

# THE IMPACT OF CORPORATE GOVERNANCE AND AUDIT QUALITY ON VALUE RELEVANCE OF ACCOUNTING INFORMATION

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## Abstract

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This study aims to investigate the relationship between corporate governance (CG) and audit quality (AQ) in the adequacy of the value relevance of accounting information (VRAI). The study sample included Iraqi firms listed on the Iraqi Stock Exchange (ISE) from 2010 to 2022. Nineteen firms were a research sample selected from 44 firms listed on the ISE. They chose to use the model (Ohlson, 1995) in measuring VRAI, which is based on measuring the absolute value of the level of value relevance to earnings per share (EPS) the absolute value of the book value suitability level VRAI. CG was measured through five factors: board size, gender of board members, independence of the board from the chief executive officer (CEO), ownership percentage of the majority shareholder, and institutional ownership: auditor tenure, audit fees, and audit firm size measured AQ. The study found that CG is associated with a negative and significant relationship with EPS, while AQ is associated with a positive and significant relationship with EPS. The study also found no relationship between CG, AQ, and VRAI as a proxy for the appropriate VRAI. The results also indicate the weak role of regulatory variables, which decreased the marginal slope coefficient results for the models used.

**Keywords:** Value Relevance, Corporate Governance, Audit Quality, Earnings Per Share, Book Value

**Authors' individual contribution:** Conceptualization — H.H.F.A.-F.; Methodology — H.H.F.A.-F.; Formal Analysis — H.H.F.A.-F.; Investigation — S.I.A. and H.H.F.A.-F.; Data Curation — H.H.F.A.-F.; Writing — Original Draft — H.H.F.A.-F.; Writing — Review & Editing — S.I.A. and H.H.F.A.-F.; Visualization — S.I.A. and H.H.F.A.-F.; Supervision — H.H.F.A.-F.; Project Administration — H.H.F.A.-F.

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## 1. INTRODUCTION

The importance of value relevance of accounting information (VRAI) is crucial, as it represents a summary of accounting information on stock prices. VRAI represents the ability of accounting information to provide relevant and reliable information to users of financial statements because it depicts the role of accounting information that investors focus on investing in the capital market (Omokhudu & Ibadin, 2015; Felix & Umanhonien,

2015; Flayyih et al., 2019; Azar et al., 2019; Kadhem & Flayyih, 2024). VRAI provides information to stakeholders such as lenders, creditors, and other potential investors to estimate the value of a company. VRAI is the ability of a performance measure to explain differences in contemporary stock returns. It assesses the usefulness of performance measures in making decisions related to stock investors. Traditionally, the focus on the importance of value has been limited to financial information such as sales, earnings, book values of

equity, comprehensive income, and operating cash flows (Abuaja & Ukpung, 2022). Currently, value fit reflects information about intangible assets, growth opportunities, and alternative company performance measures (Barth et al., 2023).

