reporting is not only about math. It also involves judgment and estimation. So in practice, firms usually need to balance accuracy with relevance, because the information should be accurate but also useful for decision-making [67, 68]. Based on this idea, the study proposes the following hypothesis:

H3b: The impact of accuracy on FRQ is positive.

One of the largest components of financial reporting quality is accuracy, which is told. In case the numbers are not true, then the entire report becomes somewhat useless.

Dechow et al. (2011) simply indicate that the financial information must provide the real economic performance of the company as clearly as possible [59]. Unless it reflects the actual reality, then it cannot be what is called accurate [60, 61]. And, when the reports are correct, the investors and managers will be more comfortable, as they will be able to rely on the

numbers and make their decisions with fewer doubts. Another interesting finding that was also made by Lobo et al. (2016) is that in cases when companies employ more conservative accounting (that is, they do not overstate profits and they are more cautious with reporting), the cost of capital might decrease [62]. Simply put, investors have more confidence in the company, and they do not require a very high reward because they feel that they are insecure [63, 64]. Ball and Shivakumar (2006) also explain the fact that accuracy assist markets to work better since investors are able to compare opportunities based on information which is dependable [65].

However, high accuracy is not always attained. Measurement errors, uncertainty in estimates, and even manipulation and fraud may be experienced. All of these reduce accuracy. Due to this, regulators and standard setting agencies are encouraging accrual-based reporting and demanding more disclosures under the IFRS. The concept will be to bring the financial information nearer to the reality and decrease the distortions that have been hidden [66]. Nevertheless, this always seems to be the issue: it is difficult to be perfect at all, due to the fact that financial reporting is not entirely a matter of mathematics. It entails opinion and forecasting as well. In reality, companies often have to compromise accuracy and relevance since the information must be accurate but relevant to make a decision [67, 68].

H3c: *Comprehensibility positively influences FRQ.*

Comparability is one such aspect that is not discussed much by people yet it is extremely important in financial reporting. Mosteanu and Faccia (2020) define it easily: they are supposed to be able to make comparisons like a company versus itself (this year compared to the last year), and also they would compare it to the other companies [35]. And the fact is, when reports are prepared in the same scale, this entire comparison issue is simplified quite a lot. Fewer misunderstandings, fewer guesses, less confusion [8, 22]. Leisenring et al. (2012) even claim that comparability assists the analysts in doing job. Forecasts are more accurate when the information is more comparable [69].

Barth et al. (2018) further more, similar reports make investors feel more comfortable too, as it causes the gap in information to decrease and competition between a company to seem more equitable [70]. But this is the issue: comparability is not as simple as it sounds. Accounting habits are still different in various countries. Even in cases where they adopt the use of IFRS, firms may have different interpretations of the same rule. And there are also such business models that are completely different that complicate comparisons across industries [10, 71]. Nevertheless, IFRS is constructed on the principle of similar application, as that is one of the primary methods to enhance comparability. And much research finds that as the comparability goes up, the reporting quality tends to go up as well. Manipulation is easier to conceal, and users of such performance can more readily make decisions based on actual differences rather than accounting techniques [13, 20]. Simultaneously, the entire IFRS convergence debate demonstrates otherwise: the global community desires one unified reporting language, but not by disregarding the reality. The needs of various industries vary, and, therefore, some flexibility is still required [11, 12].

H3e: *Timeliness positively impacts FRQ.*

Among other things, recent research continues to demonstrate this: IFRS does not exist in a vacuum. It is a big deal as to the country itself. According to [72], in the case of a country where enforcement is high, IFRS is likely to impact positively on the quality of the financial reporting in a much larger way [73]. In other words, IFRS can in fact enhance reporting in case the rules are real and are adhered to by the people. The other side is explained by [74]. With lax enforcement, firms may interpret IFRS in their manner, or simply use it half-way. And when that occurs, IFRS becomes powerless to a great extent. It is even more of a label than a factual reporting system.

