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The Impact of Corporate Governance in the Internal Control System : A Field Study in the Iraqi Business Environment

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ABSTRACT

This research aims to define the concept of corporate governance and clarify the role of its boards of directors in enhancing the effectiveness of the internal control system because it bears the ultimate responsibility for its design, implementation and evaluation ,Therefore, the research relied on the method of the descriptive and analytical approach to achieve the goal. The research sample consists of a number of employees working in the internal control departments in the corporates. The research relied on the questionnaire in collecting data from the sample, analyzing it and testing it according to its statistical approach. The study concluded that, according its statistical results, Improved performance depends on the sobriety of the internal control system based on a coherent corporate governance framework that contributes to good risk management by designing a regulatory structure that defines responsibilities and powers between the parties involved in operational processes. Accordingly, the study recommends determining the weakness and deficiency points in internal control systems' mechanisms as well as developing and determining plans that focus on addressing this deficiency, developing performance, and obligating all corporates to define governance requirements and strive to implement it and act accordingly.

Keywords: *Corporate Governance, Internal Control System*

IJRSSH

INTRODUCTION

Corporate governance is one of the most prominent topics that have received attention since the mid-nineties of the twentieth century, and this concern included international bodies such as the Organization for Economic Cooperation and Development (OECD), the International Monetary Fund and the World Bank, which were keen to reach the foundations and principles of governance, and were also interested in evaluating and classifying countries in terms of levels of governance in their markets and made that assessment and classification one of the references when negotiating with state governments on reform issues and economic plans.

There are many reasons that led to an increase in interest in governance, perhaps the most prominent of which is the urgent need to restore the confidence of customers in the financial markets, especially in the wake of economic collapses and financial crises. Therefore, levels of protection for the interests of shareholders and other stakeholders can be improved by strengthening the role of the internal control system in reducing the opportunistic behavior of the administration as well as clearly defining the powers of the company's board of directors and to achieve this there should be an ongoing review of the sobriety of the application of the corporate governance system.

Driven by the foregoing and in order to achieve the objectives of the research, it was divided into four axes. The first of them was devoted to the methodology, while the second axis was devoted to the intellectual framework of corporate governance and the effectiveness of internal control in the framework of corporate governance, the third axis was for the practical aspect or in the fourth axis, the two researchers ended their research by addressing the conclusions and their suggested recommendations that enhance the application of these mechanisms and contribute in increasing the effectiveness of internal control.

RESEARCH METHODOLOGY

Research Problem

The limited role played by the weak application of governance has negatively affected the performance of companies due to increased risks as a result of the weak application of the internal control system, which is an incentive to review the corporate governance system and the role that these mechanisms can play in enhancing the efficiency of the internal control system in the event of the adoption of a coherent system of corporate governance based on transparency, justice, disclosure and responsibility as general principles and the above can be formulated the problem of research with the following question :

- Do weak governance mechanisms result in a decrease in the effectiveness of the internal control system?

Research Hypothesis

The research is based on the following main hypothesis:

The efficiency of the internal control system in companies can be improved through the sober application of the corporate governance system and the following sub-hypotheses are derived from this hypothesis:

- 1- First sub-hypothesis: Commitment of corporates to the principles of corporate governance and the introduction of these principles within the internal control systems and the audit department.
- 2- Second sub-hypothesis: The internal control can exercise its functions in a manner that fulfills the requirements of corporate governance.
- 3- Third sub-hypothesis: The extent to which the efficiency of the company's performance is linked in light of activating governance in the internal control systems.

Research Objective

The research seeks to achieve the following objectives:

- 1- The concept of corporate governance and the benefits that can be achieved if applied in companies.

- 2- Internal control system and its efficiency under the application of governance.
- 3- Testing and analyzing the role of corporate governance in improving the efficiency of the internal control system and its reflection on improving performance and protecting the rights of shareholders and other stakeholders through the opinions of the research sample.

Research Significance

The importance of research is determined by the good application of the internal control system and its role in reducing operational risks in the light of the adoption of a corporate governance system based on a coherent and sober conceptual framework that helps in the design of a regulatory structure that clearly determines the responsibility and validity of all parties participating in the management of the company, which has a positive impact in improving the performance of the company and protecting the interests of all parties with a connection to the company.