Interest in corporate governance (CG) came at the beginning of the first millennium after many companies faced financial problems because of earnings management practices (Shahroor & Ismail, 2022; Singhanian et al., 2022; Rakshit et al., 2021). Many studies indicate that CG limits practices of manipulating financial statements (Fan et al., 2021; Hernawati, 2021; Hussein et al., 2024; Flayyih, Shamuikh, et al., 2024). So, the interest in it comes after many companies faced financial problems because of earnings management practices. So, the users of accounting information require companies to make great efforts in monitoring the business, including adopting suitable CG mechanisms and relying on reliable auditing companies in their work (Abdulzahra et al., 2023; Flayyih & Khiari, 2023; Thijee et al., 2025; Hussein et al., 2024; Otman, 2021). In return, it enhances relevance between the CG and VRAI (Abu Alia et al., 2024). As for the external audit operations that resulted in the separation of ownership from management, which came as a third party independent of the owners and management to decide on the credibility of the financial statements, represented by the auditor, to alleviate the problems of separation (Abass et al., 2023). Therefore, audit quality (AQ) is an essential element in enhancing the appropriateness of the VRAI and its credibility (Bari et al., 2024; Boachie & Mensah, 2022; Fan et al., 2021). The problem statement indicates that the importance of accounting disclosures — mainly profits — has decreased, and this decline is attributed to the fact that accounting information has lost its importance considering the emergence of what is known as the new economy. So, this has led to an increased focus by accountants on VRAI, because it to the current time is more important than the value of accounting numbers (Imhanzenobe, 2022; Barth et al., 2023; Goretzki & Pfister, 2023; Flayyih, Jawad, et al., 2024). The importance of the study comes from the importance of the VRAI is crucial, as it represents a summary of accounting information in stock prices (Omokhudu & Ibadin, 2015; Prihatni et al., 2023). So, the disclosure of information from the point of view of users is accompanied by uncertainty as to whether it meets their needs and requirements, and provides valuable rules for decisions investment, which must have an impact on the market value and returns of the company's shares. Despite the great scientific interest in the issue of the impact of CG and AQ on VRAI in various areas of finance and accounting research, the results are still inconclusive, and the empirical literature has not been sufficient to achieve consensus on the economic consequences of disclosing VRAI for stocks. Several studies (Kalantonis et al., 2022; Wijanarko & Fuad, 2024; Salih & Shibli, 2025) have indicated the need to conduct more empirical studies on this relationship, both for the company and its stakeholders. Accordingly, the importance of this study lies in the importance of testing the relationship between the variables, which are VRAI, CG, and AQ. The literature contributions indicate disagreement in conclusions between the relationship CG and VRAI (Ikram, 2016; Santos et al., 2019; Krismiaji & Surifah,

2020; Motalib et al., 2021; Toumi & Hamrouni, 2023; Abu Alia et al., 2024) as well as the disagreement between the relationship AQ and VRAI (Al-Dhamari & Chandren, 2017; Abubakar et al., 2021; Liemmmuel & Eriandani, 2022; Ndubuisi et al., 2023). The current study is unique from previous literature in that it investigated the effect of CG and AQ in their relationship to VRAI. The aims of this study are to investigate the impact of CG and AQ on the VRAI. Specifically, the study examines whether firms with stronger governance structures and higher AQ provide accounting information that is more relevant to investors.

So, to achieve this objective, the study addresses the following research questions:

*RQ1: How does CG influence the VRAI?*

*RQ2: What is the role of AQ in enhancing the VRAI?*

The study is based on agency theory and information asymmetry theory, which provide a conceptual framework for understanding the role of CG and AQ in financial reporting. A quantitative research methodology is employed, using financial data from firms listed on Iraqi Stock Exchange (ISE). The study applies multiple regression analysis to examine the relationships between the variables. We are found there are no relationship between CG, AQ, and VRAI as a proxy for the appropriate VRAI. The results also indicate the weak role of regulatory variables, which decreased the marginal slope coefficient results for the models used.

The structure of the paper is as follows: Section 2 focuses on review of literature and hypotheses development, Section 3 deals with the methodology that has been used to conduct empirical research on variables, Section 4 presents the results and discussions, and Section 5 relates to the conclusion.

## 2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

In this section, we will investigate two types of relationship. This has been determined based on the relationship between CG, AQ and VRAI. A study of Abubakar et al. (2021) included 161 listed companies in Nigeria. The study found that AQ and its relationship with earnings per share (EPS) significantly impact the stock price of listed companies in Nigeria. A study of Motalib et al. (2021) included listed companies in Nigeria, and the study concluded that governance practices affect the relationship between accounting information and the share price among listed companies in Nigeria. A study of Liemmmuel and Eriandani (2022) included 1,525 public companies on the Indonesian Bursa from 2016 to 2020. The results indicated that the type of auditor and audit opinion enhances the relationship between profits and stock prices but does not mitigate the effect of book value and cash flows — operating cash in stock prices. In addition, earnings management weakens the effect of profits on stock prices, and earnings management does not mitigate the correlation of the book value of shares and operating cash flows with stock prices. A study of Ndubuisi et al. (2023) used secondary data from 19 sample companies listed on the Nigerian Bursa from 2006 to 2021. The results showed that the moderating role of AQ has a more significant impact on the book value per share in manufacturing companies in Nigeria EPS, and