There is also the participation of culture and the legal system. According to Nobes (2013), common law countries tend to implement the IFRS easier than civil law countries, where more issues are likely to occur [75]. Hence it is not just a matter of the standards themselves. It is also concerning the compatibility of the legal environment and the culture with the IFRS style of reporting. The benefits of IFRS may not be well realized in countries where the institutions are weak or enforcement not so strong. This is what makes institutional context relevant. To determine the quality of financial reporting, you need to consider the country environment as well as the accounting rules, and not just the latter [76].

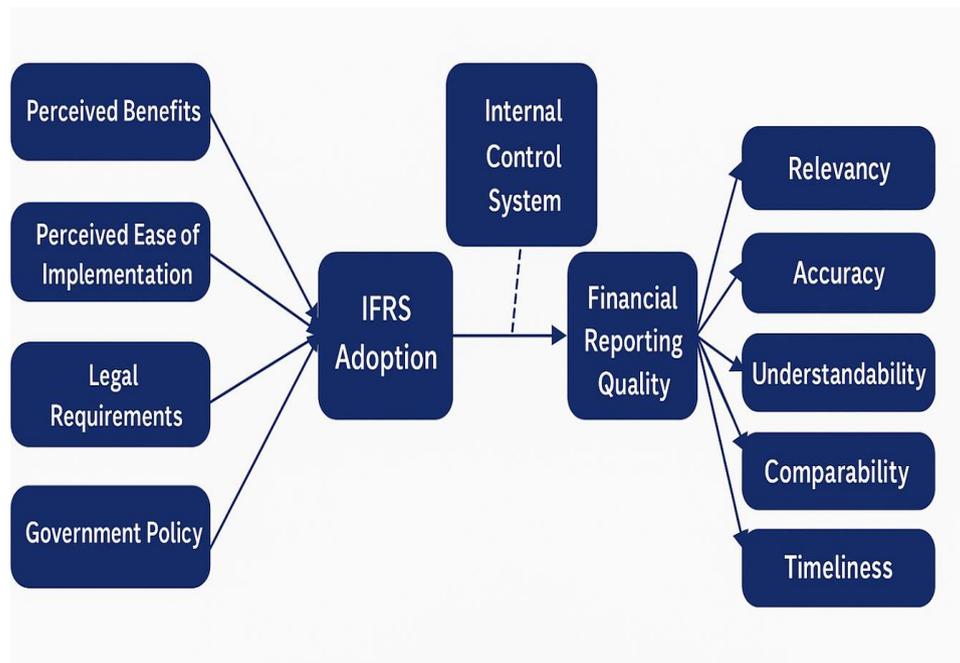
H4: *The ICS moderates the relationship between IFRS adoption and FRQ.*

2.2. Iraqi Accounting Profession and IFRS Adoption

In Iraq, the accounting work is relatively determined by two major entities, namely; IBAAS and IUAA. Most companies have been using the Iraqi Unified Accounting System (IUAS) over the past years. This was a highly rule-based system and frankly this was not aimed at the investors or international reporting, but rather at government planning. However, with time, Iraq began interacting more with other nations and the necessity of transparency became even more evident. It is there that IFRS began to play the role. The thing is, Iraq is not completely shifted to IFRS. It is a gradual process that is not occurring across the board. As a matter of fact, the greatest advancement is in banking sector.

The Central bank of Iraq has urged banks to implement elements of the IFRS particularly the regulations of the financial instruments and impairment. Due to that fact, banks became the largest branch in Iraq which used the IFRS-style reporting. And this movement has assisted in enhancing the quality of reporting and has also contributed to a rise in investor confidence. More recently the Ministry of Finance has also endeavoured to modernise the national accounting system. They have presented a revised version that is more borrowed to the IFRS. Nevertheless, full adoption of IFRS is not compulsory to all firms in Iraq. In practice therefore, the extent to which IFRS is actually utilised varies depending on the industry, the regulations that bind a certain industry as well as the size of the organisation.