Research Limitations and Sample

This is because the research has shed light on the impact of corporate governance on the effectiveness of internal control while focusing, in the field aspect, on the environment of corporates in the province of Baghdad. As for the temporal limits, the

research extrapolates these relationships and problems since the establishment of these companies until the time of preparing the study.

Research Approach

The research relied on the method of the analytical descriptive approach, and this approach is applicable in many research and studies, especially those that deal with social and administrative phenomena related to daily practices, and that what is collected from data is analyzed, discussed and presented in an interconnected scientific manner which serves the objectives of the study.

LITERATURE REVIEW

A study (Hoitash, et al , 2009) Corporate governance and internal control over financial reporting: A comparison of regulatory regimes , the aim of the research is to investigate the impact of disclosure of weaknesses (MW) in the internal control system under corporate governance on financial reporting, where the study relied on testing the link relationship and influence of the financial expertise of members of the audit committee as one of the characteristics that should be characteristic of the audit committee, and we found that there is a lower probability of disclosing weaknesses in internal control in companies characterized by Members of the audit committee with experience in accounting and supervision, as well as the strength of the Board of Directors,

and the disclosure of weaknesses varies with the different type of experience, we have found a relationship between the appointment of members with financial experience without accounting experience and the disclosure of weaknesses in the internal control system, and the conclusion of the above that the quality of internal control has to do with the characteristics of the audit committee and the board of directors.

(Cortesi, et.al , 2009) Empirical evidence on internal control systems and corporate governance in Italy . The research dealt with the issue of corporate governance CG after the Italian Parliament approved the CG Law in 2005 and the Supervisory Board of the Stock Exchange in Italy obliged the listed companies to implement it to encourage information transparency and enhance communication in order to restore investor confidence. The Italian company listed on the stock exchange through a pilot survey on the limits and main areas necessary to improve the effectiveness of the internal control system in light of the role and objectives of three responsible professional organizations (i.e. Internal Auditing, Statutory Auditors and External Auditors) The results showed that the regulatory situation in Italy is not Very normal, which led to an overlap in the roles of the responsible professional organizations, which led to the emergence of many problems of organization, responsibility and control, which prevented an improvement in the

internal control system Which requires a comprehensive review to reorganize the roles of professional institutions in a way that helps the effective functioning of the internal control system.

Adeyemi & Adenugba (2011) The study aimed to study the causes of the crisis suffered by companies during 1993-2003 due to the weakness of the internal control system as a result of the improper application of corporate governance as well as the inefficient management and the unserious position of some external auditors, that the motive of the research is to identify effective internal control tools such as strict controls towards the false activities of the Board of Directors and the opportunistic behavior of the management of the company, and analyze the positive role of the external auditor in ensuring the rational application of governance, which enhances the integrity of the internal control system , To achieve the goal of the research, the researchers relied on descriptive statistics in data collection and the results showed that the weak application of the internal control system is due to the negative role of the chairman of the board controlled by the family with a weak board of directors in carrying its responsibilities as the research found that the external auditor was exposed to many risks was one of the reasons that led to the weakness of the internal control system, The research concluded that comprehensive reforms of the internal control system are necessary while

ensuring the active role of the external auditor to reduce violations of the board of directors and the executive management of the company to ensure the proper application of corporate governance and the effectiveness of internal control.

A study indicated (Koutoupis & Pappa , 2018) Corporate governance and internal controls: a case study from Greece : The aim of the research is to study the relationship between corporate governance and the internal control system, where the study dealt first with the evaluation of the structure of the applicable corporate governance system and secondly the impact of governance on the internal audit function and company management practices for a sample of companies listed on the Athens Stock Exchange for the year 2016. The research adopted the descriptive and methodological approach Quantitatively based on the integrated framework of internal control COSO, and the research concluded that the good application of the governance system contributes to improving internal audit processes, internal control activities, information and communications, risk assessment and control activities, which leads to achieving administrative distinction, and the research provides insights on the importance of the internal control system and its relationship to performance The executive management of the company in light of the existence of a rational corporate governance system.

By reviewing previous studies, we conclude that there is a correlation and impact relationship between corporate governance and the internal control system, and it can be applied through the descriptive approach to a sample of companies listed on the Iraqi Stock Exchange to assess the current corporate governance system in Iraq and the extent of its impact on the internal control system .

THEORETICAL FRAMEWORKS OF THE RESEARCH

Concept of Corporate Governance and its Importance

Interest in this concept has increased in many advanced and emerging economies during the past few decades, as the study of (Clerp, 1997) indicated that there are two approaches for defining the concept of corporate governance (Amaladoss et al., 2011).