the book value per share together have a significant impact on the share price of listed manufacturing companies in Nigeria. A study of Daniels and Smit (2023) investigated the relationship between CG and the relevance of accounting information in large, profitable companies listed on the Johannesburg stock exchange. The study's results indicated that board size, as a CG mechanism, is linked to share value and negatively impacts share price. A study of Toumi and Hamrouni (2023) included 40 Islamic firms listed in 12 countries from 2012-2019. The results indicated that the characteristics of Sharia supervisory bodies negatively affect VRAI, while internal procedures affect it positively. The results presented evidence of a complementary effect of Sharia governance mechanisms at the firm and national levels on the suitability of accounting information. A study of Abu Alia et al. (2024) included companies listed on the Pakistan Bursa from 2009 to 2019. The results showed a significant positive relationship between value fit, board size, board ownership, audit committee size, and AQ. The results of the study (Wijanarko & Fuad, 2024) conducted on public manufacturing companies listed on the Indonesia stock exchange indicated that the size of the audit firm does not affect the book value of the share, while the quality of auditing has an effect on the value of EPS. Also, the results of the control variables contributed to explaining the differences in the relationship

between AQ and the importance of the value of accounting information.

Based on the results reached by studies, the following hypotheses are proposed:

*H1: There is an influence relationship between CG on VRAI in Iraqi firms.*

*H2: There is an influence relationship between AQ on VRAI in Iraqi firms.*

### 3. METHODOLOGY

#### 3.1. Data collection

The sample included Iraqi firms listed on the ISE. The sample is 19 firms for the period 2010-2022. The number of data is 247 observations. To ensure the validity of the period, we conducted a statistical power test to help us determine the sample size necessary for the study to detect the required effect size. The justification for choosing the sample of this study, as well as its period, is related to the restrictions imposed on Iraqi commercial banks. Many banks listed on the ISE face international sanctions, for example, some banks have been linked to money laundering cases. We have tried as much as possible to choose the best banks active in the ISE. Table 1 shows the minimum sample size required.

**Table 1.** Minimum sample size required

<i>Model</i>	<i>Before investigating the reliability of the model</i>	<i>After investigating the reliability of the model</i>
Effect size of anticipated effect size		0.15
Level of statistical power		0.99
Number of dimensions	11	5
Probability level		0.05
Minimum required sample size	234	185

Source: Authors' elaboration.

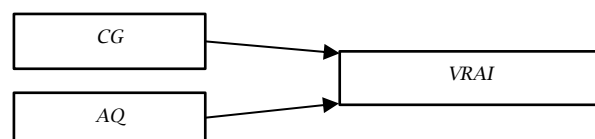
It is noted that the minimum number of views for the model before investigating its credibility was 234 views. In comparison, the minimum number of views required for the model after investigating its credibility was 185. Given that the selected views were 247 during the study period, the model passed the statistical power test even if the first model proved its credibility.

#### 3.2. Research model and framework

The study employs a quantitative research methodology to analyze the relationship between CG, AQ, and the VRAI. This method is chosen for several reasons. First, quantitative analysis allows for an objective and systematic examination of financial data, reducing biases associated with qualitative approaches. Second, given that the research aims to establish empirical relationships among the variables, statistical techniques such as multiple regression analysis are more suitable for testing the hypotheses. Additionally, the use of secondary data from publicly listed in ISE ensures reliability and comparability, as financial statements and governance disclosures follow standardized reporting frameworks. The selection of this method is also justified by prior studies in CG and financial reporting, which have successfully utilized quantitative techniques to measure the impact of GC and AQ on accounting information relevance.