Figure 1. Conceptual Framework



3. Methods

The entire concept of this research is quite simple, in case Iraqi financial institutions begin to implement IFRS whether their financial reporting improves or not. Or is it new cladding to the old reporting? The authors did not engage in any complicated tasks such as experiments and longitudinal monitoring. Their design was descriptive and cross-sectional. Meaning: they gathered information once, of one group of professionals and attempted to interpret the trend. Now, about the participants. They did not simply post the questionnaire to random individuals and wish it the best. The sampling method employed by them was purposive. Which is basically to say: "Ask the people that deal in this stuff."

In this way, finance officers, internal auditors, chartered accountants, compliance people, and financial consultants were also the sample. In the majority of Iraqi banks and other financial organizations. In brief: The people who really deal with IFRS reporting, not the ones who heard about it. They did not also include too new institutions. Only organisations that had been in operation in Iraq five years were considered. The institution of older age tends to have more stable systems, experience in reporting, and exposure to IFRS-associated demands.

A total of 517 professionals were the final sample. And that is a pretty strong number of PLS-SEM. They even verified it with the power analysis, to ensure that the size of the sample was sufficiently large. They employed a structured questionnaire in the collection of data. These items had 42 items not invented out of zero they were modified based on previous valid studies (Appendix A). All the questions focused on 11 constructs, which are, in summary, the measurement of the IFRS adoption, financial reporting quality, and the internal control system (ICS) as a moderating factor.

They conducted a pilot test on 57 people before they had their main survey. This was primarily to check whether the wordings were understandable and whether the questions would be applicable to Iraqi setting. Following this, they made slight changes in four items (primarily, to make them clearer).

The survey to be conducted will be the primary survey in November 2023 - March 2024. This was filled in by participants themselves. That is in fact significant, since it alleviates pressure. When the responses are considered to be confidential, then the likelihood of people giving safe answers reduces. Their sampling was focused and the follow-ups were conducted in a proper manner hence resulted in an 87 percent response rate. What is truthfully more than you usually find in survey research.

They also approached the ethics aspect in the usual manner, which included informed consent, discussion of the purpose of the study, discussion of data protection, and assuring participants of their rights. They analysed using SmartPLS 4.0. And they have used PLS-SEM since it is a good fit in this kind of research particularly when the quantity of variables is high, the data is non-normal and the model involves moderation. They tested the common technical items as well: reliability (outer loadings, composite reliability), validity (convergent and discriminant), and multicollinearity. In essence, they would have ensured that the measurement model was clean and that the structural model was not providing spurious results.

4. Results

4.1 Descriptive Analysis

This study was mainly just the ordinary finance personnel that you would encounter in Iraqi banks and financial institutions. Similar to finance officers, internal auditors, chartered accountants, compliance/reporting individuals and even some financial consultants. In the case of gender, it was not about men and women it was kinda mixed. The proportion of men and women was approximately 58 and 42 percent respectively.

Neither was education all the same approximately 46 per cent had bachelor degree and 34 per cent had postgraduate and approximately 20 per cent had finished high school or near. The work experience was also different, and this is actually more suited to survey. Approximately, 16% possessed a period of less than 3 years. The largest group such as 52 years old had 3 to 5 years. And 32% had more than 5 years.

It was also distributed in the case of job positions. The percentages of finance officers, chartered accountants, compliance/reporting personnel, financial consultants, and internal auditors were 29 percent, 31 percent, 16 percent and 15 percent respectively. They also ensured the length of time in which the institutions had been in Iraq. It is easy to comprehend why: in the event of an old institution, the staff tends to know more about reporting and in any case, they were exposed to IFRS material in real work. In this sample, 24 percent of the institutions had a working period of 5-8 years, 36 percent with 9-12 years, and 40 percent with a working period of above 12 years. It was all of the financial world and that is typical. In Iraq, the mostly relevant players that treat IFRS reporting with seriousness are the banks or financial institutions.

