

Table Of Content

Journal Cover 2
Author[s] Statement 3
Editorial Team 4
Article information 5
 Check this article update (crossmark) 5
 Check this article impact 5
 Cite this article 5
Title page 6
 Article Title 6
 Author information 6
 Abstract 6
Article content 8

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The Integration of Corporate Governance and Risk Management Principles Is Reflected in the Quality of the External Auditor's Performance

Integrasi Prinsip Tata Kelola Perusahaan dan Manajemen Risiko Tercermin dari Kualitas Kinerja Auditor Eksternal

Saddam Catea Hashmi , sadam1980@nahrainuniv.edu.iq, (1)

Assistant Professor , Department of Accounting and financial control, College of Business Economics, AL- Nahrain University, Jadriya, Baghdad, Iraq, Iraq

⁽¹⁾ Corresponding author

Abstract

This research aims to explore governance and risk management's role in enhancing transparency, accountability, and the quality of external audit performance. It examines the responsibilities of external auditing in successful risk management and fostering trust among stakeholders. The study highlights the importance of compliance with international auditing standards, particularly ISA-265, in reporting deficiencies in internal control to governance and management. Using SPSS v26 and AMOS v26 for analysis, data were gathered from 255 auditors and accountants working in governance, risk management, and auditing within major Iraqi banks. Key topics include corporate governance, audit quality, the definition and significance of governance, and risk management's methodology. Findings reveal a strong positive relationship between integrating corporate governance, risk management principles, and audit quality. Advanced governance practices and effective risk management create an environment that strengthens auditor independence and ensures accurate, objective audits. The research underscores the vital role of internal controls in governance and risk management, reducing fraud, detecting manipulation early, and achieving audit quality. These insights guide organizations in fostering transparency, meeting goals, and bolstering confidence among investors and stakeholders.

Highlights:

Governance and risk management enhance transparency and audit quality.
External auditing supports risk management, independence, and fraud detection.
Compliance with standards ensures effective audits and investor confidence.

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Introduction

Companies face increasing and complex challenges that require adherence to corporate governance standards and effective risk management for continued growth and financial stability. External audit plays a crucial role in corporate governance by evaluating and auditing financial reports, ensuring compliance with international accounting standards and financial regulations, and providing recommendations for improvement. External audits play a crucial role in risk management by assessing the effectiveness of risk management procedures and analyzing internal systems. The quality of external audit performance depends on governance and risk management, which requires professional standards, precise procedures, and comprehensive reports. The research aims to address weaknesses in these principles to prevent economic crises and corporate collapse. The study concludes that integrating corporate governance and risk management principles positively impacts external auditor performance quality. The recommendations include updating the standards and guidelines related to the quality of the external auditor's performance to comply with recent developments in corporate governance and risk management.

Methods

Research problem:

The most important reasons that led to the occurrence of economic crises and the collapse of companies is the weakness in the application of the principles of governance and the management of those risks, which led the external auditor to bear legal accountability as a result of the absence of any reservations about the information contained in the financial statements or the lack of professional care necessary to detect deviations and manipulations. Accordingly, the research problem was identified with a number of questions, including:

Does the availability of risk governance and management principles affect the economic units and the quality of the external auditor's performance?

Does the external auditor's assessment of the level of application of governance and risk management affect the quality of their performance?

2-2. Research objective

The research aims to achieve the following:

Giving an overview of governance and risk management, explaining its role in achieving transparency and accountability, and the quality of the external auditor's performance.

Clarify the responsibility and role of external auditing in the success of risk management and enhance confidence among investors, shareholders and other external parties.

Explaining how to achieve the quality of external audit performance in light of commitment to applying international auditing standards, including (ISA-265) reporting deficiencies in internal control to those charged with governance and management.

2-3. Research importance

The importance of research is highlighted by the following:

The importance of external auditing in the corporate governance system, and its implementation of the following:

Evaluating and auditing the accounts and financial reports of the company and ensuring their validity and suitability for the purpose assigned to them.

2-3-1-2. Verifying the company's application of international accounting standards and its compliance with financial and tax legislation.

Providing reports and recommendations to improve governance and internal management procedures in the company, and this helps in enhancing confidence among shareholders, investors and other external parties.

External audit plays a crucial role in risk management by assessing a company's risk management procedures, including internal systems, risk identification and assessment procedures, and potential risk management procedures, to ensure their effectiveness and appropriateness.

Effective external audit performance relies on professional standards, accurate procedures, comprehensive risk analysis, sound governance, and risk management practices. This approach ensures comprehensive audit reports

evaluating the company's internal risk management systems.

2-4. Research hypothesis

The research is based on the following hypotheses:

2-4-2.. There is a statistically significant relationship between the governance principles and the quality of the external auditor's performance.

2-4-2.. There is a statistically significant relationship between risk management and external auditor performance quality.

2-4-2.. There is a statistically significant relationship between the governance principles and the quality of the external auditor's performance.

2-4-2.. There is a statistically significant impact relationship between risk management and the quality of the external auditor's performance.

2-5. Research Methodology

In the theoretical aspect, the research adopted the deductive approach, while in the practical aspect, the inductive approach

2-6. Research delimitations

2-6-1. Time delimitations: year 2023

Geographical Delimitations: Iraq, Baghdad

2-7. Research population and sample

The research population is banks, and the population sample is represented by auditors and accountants working in the field of governance, risk management, and auditing in the banks of (Al-Rafidain, International Development, and Gulf commercial bank).

2-8. Data collection methods

The researcher relied on the theoretical side of the books and research collected from various Arab and foreign sources, as well as theses related to the subject of the research and what is published on the Internet. The practical side of the questionnaire was distributed to (255) participants and analyzed statistically by SPSS.