- 1- First approach: Shareholder's approach → who is concerned with maximizing shareholders' rights represented in profitability.
- 2- Second approach: Stakeholders' approach → such as managers, customers, creditors, workers and other parties, and this approach is concerned with achieving the interests of these parties.

Study of (Fawzi,2003) indicated that the second approach is more comprehensive in expressing the concept of corporate

governance, because it will focus on the environment surrounding the company and various social issues, as well as its interest in communicating appropriate financial and non-financial information to decision makers inside and outside the company. This concept provides answers to several questions, the most important of which are:

- How do owners ensure that management does not misuse their amounts of money?
- How do they ensure that the management seeks to maximize the profitability and value of the company's shares in the long term?
- How concerned is the Management with the basic interests of society in the areas of health and the environment?
- How can shareholders and stakeholders control management effectively.

(Khan, 2011) also consider corporate governance as a set of mechanisms by which external investors (shareholders) protect themselves from internal investors (managers). The Organization for Economic Cooperation and Development (OECD) offers another perspective by saying that "corporate governance is the system through which business firms are directed and controlled. The corporate governance structure clarifies the distribution of rights and responsibilities among company participants, such as the board of directors, shareholders and other stakeholders and clarifies the rules and

procedures for making decisions about the company's affairs. In doing so, it also provides the structure through which the company's goals and the means of achieving those goals and monitoring performance are set. (Vartak, 2018) defined it as "a group of systems, processes and principles that emphasize that the company is managed to serve all stakeholders." It also emphasizes the commitment to ethical business values and behavior; transparency in business transactions; regulatory and legal compliance; adequate disclosure and effective decision-making in order to achieve corporate goals. In other words, corporate governance demonstrates the promotion of justice, transparency and accountability of companies. Good corporate governance is simply a good business .

Importance of Corporate Governance

Corporate governance has received great attention in recent years, for many reasons, including the interest of countries and companies in attracting investment and improving performance. The financial scandals and capital flight cast dark shadows on the economies throughout the world. Thus, the present guidelines currently should be considered as a component of necessary and insufficient components so far to establish a sound corporate governance system. Hence, the importance of corporate governance can be

summarized in the following points (Mastrodascio ,2021)

- 1- Reducing risks.
- 2- Enhancing performance.
- 3- Improving access to financial markets.
- 4- Increasing the marketability of goods and services.
- 5- Demonstrating transparency and accountability for social responsibility

Objectives and Advantages of Corporate Governance

If governance were not among the goals and advantages that support it, most corporates and even countries would not have sought to implement it and put in place the various necessary legislations for it, as corporate governance enjoys many advantages and objectives that is emphasized by (Talb, 2015):

- 1- Obtaining appropriate financing and forecasting potential risks.
- 2- Taking into account the interests of the various parties and activating communication with them.
- 3- Increasing investor confidence in the financial markets.
- 4- Evaluating the performance of senior management, enhancing accountability and raising the degree of confidence in it.
- 5- Deepening the culture of adherence to agreed-upon laws, principles and standards.
- 6- Maximizing company profits.

- 7- Ensuring the review of the operating and monetary performance of the company.
- 8- Improving the company's competitiveness and increasing its value.
- 9- Achieving justice, transparency and fighting corruption.
- 10- Imposing effective control over the company's performance and strengthening accountability.

INTERNAL CONTROL SYSTEM WITHIN THE FRAMEWORK OF CORPORATE GOVERNANCE

Definition of the Internal Control System

The internal control term was used until recently as a synonymous to the internal monitoring, but in recent times there has been an expansion in the concept and objectives of internal control, where internal monitoring has become one of its circles (Abbas and & Iqbal , 2012).

It is defined as all the policies, procedures and controls adopted by the management of the entity to assist it as much as possible to reach its goal in ensuring an orderly and efficient management of work, which includes adherence to management policies, protection of assets, prevention and detection of fraud and error, accuracy and completeness of accounting records and the creation of reliable financial information in a timely manner (Abdullah, 2004). It is defined also as all the

means and procedures used by the entity to protect its assets and to ensure the accuracy and accuracy of the accounting and statistical data and to raise the productive efficiency of the entity and achieve effectiveness. Internal control can be divided into the following sections: (Andrew Phight, 2006).