Table 1. Measurement Items' Assessment

Variables	Items	Outer Loadings	VIF
Accuracy	ACC1	0.914	2.870
	ACC2	0.929	3.205
	ACC3	0.918	3.107
Comparability	COM1	0.926	3.327
	COM2	0.948	3.954
	COM3	0.906	2.945
FRQ	FRQ1	0.824	2.467
	FRQ2	0.814	2.645
	FRQ3	0.894	3.126
	FRQ4	0.888	3.126
	FRQ5	0.805	1.958
Government Policy	GP1	0.656	1.490
	GP2	0.813	1.756
	GP3	0.909	3.591
	GP4	0.841	2.975
IFRS Adoption	IFRS1	0.888	3.060
	IFRS2	0.870	2.941
	IFRS3	0.844	2.387
	IFRS4	0.848	2.473
	IFRS5	0.918	4.065
Legal Requirements	LR1	0.709	1.608
	LR2	0.911	3.003
	LR3	0.815	2.147
	LR4	0.874	2.598
	LR5	0.708	1.692
Perceived Benefits	PB1	0.820	2.051
	PB2	0.760	1.248
	PB3	0.875	2.193
Perceived Ease of Implementation	PEI1	0.882	2.854
	PEI2	0.923	3.781
	PEI3	0.884	2.602
	PEI4	0.775	1.721
Relevancy	REL1	0.876	2.633
	REL2	0.900	4.309
	REL3	0.888	4.005
	REL4	0.842	2.145
Timeliness	TIM1	0.794	1.707
	TIM2	0.895	2.154
	TIM3	0.910	2.318
Understandability	UND1	0.893	2.252
	UND2	0.891	2.280
	UND3	0.869	2.050

4.2 Construct Quality Criteria Assessment

Table 2 is simply displaying reliability and validity values of the constructs. Similarly, it has Cronbachs alpha, composite reliability (CR) and AVE. The positive aspect is: each of the Cronbach alpha values is greater than the smallest value (0.705),

thus indicating consistency of the items, and to some extent, they are measuring a similar thing. Both types (rho a and rho c) are also in the normal range as concerns the composite reliability. Similar to their ranges of between 0.70 to 0.95 which most papers indicate is acceptable. So once more it appears good and trustworthy. All the values in the case of AVE are then more than 0.50. It is significant as it implies that every construct captures over half of the variance of indicators. So the convergent validity is good also. The measurement model is therefore good. The constructs are reliable and valid, and there is no cause to be too worried about it as we proceed to the structural model analysis.

Table 2. Construct Reliability and Validity

Variables	Alpha	CR (rho_a)	CR (rho_c)	AVE
Accuracy	0.910	0.913	0.943	0.847
Comparability	0.918	0.930	0.948	0.859
FRQ	0.901	0.914	0.926	0.716
Government Policy	0.827	0.871	0.883	0.656
IFRS Adoption	0.922	0.924	0.942	0.763
Legal Requirements	0.867	0.920	0.903	0.652
Perceived Benefits	0.755	0.759	0.860	0.672
Perceived Ease of Implementation	0.890	0.900	0.924	0.753
Relevancy	0.900	0.901	0.930	0.769
Timeliness	0.838	0.872	0.901	0.753
Understandability	0.861	0.862	0.915	0.782

Table 3 is regarding HTMT ratios that thing basically informs us whether the constructs are actually different or they are more or less similar. The HTMT numbers in this table are ranging between 0.328 and 0.893. Therefore overall it is okay such as the discriminant validity is fine. People normally say that HTMT has to be less than 0.85. Here, however, some values are a little bit higher, say, between 0.85 and 0.90. However, it is not a huge drama because already [77] indicated that even 0.90 may be okay in most studies. According to that, and according to what [78] acknowledge, we can say that the reflective constructs in this study are fulfilling the discriminant validity condition.

Table 3. HTMT Ratio Matrix.