Overview of corporate governance, risk management and audit quality

3-3. Quality and Effectiveness of External Audit

The effectiveness of an external audit is determined by its ability to ensure compliance with accounting rules, accurate financial reporting, and fair representation of results. This is achieved through the auditor's adherence to auditing standards, the provision of professional and appropriate audit evidence, and the avoidance of incorrect opinions about the financial statements prepared by management. The effectiveness of external audit is related to the following elements: (Al-Aswad, 2013)

3-3-1. Quality control of audit work

3-3-2. Independence of the Auditor.

3-3-3. Auditor's fees.

3-3-4. Auditor qualifications.

3-3-5. The continuity of the auditor (i.e. the period of time spent in auditing the company's business).

Audit quality refers to the policies and procedures implemented by auditors to ensure appropriate service to relevant parties and compliance with auditing standards. These policies may vary based on the size of the audit office, work nature, geographical location, and business branching, as well as expected costs and benefits. (Salih & Flayyih, 2020)

We see the quality of the audit achieved by taking the above as well as the availability of the correct professional environment for the auditing practice.

3-5. Definition of Governance

There are many definitions related to governance according to several angles, including:

1. Forum on Corporate Governance in Indonesia (FCGI) is a set of regulations that regulate the relationship between shareholders, management (managers) of companies, creditors, government, employees as well as other external and internal stakeholders regarding their rights and obligations or in other words the system that controls the company. (Stefhany et al., 2023)
2. (The World Bank) is a set of laws, legislation and rules that must be adhered to in order to effectively manage the company's resources and achieve the long-term sustainable development of its economic value to the community as a whole. (El-Sayed El-Naghy et al., 2023)

Governance lowers the cost of capital for the company and ensures its continuity, as it helps to reduce capital flight and combat administrative and financial corruption. (Chiyad, 2020)

3-6. Principles of Governance

The principles of governance adopted in 2004 by the Organization for Economic Cooperation and Development (OECD) are:

(Chiyad, 2020)

1. The article emphasizes the importance of having a robust governance framework, which includes legislation, laws, and regulations that outline the best practices of management authority in company boards, ensuring no conflict with other legislation. (Al-Aswad, 2013)
2. The principle of protecting shareholders' rights: establishing a general framework aimed at protecting them and facilitating the exercise of their rights, the most prominent of which are (securing and ensuring the registration of share ownership, the possibility of transferring and transferring share ownership...etc. (Hassan & Mahdi, 2022)
3. Equal treatment of shareholders or equality of treatment. It is the equality between domestic and foreign investors alike. (.Sulaiman et al., 2018) No matter how many shares they own.
4. The role of stakeholders in corporate governance (Chiyad, 2020), which emphasizes the importance of respecting and recognizing the rights of key stakeholders, such as shareholders, board members, and business managers, and implementing mechanisms for their participation to enhance performance and wealth within a legal framework. (Khalaf, 2023)
5. Disclosure, transparency and disclosure in the board of directors, highlighting their achievements, competence in filling positions, and the possibility of replacement by other individuals. (Al-Aswad, 2013)
6. The principle of accountability ensures that shareholders have the right to hold executive management accountable for their performance, guaranteed by law and governance systems, and that the Board of Directors also has responsibility to shareholders. (.Sulaiman et al., 2018)

3-7. The importance of governance in achieving transparency and accountability, and improving the quality of the external auditor's performance.

Governance enhances external auditors' performance by creating a conducive work environment, providing necessary documents and information, and reducing fraud and financial statement manipulation risk, thus enhancing the quality and credibility of financial reporting. (Jehan Abdel Moez, 2014)

According to the interview conducted by Al-Masria, external auditors emphasize the importance of effective planning, which includes enhancing understanding and designing effective audit procedures. They insist on the need to communicate with governance mechanisms to improve understanding of the company's operations and internal control system before starting field work. (Almasria, 2022)

We believe that good governance helps to improve the management of the company and make the right decisions, and also enhances its ability to attract investments and financing from investors and banks. And below is figure (1)

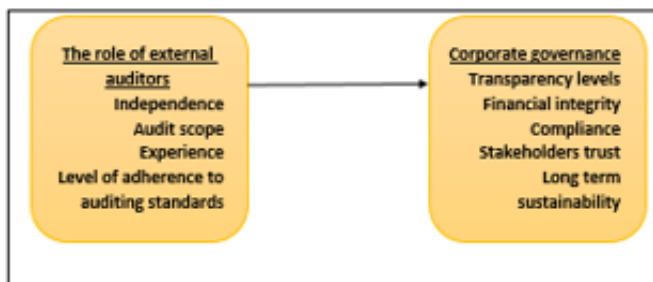


Figure 1. *the relationship between the role of external auditors and corporate governance*

The audit procedures to verify governance and achieve the quality of its audit are through the following: (Anaman et al., 2023)

1. Ensure that the Board of Directors acts responsibly and in the best interests of the shareholders as they are not associated with the Company
2. Verify the procedures used for internal control, identify any areas of weakness or deficiency, which encourages accountability and strengthens the implementation of procedures and policies to address these areas of weakness or deficiency.
3. The audit opinion evaluates the accuracy and fairness of the company's financial statements, enhancing transparency and enabling shareholders to monitor and control management.
4. Employing independent auditors who have the knowledge required to audit financial accounts in order to ensure their accuracy if this duty is to be properly fulfilled
5. Identify areas of potential risk, such as fraud or corruption within the company and assess the success of the organization's risk mitigation strategies.
6. Conducting audits that are open to scrutiny and comprehensive in scope, the trust that is instilled in regulatory bodies as a result of auditing records and validating their disclosures enhances the entire regulatory environment.