1- Preventive control:

The aim is to prevent error or fraud from occurring before it occurs, such as postponing the separation of tasks and supervision.

2- Detective control:

From its name, it is clear that the purpose of it is to discover the error after its occurrence, such as the bank settlement, which can discover specific errors in recording the entries related to the estimation.

3- Corrective control:

It is concerned with correcting the error that was detected by the detective control.

4- Directive Control:

This procedure is mainly designed to obtain positive results from programs concerned with this purpose. The Management bears the responsibility of establishing and maintaining the system of internal control, as the US Stock Exchange states that the design, implementation and evaluation of the system of internal control is an important obligation of the Management, and the purpose of this is to provide shareholders with reasonable assurance that the entity is reviewing the internal control to ensure that it achieves the desired goals, as well as modifying some of

the control procedures used according to the different circumstances so that it can monitor the activity of the entity and it works independently from the internal audit, and accordingly, the internal control cannot replace the internal audit (Al-Wardat, 2006).

Methods of Examining and Evaluating Internal Control Systems

The internal control is considered the starting point at which the external auditor begins his work, and in light of the results of his examination of its various systems, he draws up the appropriate audit program while determining the quantity of necessary tests and the size of the appropriate samples. The examination or evaluation of internal control systems for any project is not limited on these systems as placed by the Management in handbooks or brochures or pamphlets, but rather go beyond them to study them as they are implemented. Among the means used by auditors to identify the system applied in the project and assess its adequacy are the following (Abdullah, 2004).

1- Questionnaire

It includes written inquiries containing sound foundations for what the internal control should be. This list of questions is presented to the project's specialized staff to answer them and return them to the auditor, who in turn confirms the answers through testing and sampling, in order to judge the degree of robustness of the system used.

2- Reminder List

The auditor here sets the rules and foundations of a sound internal control system, without specifying specific questions or inquiries as in the questionnaire. The advantage of this method is to save time without neglecting the important points. As for its shortcomings, it is limited to the fact that it does not lead to a written codification of what the internal control system is in the project concerned. It is not also applied on the projects of a special nature, in addition to the fact that this summary is a matter left to each auditor separately, who sets the foundations and takes the measures he deems appropriate.

3- Descriptive report

The auditor here describes the procedures followed in the project for each of the operations while describing the control system and the documentary cycle. It is a suitable method for small and medium projects to some extent. The descriptive report concludes by identifying the weaknesses in the systems used and holding them accountable. Its disadvantages are summarized in the difficulty of following the lengthy explanation of the control system and the difficulty of ensuring that all aspects of the control system are covered in that report.

4- Studying organizational maps

Here, the auditor studies and evaluates the internal control system through his study of the organizational maps used in the project, such as the general organizational map and

document cycle maps for the various project operations, such as sales, cash, wages....etc. The disadvantages of this method are the difficulty of drawing it and concluding the degree of robustness of the internal control system from its facts because the maps show the normal facts whereas the unusual procedures do not show them, despite the fact that they are important in most times and cases.

5- Examining the accounting system

Here, the auditor obtains a list of accounting records, the names of those responsible for their creation, custody and auditing, and a second list of the nature of documents and the documentary cycle, and from these lists he can judge the degree of robustness of the internal control system. This method is characterized by that it focuses on the circumstances specific to each project, and it has a disadvantage where it may become lengthy in large facilities, especially if the auditor investigates the employees, records, and the like. It is necessary to bear in mind that the auditor can combine and evaluate two means or more of internal control systems and in all cases, he should meet with his assistants and make them understand that the goal of any means is to reach a judgment on the degree of adequacy of the internal control system used.

PRACTICAL ASPECT

Description of the Research Sample

1. Research Sample

The research sample consists of a number of employees working in the internal control departments in the corporates. The two researchers distributed the questionnaire to them, and (65) forms were retrieved out of (70) distributed forms and (2) forms were not returned and the conditions were not met in (3) forms and the returned forms represented (92.857%) of the total number of forms distributed.

2. Distribution of research respondents according to the educational attainment

Table (1) indicates the distribution of the research sample according to educational attainment, that the respondents of the research sample have good academic qualifications, as the number of holders of a bachelor's degree in accounting reached (51) constituted (78.5%) of the total sample, followed in the second place by holders of chartered accountant certificates of the Arab Institute (5) respondents by (7.7%) of the sample, and then 4 respondents as holders of master's degree in accounting by (6.2%), while the lowest percentages were for the holders of PhD degrees, Chartered Accountants of the Higher Institute and Accounting Technical Diploma, as their number reached (3) by (1.5%) for each of them, and the educational achievement reflects the possibility of comprehension and awareness of the content of the questionnaire.