Variables	Accurac y	Comparabilit y	FRQ	GP	IFRS_ A	LR	PB	PEoI	Relevanc y	Timelines s	Understandabilit y
Accuracy	-										
Comparability	0.758	-									
FRQ	0.389	0.440	-								
GP	0.768	0.803	0.39 8	-							
IFRS_A	0.461	0.471	0.89 0	0.441	-						
LR	0.678	0.769	0.36 8	0.89 3	0.365	-					
PB	0.424	0.444	0.852 0	0.39	0.870	0.32 8	-				
PEoI	0.601	0.791	0.646	0.679	0.624	0.68 8	0.64 6	-			
Relevancy	0.394	0.468	0.856	0.416	0.874	0.357 4	0.82	0.597	-		
Timeliness	0.876	0.869	0.38 9	0.877	0.449	0.82 4	0.38 9	0.72 0	0.420	-	
Understandabilit y	0.673	0.740	0.497	0.857	0.464	0.831	0.461	0.752	0.414	0.791	-

4.4. Model Fit Assessment

To start with, they made sure the model fit was checked with SRMR. The SRMR number was 0.072. And it being less than 0.08, it is essentially an indication that the model fits the data fairly well. Not perfect, but good enough. Then they looked at NFI. It was 0.87. Ok, 0.90 is the number people usually prefer to see, but it is not that much. And it can still be accepted based on [79]. Then, they verified effect sizes (f^2). And here's what it looks like:

Government policy had a small effect (0.026).

Perceived ease of implementation also small (0.034).

Legal requirements was small too, but stronger than the others (0.125).

The big one was perceived benefits. That one wasn't small at all. It had a medium effect but like, kind of strong medium

actually ($f^2 = 1.225$). So basically, benefits are the main thing pushing IFRS adoption. The greater one was seen to have been benefits. That one wasn't small at all. Its effect was in the middle but rather strong actually (The greater one was seen to have been benefits. That one wasn't small at all. Its effect was in the middle but rather strong actually ($f^2 = 1.225$). In summary, therefore, benefits are the key factor driving IFRS adoption.

Accordingly, IFRS adoption itself was found to influence financial reporting quality (FRQ) to a large degree. The f^2 was 0.831, which is pretty big. Then they divided FRQ into its dimensions such as accuracy, comparability, timeliness, understandability, relevance.

FRQ had moderate effects on:

- accuracy (0.155)
- comparability (0.205)
- timeliness (0.147)
- understandability (0.247)

However, to be relevant, it had to be crazy strong like really strong f^2 is 1.695 FRQ predicts relevance in this study.

Now about R^2 values. This is basically how much the model can explain each part.

For accuracy, comparability, timeliness, and understandability, the R^2 values were low:

- accuracy (0.134)
- comparability (0.170)
- timeliness (0.128)
- understandability (0.198)

So the model explains some of them, but not a lot.

But for FRQ, IFRS adoption, and relevance, the R^2 values were much better:

- FRQ (0.697)
- IFRS adoption (0.708)
- relevance (0.629)

These are more like moderate, and based on Hair et al. (2013), it's considered pretty acceptable.

4.5. Structural Model Assessment

Table 4 is fundamentally the bootstrapping (using 5,000 subsamples) results that inform us whether the hypotheses really worked or not in the model.

Thus, on the whole, the majority of the hypotheses were accepted at 0.05 level, i.e. their p-values were lower than 0.05. These were: H1a, H1b, H1d, H2 and all the H3 ones (H3a, H3b, H3c, H3d). The one which did not actually survive was H1c, as its p-value was more than 0.05.

And the actual relationship: here perceived benefits came to the rescue. It was the most influential on IFRS adoption ($\beta=0.714$, $p < 0.001$). The ease of implementation as perceived also counted ($\beta = 0.145$, $p = 0.001$), so did the government policy ($\beta = 0.113$, $p = 0.001$). The legal requirements continued to be pointing towards a positive direction but in truth the impact was small and not statistically significant in this model ($= 0.031$).