3-8. Definition of Risk Management

1. Multiple definitions of risk management according to several angles, including:
2. It is a process influenced by a company's board of directors, management and other employees, applied in setting strategy and across the organization, designed to identify potential events that may affect the company, and manage the risks within its risk of providing reasonable assurance regarding the achievement of its objectives. (Ismail et al., 2023)
3. The Organization Sponsoring Committee (COSO) defines risk management as the identification, analysis and economic control of these risks that threaten the assets or revenues of the company. (AL-Taee, 2014)

3-9. Basic Principles of Risk Management

These principles describe the most important factors that can lead to the development of an effective and efficient risk management framework in accordance with the ISO 31000 standard. This is shown in the eight principles of the International Organization for Standardization (ISO), which are: (ISO, 2018)

1. Risk management must be integrated into all operations and activities of the company.
2. The risk management approach should be structured and comprehensive
3. Processes and the risk management framework must be adapted to suit the objectives of the organization and its employees.
4. Senior management should be involved in the risk management system; it should be comprehensive.
5. Risk management should be dynamic and repetitive; to encourage preventive thinking, anticipate and detect sudden changes, and recognize and respond to changes.
6. Risk management is based on the best available information: it is important to consider and understand all available information that is relevant to the activity.
7. Human and cultural factors are the forces at work that are of paramount importance in risk management and should be considered at all stages of risk management.
8. The risk management framework is continually improved through learning and experience. It is the organizations that are mature in risk management that invest in long-term risk management and show the natural achievement of their objectives.

3-10. Risk Management methodology

Implementing an effective risk management process requires a specific scientific and practical framework consisting of specific steps, as many researchers suggest. Researchers have many opinions about identifying these steps, the most important of which are mentioned. (Jehan Abdel Moez, 2014)

1. Risk Identification: Understanding all types of risks at the level of each process and at the level of each activity.
2. Risk measurement: It is viewed in its three dimensions, which are its size, duration, and probability of occurrence. The correct measurement is the one that is done at the right time and is of great importance for risk management.
3. Risk control: There are three basic ways to control risks of importance: avoiding these risks, reducing the risks, or eliminating the impact of these risks.
4. Risk Monitoring: The Company is responsible for establishing risk management to ensure the Company's performance. Risk assessment is closely related to both risk management and internal control. (Sinaga et al., 2023)

In our opinion, it is necessary to be within this methodology to show the possibility of shifting risks if it is necessary.

3-11. The importance of risk management and improving the quality of the external auditor's performance

Key risk management processes usually include identifying, analyzing, evaluating and treating risks. It is recognized that risk management is primarily the responsibility of managers and senior employees. (Ismail et al., 2023)

The quality of the audit is an ongoing model that ensures the quality of financial reporting. Adequate audit quality now gives greater assurance to high-quality financial reporting. (Juwita, 2023)

The importance of risk management has many benefits, including:

1. Reducing financial risk: ISA 315 requires auditors to evaluate and accordingly develop audit plans that are commensurate with the level of potential risk, helping to reduce risk and improve the quality of audit performance.
2. Reducing legal risks: The lower the risk, the greater the likelihood of achieving the company's goals. Different legal jurisdictions also require each bank to conduct a risk assessment and publicly disclose the status of its internal controls. (Cahyani & Soewarno, 2021)
3. Improving the quality of the external auditor's performance: The appropriate structure of the audit committee and the quality of the external audit can restrict the risk to banks and maintain the stability of the bank. (Nguyen & Dang, 2022)
4. In determining the scope of the audit, the auditor considers internal controls and risk assessments. (Sinaga et al., 2023)

3-12. The role of the external auditor in assessing corporate governance and risk management

According to the latter rules, the external auditor is obliged to plan the governance audit. The audit procedures include planning the audit process, the scope of the audit, drawing conclusions and issuing an audit report that explains his opinion. (El-Sayed El-Naghy et al., 2023) through the following: (Fakhfakh & Jarboui, 2023)

3-12-1. Correctly identify and assess the strength of corporate governance.

Develop an audit plan

If the corporate governance structure is strong, auditors are likely to reduce the sample size and thus reduce the cost of objective tests. Finally, program plans affect the evidence obtained and therefore the quality of audit decisions.

(Fakhfakh & Jarboui, 2023)

In our view, the role of the external auditor plays a crucial role in assessing corporate governance and risk management, through several activities carried out by the external auditor during his audit of the company's accounts, which include:

Previous studies have shown a strong positive correlation between the characteristics and principles of corporate governance and the quality of accounting data. (Aloudat et al., 2023)

1. Evaluating and validating the accounting system: Good audit quality boosts public and creditor confidence in a company's credibility, as it ensures the integrity of financial statements and gains the trust of both the public and creditors in evaluating the company's financial health. (Sofiana et al., 2023)
2. Internal control evaluation: The assurance regarding the effectiveness of internal control (the result) results from the application of a framework for evaluating the effectiveness of internal control such as (standards) of internal control developed by the Committee for the Protection (Sponsorship) of Administrative Organizations (Internal Control - Integrated Framework - Tread way Committee) and the Control Standards Board Control Evaluation Guidelines - The COCO Principles issued by the Canadian Institute of Certified Public Accountants (CICA). (Helmy Gomma, 2011)
3. Verification of Compliance with Laws and Legislation: The external auditor verifies the company's compliance with laws and legislation, by understanding risks beyond the auditor's control. In accordance with IAS 315, paragraph 20, the auditors are required to gain an understanding of audit-related control activities, specifically controls that the auditor believes are important. (Sinaga et al., 2023)
4. Risk assessment: The external auditor assesses risks at the beginning of any audit process, which requires evaluating the factors that give rise to risks. The risk assessment process depends on a basic principle, which is to evaluate and estimate risks according to two basic dimensions: (Jehan Abdel Moez, 2014)
 1. Estimating the size and degree of the risk's impact on the company's business
 2. Estimating the degree of probability or possibility of this risk occurring
5. The researcher believes that management can evaluate risks correctly with the availability of a clear

structure for both the degree of impact on the one hand and the degree of probability of the occurrence of conditions and events causing risks on the other hand.