Table No.(1): Distribution of the research's respondents according to the educational attainment

Educational attainment					
		Frequency	Percent	Valid percent	Cumulative percent
Valid	Accounting bachelor	51	78.5	81.0	81.0
	Accounting master	4	6.2	6.3	87.3
	Accounting PhD	1	1.5	1.6	88.9
	Chartered accountant – Arab Institute	5	7.7	7.9	96.8
	Chartered accountant – Higher Institute	1	1.5	1.6	98.4
	Accounting/technical diploma	1	1.5	1.6	100.0
	Total	63	96.9	100.0	
*Missing	System	2	3.1		
Total		65	100.0		

*Two respondents did not mention the educational attainment

Source: Prepared by the two researchers

1- Distribution of the research sample according to the nature of activity

It is clear from the table (2) that the corporates, the research sample, operate in different sectors, as the commercial companies represent (27.7%), then the companies that work in other fields ranked second by (26.2%), and then banks by (24.6%), and then companies working in the field of industry and factories by (9.2%) and finally the corporates working in the fields of agriculture and communications by (6.2%) for each of them.

Table No.(2): Distribution of the research's respondents according to the nature of activity

Nature of activity					
		Frequency	Percent	Valid percent	Cumulative percent
Valid	Commercial	18	27.7	27.7	27.7
	Industrial	6	9.2	9.2	36.9
	Agricultural	4	6.2	6.2	43.1
	Banking services	16	24.6	24.6	67.7
	Communications	4	6.2	6.2	73.8
	Others	17	26.2	26.2	100.0
	Total	65	100.0	100.0	

Source: Prepared by the two researchers

2- Distribution of the researcher's respondents according to the years of service

The numbers in the table (3) indicate that the (1-7) category constitutes a percentage of (35.4%) of years of service in the research sample, followed by (8-14) category by (29.2%), followed by the (15-21) category by (9.2%) followed by (29-35) category by (7.7%), followed by (36-42) category by (4.6%), while the two categories (<1) and (22-28) have lowest percentage of those whose number of years of service ranged between less than one year and (22-28) by (3.1%).

Table no.(3): Distribution of the researcher's respondents according to the years of service

Number of years of service				
	Frequency	Percent	Valid percent	Cumulative percent
<1	2	3.1	3.3	3.3
1-7	23	35.4	38.3	41.7
8-14	19	29.2	31.7	73.3
15-21	6	9.2	10.0	83.3
22-28	2	3.1	3.3	86.7
29-35	5	7.7	8.3	9.5
36-42	3	4.6	5.0	100.0
Total	60	92.3	100.0	
Missing system		5	7.7	
Total		65	100.0	

Source: Prepared by the two researchers

Analysis of Results and Testing of Hypotheses by Using Preliminary Statistical Techniques

1- Table (4) indicates the frequency distributions, percentages, means, and standard deviations of the variables (Y1-Y11) that represent the statements for measuring the answers about the extent to which companies adhere to the principles and mechanisms of corporate governance, which shows the means, standard deviations and percentages of these variables as follows:

(86.69%) of those included in the study confirms that the external auditor possesses the skills and experience that help to give confidence to the financial statements of the corporates, as the arithmetic mean and standard deviation of the variable (Y10) are (4.38) and (0.84) respectively.

Also (73.54%), (75.69%), (68.08%) and (78.15%) of those included in the study agreed that the board of directors can objectively judge the affairs of the corporates

independently of the Management through the formation of independent committees for supervision, follow-up, auditing, appointments and rewards, as the mean and standard deviation of the variables (Y7 a.b.c.d) reached (3.68), (1.08), (3.78), (1.01), (3.35), (1.08), (3.91) and (1.09) respectively.

(75.31%) of those included in the study agree that auditors in Iraqi companies apply local and international standards, as the mean and standard deviation of the variable (Y9) are (3.82) and (0.95) respectively. Through the table, it is noted that the total mean has reached (3.90) and a percentage of (77.94%) of the scale area, and this result came due to the high frequency of responses to the statements of (Y1-Y11) by agreement (totally agree) and (agree) respectively.