The results then become fairly straight forward. The effect of the adoption of IFRS on the quality of financial reporting was quite beneficial ($\beta = 0.833$, $p < 0.001$). And the effect of FRQ is that it raises with it all five dimensions. And once FRQ improves, it basically lifts all five dimensions with it. Relevance goes up ($\beta = 0.793$, $p < 0.001$), accuracy improves ($\beta = 0.367$, $p < 0.001$), understandability gets better ($\beta = 0.445$, $p < 0.001$), comparability improves ($\beta = 0.412$, $p < 0.001$), and timeliness also increases ($\beta = 0.358$, $p < 0.001$).

Table 4. Hypotheses Testing

Hypotheses	β	Mean	STDEV	T Stat	p-Values	Decision
H1a: Perceived Benefits → IFRS Adoption	0.714	0.714	0.028	25.11	0.000	Accepted
H1b: PEoI → IFRS Adoption	0.145	0.145	0.035	4.184	0.000	Accepted
H1c: Legal Requirements → IFRS Adoption	0.031	0.029	0.043	0.726	0.468	Rejected
H1d: Government Policy → IFRS Adoption	0.113	0.113	0.038	2.947	0.003	Accepted
H2: IFRS Adoption → FRQ	0.833	0.833	0.033	25.61	0.000	Accepted
H3a: FRQ → Relevancy	0.793	0.793	0.015	51.641	0.000	Accepted
H3b: FRQ → Accuracy	0.367	0.367	0.036	10.194	0.000	Accepted
H3c: FRQ → Understandability	0.445	0.445	0.035	12.857	0.000	Accepted
H3d: FRQ → Comparability	0.412	0.412	0.034	12.164	0.000	Accepted
H3e: FRQ → Timeliness	0.358	0.358	0.035	10.242	0.000	Accepted

Table 5. Moderating Effects

Hypotheses	β	Mean	STDEV	T Stat	p-Values	Decision
Internal Control System \rightarrow FRQ	0.001	0.001	0.051	0.028	0.978	Rejected
H4: ICS \times IFRS Adoption \rightarrow FRQ	0.003	0.004	0.047	0.068	0.946	Rejected

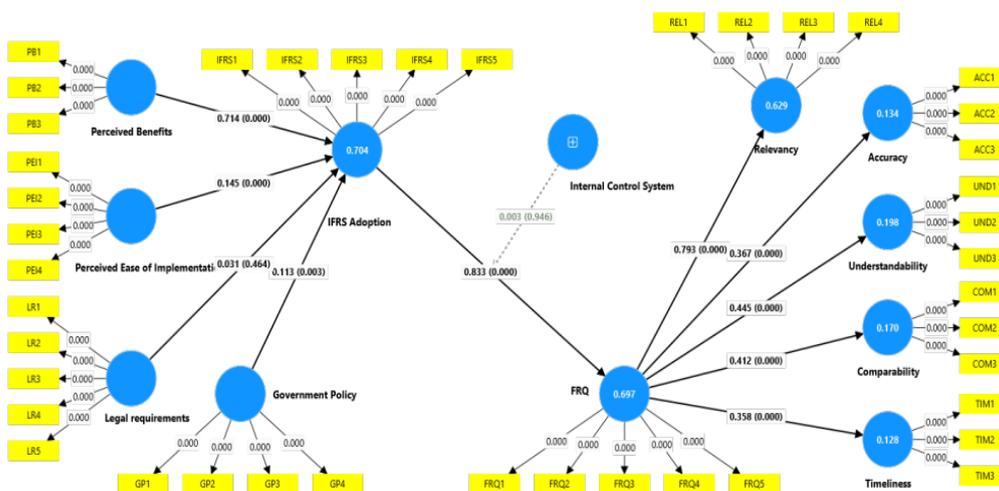


Figure 2. Path Model.

The findings essentially indicate the following: the internal control system (ICS) appears similar to the way in which it contributes to the quality of financial reporting, however, that is not strong enough to be considered statistically real in Iraqi financial institutions. That is good direction but the numbers do not support the direction to a high degree. Same case with the moderating part. ICS was supposed to enhance the correlation between IFRS adoption and the quality of financial reporting and once again, it is moving to a good direction, albeit not yet significant. In simple terms therefore: the strength of internal control system in an institution has no real difference in Iraq as compared to the weak one when it comes to the enhancement of financial reporting with the adoption of IFRS.