By adopting this approach, the study provides robust, generalizable insights that contribute to both academic literature and practical implications for regulators, investors, and corporate decision-makers. Based on what was presented in the aim of this study, Figure 1 displays the research model and the nature of the direction of the relationship in this study, as well as the development of hypotheses based on the cognitive contributions in previous studies.

**Figure 1.** Hypothetical research model



Source: Authors' elaboration.

#### 3.3. Mathematical model

This study adopts a quantitative research methodology to examine the impact of CG and AQ on the VRAI. The rationale for selecting this method is based on several key factors; the nature of the research problem requires an empirical investigation that can quantify the relationships between the study variables. A quantitative approach allows for objective measurement and statistical analysis, ensuring replicability and

generalizability of the findings across different firms and contexts. and given that the study relies on secondary financial data from publicly listed in ISE, a quantitative method is the most appropriate for analyzing structured data, as it enables hypothesis testing through rigorous statistical

models such as multiple regression analysis. This approach helps establish causal relationships and assess the statistical significance of CG and AQ factors in determining the VRAI was measured according to the model (Ohlson, 1995) as shown in Eq. (1).

$$P_{it} = \beta_0 + \beta_1 EPS_{it} + \beta_2 VRAI_{it} + \beta_3 CF_{it} + \varepsilon_{it} \quad (1)$$

where,  $PVS$  is the stock price,  $EPS$  is the absolute value of VRAI level of EPS for firm  $i$  in year  $t$ ,  $VRAI$  is the absolute value of the book value suitability level of firm  $i$  in year  $t$ ,  $CF$  is cash flow.

To achieve the research goal, which includes measuring the impact of CG mechanisms and dimensions of AQ, five CG mechanisms were chosen, namely the size of the board ( $Bsize$ ), the gender of board members ( $Gdiversity$ ), the independence of

the board from the chief executive officer (CEO) ( $IndBoard$ ), the ownership percentage of the majority shareholder ( $Oship$ ), and institutional ownership ( $InsOship$ ). At the same time, the dimensions of AQ included auditor tenure ( $AudTenure$ ), audit fees ( $Audfee$ ), and the size of the audit firm ( $Audfsize$ ). Therefore, the research model can be presented according to Eq. (2):

$$p_{it} = A_{it} + \beta_1 \sum_{k=3}^K AQ_{it}^k + \beta_2 \sum_{C=5}^C CG_{it}^C + \beta_3 Size_{firm_{it}} + \beta_4 LEV_{it} + \beta_5 ROA_{it} + \varepsilon_{it} \quad (2)$$

where:

- $p_{it}$ : the level of VRAI to EPS for firm  $i$  in year  $t$ . It is calculated using the model of Ohlson (1995). It is measured by the absolute value of VRAI level of EPS of firm  $i$  in year  $t$ . The absolute value of the book value per share suitability level for firm  $i$  in year  $t$ .

- $\sum_{k=3}^K AQ_{it}^k$ : AQ includes three dimensions: auditor tenure, audit fees, and audit firm size.

- $\sum_{C=5}^C CG_{it}^C$ : CG mechanisms are board size, gender of board members, independence of the board from the CEO, majority shareholder ownership percentage, and institutional ownership.

- $Size_{firm}$ : the size of firm  $i$  in year  $t$ , is measured by the natural logarithm of the firm's total assets at the end of the year.

- $LEV$ : the level of financial leverage of firm  $i$  in year  $t$  is measured by dividing total liabilities by total assets at the end of the year.

- $ROA$ : the rate of return on assets for firm  $i$  in year  $t$  is measured by dividing the net profit after tax by the total assets at the end of the year.

## 4. RESULTS AND DISCUSSIONS

### 4.1. Descriptive statistics

After collecting the data, we conducted descriptive statistics for the variable data to know the nature and characteristics of the variables of the study model. Appropriate descriptive statistics will be used, such as the arithmetic mean and median, one of the measures of central tendency, and the standard deviation, which represents one of the measures of dispersion, as well as the minimum and maximum. Table 2 shows descriptive statistics for study variables.