Since the mean (3.90) is close to (4) within the five-point Likert scale that was used, it can be said that the responses of the research sample about the questions of the first axis of the second section related to the test of the first

sub-hypothesis within the main hypothesis about (the commitment of corporates to the principles of corporate governance and the introduction of these principles within the internal control systems and the audit department) tend to support the corporates with the principles of corporate governance, and this means accepting the first sub-hypothesis within the main hypothesis.

2-The second axis of the second section of the questionnaire was devoted to measuring and analyzing the results of the extent to which corporate governance helps to enhance the role of accounting disclosure and transparency and thus it enhances the supervisory role. The second sub-hypothesis can be tested through the analysis of the question of this axis from (X1-X11) as shown in table No.(5), where the table (5) indicates the frequency distributions, percentages, means and standard deviations of the variables for this axis (X1-X11), and their results are as follows:

(88.92%) of those included in the study believes that the commitment of the external auditor to apply international and Iraqi standards leads to raising the level of disclosure and transparency of the financial statements of the corporates, as the mean and standard deviation of the variable (X3) reached (4.45) and (0.66) respectively. (86.77%), (85.85%), (80.31%), (75.08%) and (72.31%) of those included in the study refer that the significant information must be disclosed, in

addition to that the financial statements include the objectives of the corporates, the operational financial results, the nature of the ownership structure, as well as the remunerations of the members of the board of directors and the essential matters of stakeholders, including employees, as the mean and standard deviation of the variables (X1 e.a.b.c.d) reached (4.34), (0.82), (4.29), (0.74), (4.02), (0.82), (3.75), (1.08), (3.62) and (0.96) respectively.

By extracting the rate of the means for the variables (X1-X11), we get the rate of the mean (4.05), since the mean (4.05) represents (81.05%) within the five-point Likert scale that was used, so it can be said that the answers of the research sample about the statements related to testing the second sub-hypothesis tend to support the help of corporate governance mechanisms in enhancing disclosure and transparency and thus enhancing the supervisory role, as the percentage (81.05%) is within a distance of (80%), which means the acceptance of the second sub-hypothesis.

3-Analyzing the results for measuring the extent of the practice of internal audit and internal control and its tasks in a manner that achieves the requirements of corporate governance mechanisms.

The third axis of the questionnaire was devoted to measuring the extent to which internal control performs its functions in a

manner that achieves the requirements of corporate governance mechanisms. The third sub-hypothesis can be tested through the results of the questions for this branch of (Z1-Z13) and as shown in the table (6). Table (6) refers to the frequency distributions, percentages, means, and standard deviations of the variables (Z1-Z13) which represent the statements for measuring the extent of the practice of internal control and its tasks in order to achieve the requirements of corporate governance mechanisms for these variables, as follows:

(86.77%) of those included in the study confirm that the internal audit works to develop the internal control systems in line with the development taking place in the operations and activities of the corporates, as the arithmetic mean and standard deviation of the variable of (Z6) reached (4.34) (0.76) respectively.

(64.92%) of those included in the study indicated the confirmation of the internal audit for the exercise of minority shareholders of their voting rights, and this is supported by the mean and the standard deviation of the variable (Z9) (3.25) and (0.98) respectively.

It is noted from the table (7) that the total mean reached (3.82) and percentage of (76.39%) of the area of the five-point Likert scale that was used, it can be said that the responses of the research sample about the questions of the third axis related to testing the third sub-hypothesis within the main

hypothesis (internal control can perform its functions in order to achieve corporate governance mechanisms) tend to support the hypothesis significantly.

**Table (4) Frequency distribution, percentages, mean, standard deviation, and coefficient of variance
To the respondents' answers about the extent of companies' commitment to the principles and mechanisms of corporate governance (Y) (n=65)**