5. Discussion and Conclusion

5.1 Discussion

What the part is trying to imply, then, is that companies can not just leap into IFRS with someone telling them to do it. They do it most of the time because they actually feel that they are getting something that matters.

As with the case of a company that finds actual advantages in reporting, it becomes less messy, less confusing, and is also trusted by international people, then people begin to think that it is time to switch to IFRS, not local system [38, 68]. IFRS is more or less a single language. When outside investors or lenders look at the statements, therefore, they do not get lost. It is easier to compare companies of other countries [3, 52]. And to the companies that operate in more than one nation, it is even greater deal, as it becomes much easier to consolidate and monitor performance.

The next issue that really counts is: whether people believe that IFRS is easy or not? They will not struggle with it much provided they feel it is manageable. Similar to the fact that they do not panic in terms of training, software, new ways of reporting, and all these irritating changes [9, 23]. When it is not too difficult, it will be accepted sooner by people within the company, and the entire process of the shift will occur more easily [57, 71].

The government policy also assists such as where the government is behind the concept, it makes the surrounding more arranged and clear. It also may assist businesses in reaching the international markets with less difficulty and minimizing the information gap [12, 26]. However, on the real, it is not always effective in the legal requirements. The fact that law requires use of IFRS does not necessarily mean that firms would do so appropriately. Most companies are not only concerned about rules but also benefits [17, 33]. Moreover, IFRS may turn out to be costly to implement, and certain businesses simply do not want to abandon the old system since they are accustomed to it [34, 80].

At this point the key finding is evident: the adoption of IFRS enhances the quality of financial reporting (FRQ). Reports are more stable when companies operate on a single system and it is more difficult to tamper with profits. In the financial statements, the picture of performance is more accurate [19, 37]. And, moreover, companies can be more easily compared by people, and, therefore, investors become more confident [22, 40]. Naturally, IFRS is not a simple task, particularly when it comes to the complex companies since consistency should be achieved at all costs [43, 81].

In addition, FRQ enhances all five dimensions as well when it is intense. Relevance, accuracy, understandability, comparability and timeliness are all increased. In essence the reports are made more transparent, easier to compare as well as provided in a better time. That way, stakeholders will be able to make more informed decisions without having to guess [30-32]. We can increase the level of trust and allow comparisons between countries and make decisions faster with better

reporting [23, 29, 60].

ICS positively influenced FRQ though with no statistical significance. It is purposeful, it appears to work, however, the evidence is not so impressive to state that it is definitively yes here. It may be due to the fact that most multinational businesses already have internal controls in place since they adhere to global compliance stuff [20, 64]. Now introducing additional control does not make much difference. Similar to the fact that you already have a security system, adding one extra camera does not make everything different.

Same with the moderating role they anticipated that ICS would enhance the connection between the IFRS adoption and FRQ. But it didn't. It was good, yet still negligible. Therefore, the advantages of IFRS do not actually require the internal control system to be so strong [16, 34]. The primary work is being performed by IFRS, with ICS being a minor additional aspect.

In conclusion, IFRS adoption enhances the quality of reporting, which is helpful to policymakers and regulators in Iraq. They need to push rules in the law less and demonstrate the benefits, facilitate training, and make it easier to implement. Since these are the items that in actual life make companies switch to using IFRS.

And future research can look more into why internal controls didn't show a strong role here, and maybe check if in other industries or smaller firms the result is different

Appendix A. Questionnaire

Please indicate your level of agreement with each of the following statements using a 7-point Likert scale (1 = Strongly Disagree, 7 = Strongly Agree).