**Table 2.** Descriptive statistics for study variables

Item indicators	Unit	Obs.	Minimum	Maximum	Mean	Std. deviation	Median
<b>VRAI</b>							
EPS	Scale	247	0	708.90	18.75	69.85	4.10
PVS	Scale	247	0	185.22	6.99	15.70	2.46
<b>AQ</b>							
AudTenure	Dummy	247	0	1	0.70	0.461	1.00
Audfee	Logarithm	247	7.07	8.86	7.75	0.24	7.81
Audfsize	Dummy	247	0	1	0.74	0.44	1
<b>CG</b>							
Bsize	Dummy	247	0	1	0.74	0.44	1
Gdiversity	Scale	247	0	0.60	0.07	0.12	0.00
IndBoard	Scale	247	0	1	0.51	0.5	1
Oship	Scale	247	0	0.79	0.17	0.17	0.10
InsOship	Scale	247	0	1.00	0.05	0.12	0.00
<b>Control variables</b>							
Sizefirm	Logarithm	247	8.52	12.90	11.57	0.68	11.70
ROA	Scale	247	-0.04	1.92	0.08	0.25	0.02
LEV	Scale	247	-0.94	2.98	0.49	0.26	0.50

Source: Authors' elaboration.

As for the variable VRAI, the minimum and maximum fall within an extensive range, leading to a significant standard deviation. This large discrepancy may seem natural due to differences in experiences or circumstances facing each firm or other structural and organizational variables since

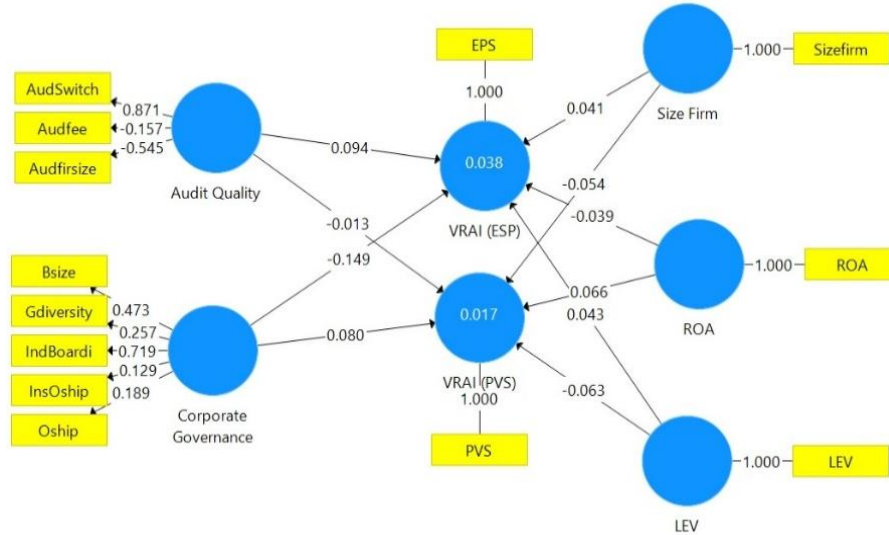
the arithmetic mean is affected by outliers or extreme values. Therefore, we will rely here on the median statistics since outliers do not affect it.

#### 4.2. Model quality testing

This test aims to investigate the quality of the model through which the effect of CG mechanisms and

dimensions of AQ on VRAI in Iraqi commercial firms is studied. Figure 2 displays the model's reliability test. Table 3 displays the validity, reliability, and quality of the model.

**Figure 2.** Reliability of the mathematical model



Source: Authors' elaboration.