The external auditor assesses the accounting system, internal control, law compliance, and risk assessment to provide management with recommendations and analyze the company's governance and risk management, aiming to improve quality and achieve optimal financial performance, considering senior management's expectations. (Jehan Abdel Moez, 2014)

We believe that the external auditor is an important factor in enhancing the quality of the company's governance and risk management, by evaluating the accounting system, internal control, compliance with laws, risk assessment, and providing recommendations and analysis to management.

3-13. Integrating the principles of corporate governance, risk management and improving the quality of the external auditor's performance.

The quality of the audit is a combination of the likelihood of detecting and reporting material misstatement of the financial statements. (Sofiana et al., 2023)

The Audit Committee is crucial in corporate governance, assisting the Board of Directors in assessing the effectiveness of management recommendations on material risks related to strategic and material activities, frameworks, and risk management practices. (Nguyen & Dang, 2022)

External auditors may participate in the supervisory process by carrying out additional work at the request of supervisors, giving reasonable or limited assurance on a range of areas such as (internal controls, risk management) and helping to strengthen the supervisory process and plays a critical role in risk control. (Nguyen & Dang, 2022)

It is necessary to understand the risks facing companies, especially as a result of the existence of this phenomenon, and the need to oblige companies in general to enhance the importance of the role played by the external auditor. (Alwashah & Al-karabsheh, 2021)

That everyone adheres to the principles and guidelines for risk management and corporate governance, with the availability of information systems that assist management and decision-makers with the following:

(Abdel Halim Al Theba & Mahmoud Al-Ramahi, 2011)

1. Determines the conditions of the requirements of the management activities.
2. Provides many options for testing an appropriate procedure and one for inappropriate procedures and methods.
3. Providing a reaction to previous decisions as it helps improve the quality of decisions taken in the future.
4. Providing accurate information and data for specific dates.

The quality of external auditors is affected by risk disclosure based on agency theory as it appears that companies audited by high quality auditors such as the Big Four auditors will get more pressure and affect the disclosure. (Diliana et al., 2023)

We believe that the existence of an integration relationship between the principles of corporate governance and risk management positively affects the quality of the external auditor's performance in several ways:

1. Improving the planning process: Risk management and corporate governance principles can improve the external auditor's planning process and identify actions to deal with these risks.
2. Enhancing transparency: Corporate governance principles promote transparency and accountability within the company. Timely disclosure of all financial information during the transition period enhances the availability of high-quality accounting information to management and stakeholders, beyond traditional reports at the end of the year. On which the external auditor relies in his work. (Hameed, 2022)

On which the external auditor relies in his work □

Result and Discussion

This section includes a presentation of the results of measuring the principles of corporate governance, risk management and the quality of the performance of the external auditor, and testing, analyzing and interpreting the responses of the sample about the research variables, where (255) forms were distributed, and then testing the research hypotheses. For the purpose of achieving this, the researcher used a set of statistical methods using the statistical program SPSS v 26 and Amos v 26, which can help reach the research objectives

4-1. Description of the population and individuals of the research sample

The research community is represented by public and private Iraqi banks, and a sample of bank workers was chosen, represented by auditors and accountants working in the field of governance, risk management, and auditing in the banks of (Al-Rafidain, International Development, and Gulf commercial bank). During the period of conducting the research in the year 2023

The characteristics of the research sample and their suitability for research can be shown through Table (1).

Percentage	Number	Details
		Age Range
7%	18	20-25 years
13%	33	26-30 years
15%	38	31-35 years
16%	40	36-40 years
22%	56	41-45 years
27%	70	46- more
100%	255	Total
		Academic qualification
12%	30	Diploma
28%	72	Bachelor's
29%	75	Master's degree or equivalent
31%	78	Doctorate or equivalent
100%	255	Total
		Specialization
44%	111	Accounting
11%	28	Accounting and Auditing
11%	27	Accounting and Financial Control
15%	38	Legal accounting
13%	32	Business management
7%	19	other
100%	255	Total
		Job title
		Accounting jobs
2%	4	Bookkeeper
5%	13	Accountant assistant
6%	15	Accountant

Figure 2.

5%	14	Senior accountant
7%	18	Assistant account manager
6%	16	Account manager
7%	17	Senior account manager
6%	16	Financial expert
44%	113	Total Accounting Jobs
Percentage	Number	Auditing jobs
1%	3	Audit clerk
4%	10	Auditor assistant
5%	14	Auditor
7%	19	Senior auditor
11%	27	Assistant Audit Manager
9%	22	Audit Manager
9%	23	Senior Audit Manager
9%	24	Audit expert
56%	142	Total Audit jobs
100%	255	Total Job Title
Percentage	Number	Experience
5%	14	1-5 years
14%	36	6-10 years
17%	43	11-15 years
22%	56	16-20 years
21%	54	20-25 years
20%	52	26- more
100%	255	Total

Figure 3.