Table A1. Questionnaire

Variables	Rewritten Scale Items	Source
Perceived Benefits	I trust the financial information more when it is prepared under IFRS. IFRS helps compare companies within the same industry more accurately. Financial statements based on IFRS make it easier to evaluate a company's overall performance.	[23, 33, 41]
Perceived Ease of Implementation (PEoI)	Our organisation has sufficient financial capacity to adopt IFRS effectively. Our accounting team possesses the skills and knowledge needed for IFRS implementation. Our IT systems can support the reporting requirements of IFRS. Securing managerial approval for IFRS adoption is not difficult.	[23, 33, 41]
Legal Requirements	The legal requirements for IFRS adoption in our country are clearly defined. Penalties for non-compliance with IFRS adoption are strict. Our organisation is legally required to apply IFRS. The legal framework for IFRS adoption is complicated and difficult to interpret. Our organisation lacks sufficient legal guidance for IFRS implementation.	[23, 33, 41]
Government Policy	The government provides adequate support and resources for firms transitioning to IFRS. Government policies on IFRS adoption consider the needs of different industries. Authorities clearly communicate the benefits of IFRS to all stakeholders. Government enforcement of IFRS adoption is consistent and fair.	[23, 33, 41]
IFRS Adoption	IFRS adoption enhances the comparability of financial statements across countries. IFRS adoption leads to clearer and more transparent reporting. Investor confidence improves when companies follow IFRS. Using IFRS makes it easier for firms to access financial resources. IFRS adoption can lower the cost of capital for firms.	[23, 33, 41]
Financial Reporting Quality (FRQ)	The information in the financial statements is reliable and can be verified. The disclosures provided in the financial statements allow for independent checking. External auditors can accurately assess the reliability of the statements. The information helps identify potential improvements in reporting practices. The data allows comparison of reporting practices across firms and over time.	[8, 19, 34]
Relevancy	The financial statements offer information that supports investment decisions. The statements present up-to-date information that reflects recent performance. The financial statements highlight essential metrics relevant to the industry. IFRS-based statements improve understanding of a company's international operations.	[8, 19, 34]
Accuracy	The financial statements reflect the company's financial position and performance accurately. The accounting policies used are	

	suitable and applied consistently. I am confident the statements are free from major errors or misstatements.	[8, 19, 34]
Understandability	The financial statements are presented in a clear and straightforward manner. The terminology used is easy for users to understand. The notes explain complex accounting concepts adequately.	[8, 19, 34]
Comparability	The financial statements make it possible to compare performance across different periods. The accounting policies used are aligned with industry practices. The statements are presented consistently from one year to the next.	[8, 19, 34]
Timeliness	The timeliness of financial reporting helps me make informed and updated decisions. IFRS adoption has accelerated the reporting process and reduced delays. Financial statements are now released more quickly than before IFRS was adopted.	[8, 19, 34]

Conclusion

The results indicated that the adoption of International Financial Reporting Standards (IFRS) in important factors in contributing to a substantial improvement in the quality of financial reporting by Iraqi financial institutions. The findings suggest that perceived benefits, perceived ease-of-adoption and government support are the main factors that motivate companies to adopt IFRS while legal enforcement by itself cannot have a major effect on IFRS adoption decisions. More importantly, the results demonstrates that IFRS adoption has a significant and positive effect on financial reporting quality (profitability, accuracy, comparability, understandability and timeliness). These results highlight that the move to IFRS helps towards higher transparency and reliability of financial reports which in turn makes the statements more useful for decision making and increases investor confidence. On a practical level, the findings indicate that the regulatory authorities and policymakers should not restrict their efforts to implementation enforcement but should also focus on raising awareness of the advantages of IFRS, organizing workshops and training programs, and putting in place supporting institutions while adopting IFRS to best capitalize on it. The study further found that the moderation impact of internal control system on the relationship between IFRS adoption and financial reporting quality was not significant, which implies that the improvement in reporting practices is mainly attributable to the standards rather than to internal control mechanisms. His research inspires future studies to take a deeper look into the function of internal control systems within an array of institutional environments, sectors, or sizes of organizations, possibly utilize longitudinal or comparative methodologies to gain insight into the evolution of IFRS implementation in emerging countries over time.

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