**Table 3.** Validity, reliability, and quality of the model

Item indicators	Outer loadings	Cronbach's alpha	CR	AVE
AQ				
AudTenure	0.871	-0.150	0.015	0.360
Audfee	-0.157			
Audfsize	-0.545			
CG				
Bsize	0.473	-0.198	0.430	0.172
Gdiversity	0.257			
IndBoard	0.719			
InsOship	0.129			
Oship	0.189			
VRAI				
EPS	1.000	1.000	1.000	1.000
PVS	1.000	1.000	1.000	1.000
Control variables				
Sizefirm	1.000	1.000	1.000	1.000
LEV	1.000	1.000	1.000	1.000
ROA	1.000	1.000	1.000	1.000

Note: CR is composite reliability, AVE is average variance extracted.

Source: Authors' elaboration.

It can be noted from the results of Table 3 that most of the CG mechanisms, except the board independence mechanism, had external loadings of less than 70%, which requires deleting these mechanisms as they are not appropriate for measuring the quality of the model. As for the dimensions of AQ, auditor tenure is the only dimension that will be used in the measurement model, while the size of the audit firm and audit fees will be excluded because their results are negative. It is noted from Cronbach's alpha

measurement for AQ and CG that it was negative; therefore, the model does not enjoy credibility. The CR measure for the two variables also indicates that their values were less than 70%, with a score of 0.015 and 0.43 for AQ and CG, respectively. As for the independent and supervisory variables, they enjoyed high reliability and will be part of the primary measurement model. Table 4 shows the quality of the results after excluding weak loadings.

**Table 4.** Quality of independent variables after excluding weak loadings

Item indicators	Outer loadings	Cronbach's alpha	CR	AVE
AQ	1.000	1.000	1.000	1.000
CG	1.000	1.000	1.000	1.000

Source: Authors' elaboration.

It is noted from the results that the values of the variables have become of very high quality and

credibility and that the level of loadings is 100% for both the auditor tenure as a proxy for AQ and

the independence of the board from the CEO as a proxy for CG. While the alpha coefficient was greater than 70% and the CR was greater than 70%, the AVE value was greater than 50% for each

independent variable. A discriminant validity test was conducted to verify the final validity of the model, as shown in Table 5.

**Table 5.** Discriminate validity: Criterion of Fornell-Larcker

Variables	AQ	CG	LEV	ROA	Sizefirm	VRAI (ESP)	VRAI (PVS)
AQ	1.000						
CG	0.116	1.000					
LEV	0.102	-0.020	1.000				
ROA	0.059	0.140	0.163	1.000			
Sizefirm	0.052	-0.028	0.097	0.061	1.000		
VRAI (ESP)	0.095	-0.102	0.049	-0.016	0.078	1.000	
VRAI (PVS)	-0.009	0.044	-0.058	0.046	-0.070	-0.555	1.000

Source: Authors' elaboration.

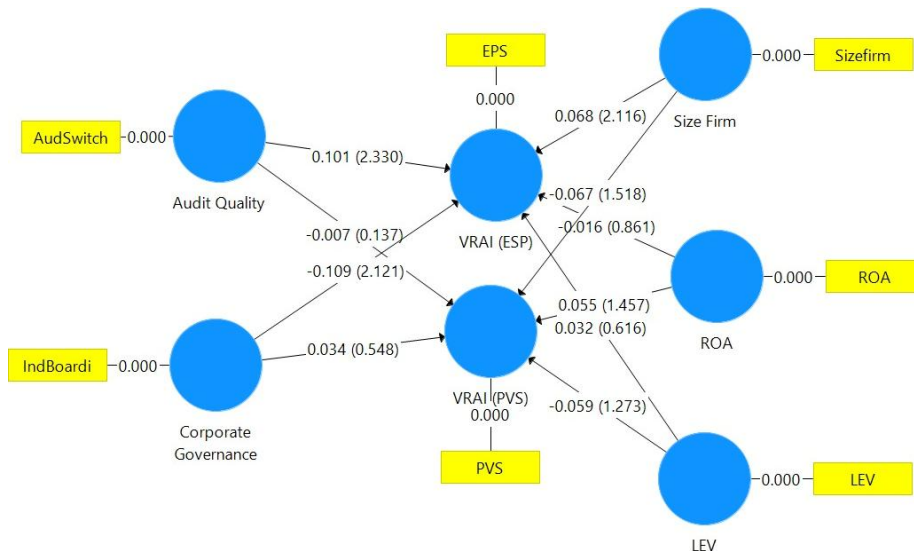
It is clear from Table 5 that the orthogonal values of the matrix were more significant than the non-orthogonal elements in the corresponding row and column in all cases. This means that the correlation of each variable with itself was more significant than its correlation with the rest of the other variables in the study. This confirms that discriminant validity is met.