Source: Prepared by the researcher using the statistical programs SPSS v 26 and Amos v 26

It is clear from Table (1) that the members of the selected sample have characteristics that suit the objectives of the research, as the majority of the sample members were within the age group of 36 years and older, constituting 65%, and that the majority of them fall within the category of 41 years and older, which constitutes 47% of the research sample, and this indicates that they have the necessary knowledge and experience to conduct the research.

The scientific qualification of the research individuals indicated that they had master's and doctoral qualifications with 60% of the sample, which indicates that they have characteristics that enable them to answer the research questions.

The academic specialization of the sample members was the majority of them within the specialization of accounting, auditing and legal accounting, as their percentage reached 81%.

The job title indicates that the most prominent members of the sample have job titles that fall within the audit titles and by 56% and the remaining percentage of accounting jobs.

As for the practical experience of the sample members, it indicates that the majority of the sample members have great practical experience, as their years of experience ranged from 16 to more, reaching 63% of the sample members, which indicates that most of the sample members have great practical experience.

4-2. Variables coding and stability testing

Table (2) shows the components of the measurement tool and the number of items for each of the research variables. The five-point Likert scale was adopted. Clarity and accuracy were taken into account when drafting the paragraphs of the scales to give a great ability to understand the variables and their purpose. The researcher ensured the stability and consistency of the research procedures using the Cronbach alpha method. The reliability coefficient of the scales was calculated using Cronbach's alpha correlation coefficient. The values of the Cronbach alpha coefficient ranged between (0.814-0.911), which is statistically acceptable in social research because its value is greater than (0.75), which indicates that the scales of the measurement tool in the research were characterized by stability and internal stability.

No.	main variables	code	number of paragraphs	Alpha Cronbach
1	Governance principles	GO	6	0.814
2	Risk Management	D	8	0.862
	Quality of performance of the external auditor	Q	13	0.911

Table 1. Variables coding and stability testing

Source: Prepared by the researcher using the statistical program SPSS v 26 and Amos v 26

4-3. Test normal distribution of research variables

Table (3) below presents the results of the test of the normal distribution of the research variables represented by the variable of the principles of governance, which is represented by 6 paragraphs, and the variable of mucus management, which consists of 8 paragraphs, and finally the variable of the quality of the performance of the external auditor, which consists of 13 paragraphs. It is noted that all the results of twisting and kurtosis were within the required rate, which is between (1.96 to -1.96). This indicates that the distribution of the data of the research sample of the variables of the principles of governance, risk management and the quality of the performance of the external auditor is similar to the normal distribution, and is free of the problem of Skewness and Kurtosis, and this supports the assumption that the data of the variables of the principles of governance, risk management and the quality of the performance of the external auditor were taken from a society whose data is characterized by normal distribution.

Variable	min	max	Skew	c.r.	kurtosis	c.r.
GO	2.628	5.000	-0.347	-0.926	0.262	0.417
D	2.491	5.000	-0.141	-0.189	-0.186	-0.317
Q	2.093	5.000	-0.053	-0.207	0.175	0.248

Table 2. Normal distribution of research variables

Source: Prepared by the researcher using the statistical program SPSS v 26 and Amos v 26

4-4. Validity of the research scale

4-4-1. Apparent validity of the current research scale

In order to identify the apparent validity of the research scale and the possibility of adopting the scale, it was presented to a group of experts, and in order to give their observations, a number of necessary adjustments were made according to the opinions of experts, to be the questionnaire in its final form. The questionnaire was presented in its initial form to a group of arbitrators specialized in the field of accounting

4-4-2. Constructive validity Confirmation of the current research scale:

(Factor analysis) of the scale of any research is of great importance in determining the validity of the content, and is part of the structural equation model, which is widely used in social science research, which is one of its main benefits.

Confirmatory factor analysis of the governance principles variable

The variable of governance principles has been measured through its 6 paragraphs, and through Figure (2) and Table (4).

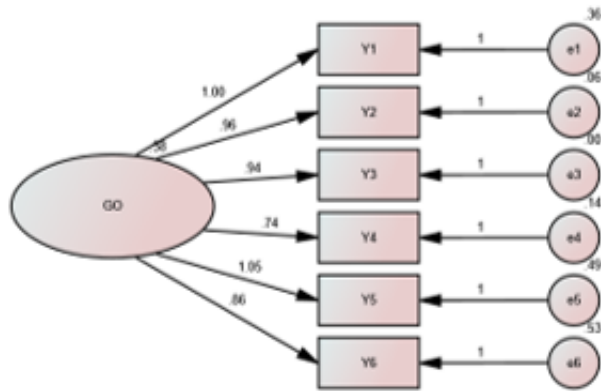


Figure 4. Structural equation model (factor analysis) of the variable of governance principles

Figure (2) Structural equation model (factor analysis) of the variable of governance principles

Source: Prepared by the researcher using the statistical program SPSS v 26 and Amos v 26

Through the above figure, it is possible to judge the validity of the questionnaire paragraphs because their value is greater than (40.0) shown on the shares, which links the underlying variables with each paragraph of the scale, which showed that all the indicators of the quality of conformity of the variable of the principles of governance.

			Estimate	S.E.	C.R.	P
Y1	<---	GO	1.000			
Y2	<---	GO	.961	.064	15.038	***
Y3	<---	GO	.941	.059	15.917	***
Y4	<---	GO	.737	.059	12.404	***
Y5	<---	GO	1.047	.096	10.887	***
Y6	<---	GO	.865	.091	9.497	***

Table 3. Conformity quality indicators for the variable of governance principles

Source: Prepared by the researcher using the statistical program SPSS v 26 and Amos v 26

Through Table (4), it is possible to judge the validity of the questionnaire paragraphs because the values of (Estimate) are greater than (40.0) shown in Table (4), which links the latent variables with each paragraph of the scale, which showed that all the indicators of the quality of conformity of the variable of the principles of governance were valued higher than (0.40).