#### 4.3. Model for study

Figure 3 displays the study model, which measures the test of the influence of the independent

variables: the board's independence from the CEO as a proxy for CG, which was measured through a dummy variable if the auditor is changed every three years. The second variable, auditor tenure, as a proxy for the AQ in the suitability of VRAI, which was measured through the absolute value of the level of suitability of the value to the EPS of firm  $i$  in year  $t$ . Figure 3 displays the search model. Table 6 show displays the analysis results to model of the study.

**Figure 3.** Study model



**Table 6.** Analysis results to model of the study

Mathematical model	$\beta$	T-values	P-values	Decision	R <sup>2</sup>
Model 1					
CG -> ESP	-0.109	2.121	0.034	Accept	0.012
AQ -> ESP	0.101	2.330	0.020	Accept	
LEV -> ESP	0.032	0.616	0.538	Reject	
ROA -> ESP	-0.016	0.861	0.390	Reject	
Sizefirm -> ESP	0.068	2.116	0.035	Accept	
Model 2					
CG -> PVS	0.034	0.548	0.584	Reject	0.028
AQ -> PVS	-0.007	0.137	0.891	Reject	
LEV -> PVS	-0.059	1.273	0.204	Reject	
ROA -> PVS	0.055	1.457	0.146	Reject	
Sizefirm -> PVS	-0.067	1.518	0.130	Reject	

Source: Authors' elaboration.

It is clear from the results in Table 6 that regarding the absolute value of the level of VRAI to

EPS, we found a negative relationship between CG and EPS. The calculated T-value was 2.121, more

significant than the tabulated 1.69, with a level of significance  $p$ -value = 0.034, which is less than 0.05. This result is consistent with several studies, including the study of Song et al. (2010), which indicated that weaker CG mechanisms may reduce VRAI. It is also consistent with the study of Ogeh Fiador (2013), which found that the size of the board of directors is small, and there is no separation between the position of CEO and chairman of the board of directors. The board of directors does not include executives, which has a negative impact and is not linked to the market valuation of shares. Also, this result supports the study of Linda (2016), Balagobei (2017) and contradicts in terms of results with the study of Krismiaji and Surifah (2020), Mahdi (2023), Toumi and Hamrouni (2023), and Mutalib et al. (2021). The results demonstrate a statistically significant positive association between *EPS* and *AQ*, with a calculated *T*-value of 2.330 and a  $p$ -value of 0.02. These findings provide statistical support for the hypothesis *H2*. The absolute value of the value suitability level for *EPS* was positively associated with the company's size and negatively concerning financial leverage and return on assets. It reached a value of  $R^2 = 0.012$ , which is a fragile value, which means that the value suitability of accounting information is weakly affected by the variables studied. In this regard, the study of Lee and Lee (2013) found that corporate profits and book values audited by Big Four firms are generally more reliable than those audited by non-Big Four firm. The current study's findings are consistent with the study of Primavera and Hidayat (2015), which found that *AQ* is a mechanism that increases the fit of the intrinsic value of other comprehensive income components. The findings of the current study are also consistent with the study of Abubakar et al. (2021), Al-Dhamari et al. (2022), Liemmmuel and Eriandani (2022), Ndubuisi et al. (2023). It partially agrees with the study of Ibanichuka and Briggs (2018). On the other hand, the results differ from those of our current study, which used the first statistical model. As for the absolute value of the suitability level of the book value per share, we concluded that there is no relationship between *CG* and *VRAI*. The calculated *T*-value was 0.548, greater than the tabular value at a significant level of  $p$ -value = 0.584, which is greater than 0.05. Accordingly, we reject the study's hypothesis *H1* regarding the effect of *CG* on *PVS* as a proxy for *VRAI*. We also concluded that there was no relationship between *AQ* and *VRAI*, as the calculated *T*-value was 0.137, greater than the tabular value at a significant level of  $p$ -value = 0.891, which is greater than 0.05. Accordingly, we reject the study's hypothesis *H2* regarding the effect of *AQ* on *PVS* as a proxy for *VRAI*. Regarding control variables, the absolute value of the level of *VRAI* to *EPS* was insignificantly related to company size, financial leverage, and return on assets. The value reached ( $R^2 = 0.028$ ), which is a fragile value, means that the suitability of *VRAI* is weakly affected by the variables studied.