4-4-2-3. Factor analysis of the risk management variable

The factor analysis of the risk management variable was measured through 8 paragraphs and through Figure (3), it is possible to judge the validity of the phrase of no value greater than (40.0) shown on the shares, which links the underlying variables with each paragraph of the scale, which showed that all the indicators of the quality of conformity of the risk management variable.

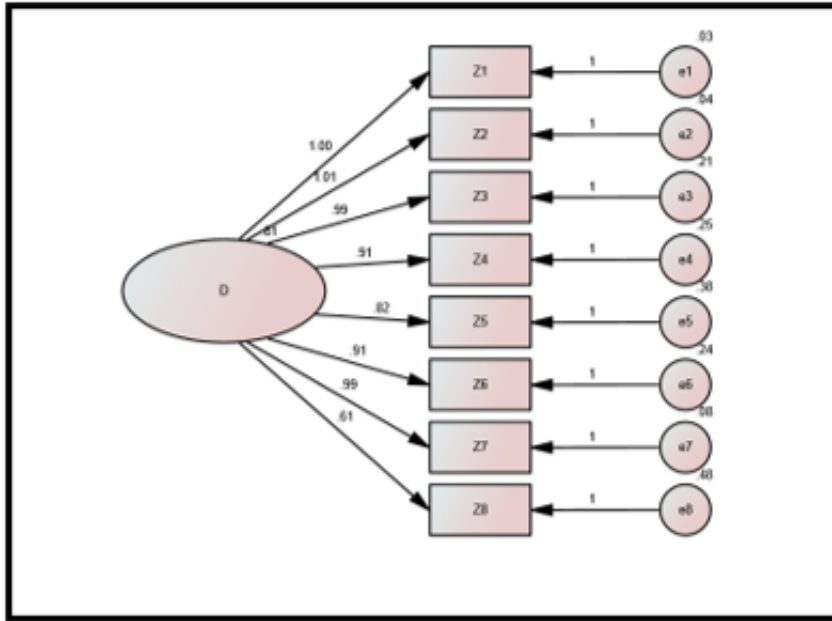


Figure 5. Structural equation model (factor analysis) of the risk management variable

Source: Prepared by the researcher using the statistical program SPSS v 26 and Amos v 26

			Estimate	S.E.	C.R.	P
Z1	<---	D	1.000			
Z2	<---	D	1.006	.019	53.934	***
Z3	<---	D	.992	.034	28.752	***
Z4	<---	D	.909	.037	24.838	***
Z5	<---	D	.821	.044	18.447	***
Z6	<---	D	.910	.036	25.315	***
Z7	<---	D	.992	.024	42.053	***

Table 4. Conformity quality indicators for the risk management variable

Source: Prepared by the researcher using the statistical program SPSS v 26 and Amos v 26

Through Table (5), it is possible to judge the validity of the questionnaire paragraphs because the values of (Estimate) are greater than (0.40) shown in Table (5), which links the latent variables with each paragraph of the scale, which showed that all the indicators of the quality of conformity of the variable of the principles of governance were valued higher than (0.40).

4-4-2-4. Factor analysis of the quality variable of the external auditor's performance

The factor analysis of the external auditor's performance quality variable was also measured through 13 paragraphs and through figure (4) it is possible to judge the validity of the statement of no value greater than (40.0) shown on the shares, which links the underlying variables with each paragraph of the scale, which showed that all conformity quality indicators for the external auditor's performance quality variable.

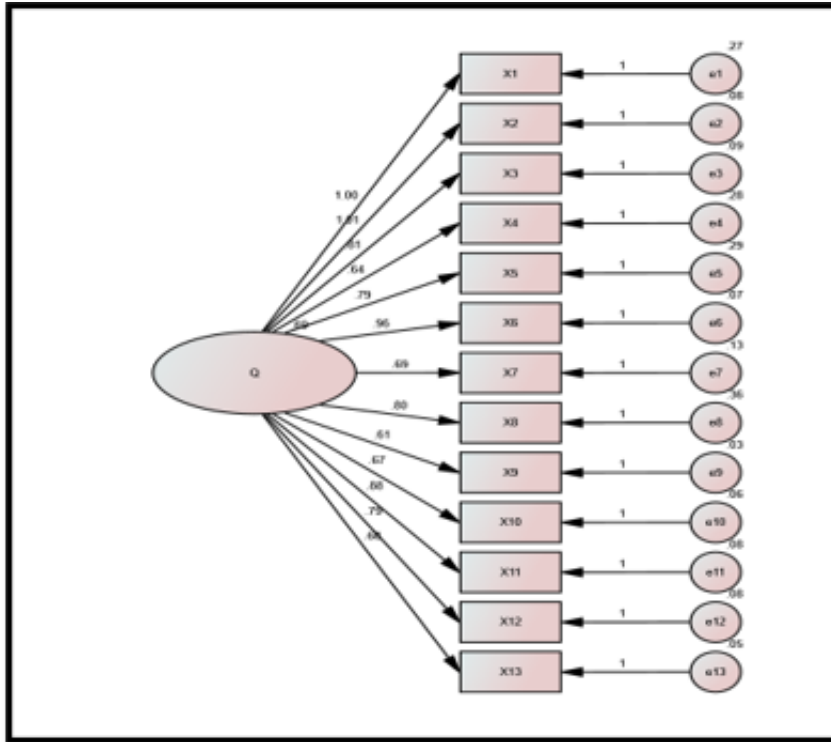


Figure 6. Structural equation model (factor analysis) of the external auditor's performance quality variable

Source: Prepared by the researcher using the statistical program SPSS v 26and Amos v 26

			Estimate	S.E.	C.R.	P
X1	<---	Q	1.000			
X2	<---	Q	1.012	.045	22.289	***
X3	<---	Q	.807	.039	20.491	***
X4	<---	Q	.645	.048	13.433	***
X5	<---	Q	.793	.052	15.382	***
X6	<---	Q	.963	.043	22.402	***
X7	<---	Q	.693	.039	17.935	***
X8	<---	Q	.803	.056	14.369	***
X9	<---	Q	.606	.027	22.120	***
X10	<---	Q	.665	.032	20.804	***
X11	<---	Q	.884	.041	21.641	***
X12	<---	Q	.786	.038	20.694	***
X13	<---	Q	.596	.029	20.813	***

Table 5. Conformity quality indicators for the external auditor's performance quality variable

Source: Prepared by the researcher using the statistical program SPSS v 26and Amos v 26

0.40) shown in Table (5), which links the latent variables with each paragraph of the scale, which showed that all the indicators of the quality of conformity of the variable of the principles of governance were valued higher than (40.0)

4-5. Description of research variables

Table (7) presents a statistical description of the arithmetic means, standard deviations, the level of the answer and its importance to the research variables, as the variable of governance principles has an arithmetic mean of this variable (4.226) and a standard deviation (0.5873). This indicates that the agreement of the research sample on this variable was very high. At the level of the other independent variable, risk management, where the total mean of this variable was (4.364) and a standard deviation (0.7461), this indicates that the agreement of the research sample on this variable was very high. At the level of the dependent variable, the quality of the external auditor's

performance, where the total mean of this variable was (4.274) and a standard deviation (0.4647), this indicates that the agreement of the research sample on this variable was very high.

Relative importance	Answer Level	Standard Deviation	Arithmetic mean	Variable
08452	Very high	0.5873	4.226	Governance principles
0.8728	Very high	0.7461	4.364	Risk management
0.8548	Very high	0.4647	4.274	The quality of the external auditor's performance

Table 6. Statistical description of the research variables

Source: Prepared by the researcher using the statistical program SPSS v 26 and Amos v 26

4-6 Hypothesis Testing

4-6-1. Testing the first hypothesis

For the purpose of testing the first hypothesis, which states (There is a statistically significant relationship between the principles of governance and the quality of the external auditor's performance.) The respondents' answers about the two variables were analyzed and the correlation relationship was measured using the SPSS V.26 program using the correlation test between the variables (Pearson) and the results were as in Table (8).

Variable		Q
GO	Pearson Correlation	0.701**
	Sig. (2-tailed)	.000
	N	255

Table 7. Correlation matrix between the principles of governance and the quality of the external auditor's performance

Source: Prepared by the researcher using the statistical program SPSS v 26 and Amos v 26

Table (8) demonstrates a significant correlation of 0.701 between governance principles and the quality of external auditor performance, indicating a robust relationship at a significance level of 0.000. This suggests that Iraqi banks prioritize governance principles to enhance the quality of external auditor performance. Iraqi public and private banks must prioritize the implementation of governance principles to guarantee effective governance, which would subsequently enhance the quality of external auditor performance. The first hypothesis is accepted, indicating a statistically significant association between governance principles and the quality of external auditor work.

4-6-2. Testing the second hypothesis

For the purpose of testing the first hypothesis, which states (There is a statistically significant relationship between risk management and the quality of the external auditor's performance.) The respondents' answers about the two variables were analyzed and the correlation relationship was measured using the SPSS V.26 program using the correlation test between the variables (Pearson) and the results were as in Table (9).

Variable		Q
D	Pearson Correlation	0.827**
	Sig. (2-tailed)	0.000
	N	255

Table 8. Correlation matrix between risk management and external auditor performance quality

Source: Prepared by the researcher using the statistical program SPSS v 26 and Amos v 26

The results of Table (9) showed that there is a significant correlation between risk management and the quality of the external auditor's performance, amounting to (0.827), which is a strong relationship and at a level of significance of (0.000), which indicates the interest of Iraqi banks in risk management in order to reach a high quality external audit. Iraqi banks should pay more attention to risk management in order to maintain the level of importance and ensure the quality of the external auditor's performance. From the above, it is clear that the second hypothesis is accepted, which states (There is a statistically significant relationship between risk management and the quality of the external auditor's performance.)

4-6-3. Testing the third hypothesis

To test the effect hypothesis, which posits that there exists a statistically significant link between governance principles and the quality of external auditor performance. The method of modeling the structural equation was used in the AMOS26 program for the purpose of verifying the validity of this hypothesis and is represented by the results of the test in Figure (5), which indicates the nature of the effect between the two variables. Table (10), which shows the results of the simple regression test between the principles of governance and the quality of the external auditor's performance.