## 5. CONCLUSION

This study examined the impact of *CG* and *AQ* on *VRAI* for Iraqi firms. The study included 19 companies during the period from 2010 to 2022. The variables of the study were shortened based on a goodness-of-fit test. One mechanism for *CG* was

chosen from a total of five mechanisms: an ownership mechanism. The largest shareholder, while the mechanisms of board size, gender of board members, independence of the board from the CEO, and institutional ownership were neglected while auditor tenure was chosen as a proxy for *AQ* and excluding both the size of the audit firm and auditors' fees as proxies for *AQ*. *VRAI* was measured based on the level of *VRAI* to *EPS* and the book value's relevance level. The results indicated that majority shareholder ownership is significantly and negatively related to the level of relevance of value to *EPS*. In contrast, it is not related to the level of relevance of book value. The auditor tenure is linked to the suitability of value to *EPS*, while it is not linked to the suitability of book value. The results indicate that only the size of the company significantly affected the suitability of value to *EPS*. In contrast, the other variables had no apparent effect on the suitability of *VRAI*. This study showed that regulatory reforms related to *CG* mechanisms in Iraq give the impression of the weakness of these mechanisms as a means of business control and that auditing work side by side needs to guarantee the reliability of preparing financial reports. The implications of the results after conducting the experimental study indicate a clear weakness in the mechanisms of *CG*. Also, in the dimensions of *AQ* in achieving information in the financial statements of Iraqi banks that has value for users.

The positive association between auditor tenure and the relevance of value to *EPS* points to the potential benefits of long-term auditor relationships, which may increase the reliability of financial reports due to enhanced familiarity with the firm's operations. However, the lack of a relationship with book value relevance indicates that auditor tenure may not equally affect all aspects of financial reporting. The lack of impact from other governance mechanisms, such as board size, gender, and institutional ownership, suggests that these factors may not be as influential in the Iraqi context, where regulatory frameworks and enforcement may be weaker. This calls for further investigation into the effectiveness of these mechanisms and potential reforms to strengthen them.

We suggest further studies related to the use of IT governance or sustainable development in *VRAI*. Also, they can investigate the impact of sustainable development on it. This study highlights important insights regarding *CG* and *AQ* in Iraq, demonstrating that both factors play a role in shaping the *VRAI*, particularly in relation to *EPS*. However, the limited impact of other governance mechanisms and *AQ* proxies indicates areas where improvements are needed. Despite its contributions, this study has several limitations. The sample size of 19 firms is relatively small, and further research with a larger sample would provide more robust conclusions. Additionally, the study only examines Iraqi firms, and the findings may not be generalizable to firms in other countries with different institutional and regulatory environments. The study also focused on a period of significant economic and regulatory change, which may have influenced the results. Future studies could explore the impact of IT governance or sustainable development on the *VRAI*, offering new perspectives for improving financial transparency in emerging economies.



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