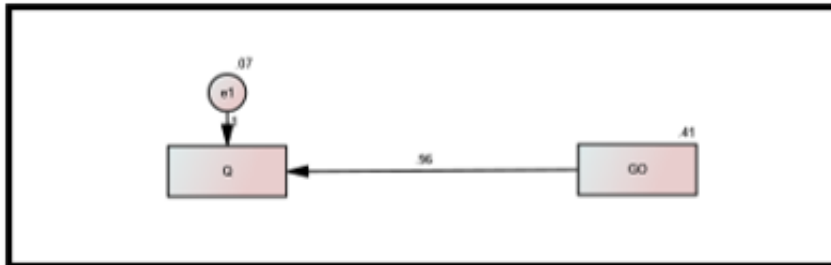


Figure 7. Structural equation to measure the impact of governance principles on the quality of the external auditor's performance

Source: Prepared by the researcher using the statistical program SPSS v 26 and Amos v 26

Figure (5) clearly demonstrates a favorable and significant influence of governance principles on the quality of external auditor work, with a standard effect coefficient value of (0.96). Table (10) indicates that the value of (r²) has attained (0.84), signifying that the independent variable of governance principles accounts for (84%) of the variations in the performance quality of external auditors in the Iraqi banks within the research sample, while (16%) is attributable to other variables not considered in this study. The crucial value in Table (10) of 37.092 exceeded 1.96 regarding the intangible worth (P-value). The value was (0.000), which is below (0.05), indicating that the principles of governance significantly impact the quality of external auditor performance in the Iraqi banks within the research sample. An increase in the application of governance principles positively influences the quality of external auditor performance. The third hypothesis can be accepted, indicating a statistically significant association between governance principles and the quality of external auditor work.

Direct regression path			Estimate Impact value	S.E. Standard error	C.R. Critical value	P significance value	R ²	Result
GO	<--	Q	0.959	0.026	37.092	0.000	0.844	Hypothesis acceptance

Table 9. Estimates of the standard model of the impact of the principles of governance on the quality of the performance of the external auditor

Source: Prepared by the researcher using the statistical programs SPSS v 26 and Amos v 26

4-6-4. Testing the fourth hypothesis

For the purpose of testing the fourth hypothesis, which states that (there is a statistically significant impact relationship between risk management and the quality of the external auditor's performance), the method of modeling the structural equation was used in the Amos 26 program for the purpose of verifying the validity of this hypothesis. The results of the test were represented in Figure (6), which indicates the nature of the impact between the two variables. Table (11) shows the results of the simple regression test between risk management and the quality of the external auditor's performance.

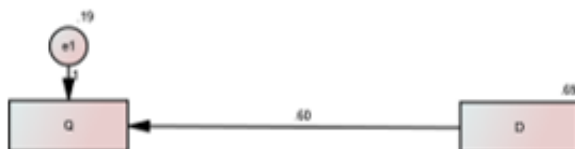


Figure 8. Structural equation to measure the impact of risk management on the quality of the external auditor's performance

Source: Prepared by the researcher using the statistical program SPSS v 26 and Amos v 26

It is clear from Figure (6) that there is a positive and significant impact of the risk management variable in achieving the quality of the external auditor's performance, and it was also found that the value of the standard impact coefficient has reached (0.60). It is also clear from Table (8) that the value of (r²) has reached (0.57), which means that the independent variable risk management is able to clarify (57%) of the changes that occur on the variable related to the quality of the performance of the external auditor in the Iraqi banks, the research sample, and that (43%) is due to other variables that have not been used in this research. As the critical value in Table (3) of (18.230) was greater than (1.96) and in terms of the intangible value (P.value), which amounted to (0.000), which is less than (0.05), which indicates that the level of impact of risk management on the quality of the performance of the external auditor in the Iraqi banks, the research sample, everything that increased its adoption of risk management and its interest in it, reflected positively on increasing the quality of the performance of the external auditor. Based on the above, the fourth hypothesis can be accepted, which states that (there is a statistically significant impact relationship between risk management and the quality of the external auditor's performance).

Direct regression path		Estimate Impact value	S.E. Standard error	C.R. Critical value	P significance value	R2	Result
D	<-- Q	0.603	0.033	18.230	0.000	0.567	Hypothesis acceptance

Table 10. Estimates of the standard model of the impact of risk management on the quality of the external auditor's performance

Source: Prepared by the researcher using the statistical programs SPSS v 26 and Amos v 26

Abstract

What has been touched upon in this research can be concluded that there is an impact of governance and risk management on the quality of the audit. Whereas, the Audit Committee, Board size and independence are negatively associated with audit risk. Auditors can rely on sound governance and risk management as they can monitor managers and urge them to improve the quality of financial reporting, which is reflected positively on the quality of the audit.

Conclusion

6-1-1. The presence of Iraqi banks' interest in governance principles in order to increase the quality of the external auditor's performance

6-1-2. The presence of Iraqi banks' interest in risk management in order to achieve high-quality external auditing

6-1-3. There is an impact of governance principles on the quality of the external auditor's performance in Iraqi banks. The Iraqi research sample is that the more the application of governance principles is reflected positively on the quality of the external auditor's performance.

6-1-4. There is an impact of risk management on the quality of the external auditor's performance in the Iraqi banks, the research sample, as the more they understand risk management and their interest in it, the more the quality of the external auditor's performance is reflected positively

6-1-5. There is a strong positive relationship between the integration of corporate governance and risk management principles and the quality of external auditor performance. When a company is committed to advanced corporate governance practices and follows the best standards in risk management, an appropriate environment is provided that supports the independence of the external auditor and provides the information necessary to perform the audit process accurately and objectively

6-1-6. Companies that integrate corporate governance and risk management principles are exposed to less risk and generally achieve better financial performance. These measures contribute to improving the company's management and reducing the possibility of financial corruption or tampering with financial reports

6-1-7. Banks are promoting corporate governance principles within their systems and implementing effective risk management practices. It must strengthen the role of internal monitoring and enhance training for employees and officials to adhere to these standards

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