Percentage (%)	Standard deviation	Middle Arithmetic	Totally agree		Agreed		To some extent		I do not agree		I don't totally agree		Variables
			5		4		3		2		1		
			%	Repetition	%	Repetition	%	Repetition	%	Repetition	%	Repetition	
77.54	0.88	3.88	23.1	15	49.2	32	21.5	14	4.6	3	1.5	1	Y1
87.38	0.67	4.37	46.2	30	46.2	30	6.2	4	1.5	1	0.0	0	Y2
86.77	0.78	4.34	52.3	34	29.2	19	18.5	12	0.0	0	0.0	0	Y3.a
81.85	1.04	4.09	46.2	30	26.2	17	21.5	14	3.1	2	3.1	2	Y3.b
82.15	0.89	4.11	41.5	27	30.8	20	24.6	16	3.1	2	0.0	0	Y3.c
78.15	1.00	3.91	29.2	19	44.6	29	16.9	11	6.2	4	3.1	2	Y4
75.08	1.10	3.75	32.3	21	26.2	17	29.2	19	9.2	6	3.1	2	Y5
72.62	0.86	3.63	20.0	13	27.7	18	47.7	31	4.6	3	0.0	0	Y6
73.54	1.08	3.68	24.6	16	35.4	23	27.7	18	7.7	5	4.6	3	Y7.a
75.69	1.01	3.78	24.6	16	43.1	28	21.5	14	7.7	5	3.1	2	Y7.b
67.08	1.08	3.35	16.9	11	26.2	17	36.9	24	15.4	10	4.6	3	Y7.c
78.15	1.09	3.91	13.8	9	36.9	24	43.1	28	20.0	13	4.6	3	Y7.d
71.38	0.85	3.57	13.8	9	36.9	24	43.1	28	4.6	3	1.5	1	Y8
76.31	0.95	3.82	26.2	17	40.0	26	23.1	15	10.8	7	0.0	0	Y9
87.69	0.84	4.38	56.9	37	27.7	18	13.8	9	0.0	0	1.5	1	Y10
75.69	0.99	3.78	26.2	17	38.5	25	24.6	16	9.2	6	1.5	1	Y11
77.94	0.94	3.90											Total

Table (5) Frequency distribution, percentages, mean values, standard deviations, and coefficient of variance
(Respondents' answers about the extent to which corporate governance helps in enhancing disclosure and transparency (X) (n=65)

Percentage (%)	Standard deviation	Middle Arithmetic	Totally agree		Agreed		To some extent		I do not agree		I don't totally agree		Variables
			5		4		3		2		1		
			%	Repetition	%	Repetition	%	Repetition	%	Repetition	%	Repetition	
86.77	0.82	4.34	52.3	34	32.3	21	12.3	8	3.1	2	0.0	0	X1.a
85.85	0.74	4.29	46.2	30	36.9	24	16.9	11	0.0	0	0.0	0	X1.b
80.31	0.82	4.02	32.3	21	38.5	25	27.7	18	1.5	1	0.0	0	X1.c
75.08	1.08	3.75	27.7	18	36.9	24	21.5	14	10.8	7	3.1	2	X1.d
72.31	0.96	3.62	18.5	12	36.9	24	35.4	23	6.2	4	3.1	2	X1.e
82.77	0.79	4.14	38.5	25	36.9	24	24.6	16	0.0	0	0.0	0	X2
88.92	0.66	4.45	52.3	34	41.5	27	4.6	3	1.5	1	0.0	0	X3
77.85	0.94	3.89	29.2	19	40.0	26	21.5	14	9.2	6	0.0	0	X4
80.62	0.77	4.03	24.6	16	58.5	38	13.8	9	1.5	1	1.5	1	X5
82.15	0.77	4.11	33.8	22	44.6	29	20.0	13	1.5	1	0.0	0	X6
80.92	0.76	4.05	27.7	18	52.3	34	16.9	11	3.1	2	0.0	0	X7.a
78.15	0.80	3.91	21.5	14	53.8	35	18.5	12	6.2	4	0.0	0	X7.b
79.38	0.75	3.97	26.2	17	44.6	29	29.2	19	0.0	0	0.0	0	X7.c
87.08	0.62	4.35	43.1	28	49.2	32	7.7	5	0.0	0	0.0	0	X8
80.92	0.72	4.05	27.7	18	49.2	32	23.1	15	0.0	0	0.0	0	X9
80.31	0.72	4.02	26.2	17	49.2	32	24.6	16	0.0	0	0.0	0	X10
78.46	0.82	3.92	27.7	18	38.5	25	32.3	21	1.5	1	0.0	0	X11
81.05	0.80	4.05											Total

Table (6) Repetitive distribution, percentages, arithmetic median values, standard deviations and variation factors (For the respondents' answers about the extent to which internal auditing and internal control (Z) are exercised (n=65

Percentage (%)	Standard deviation	Middle Arithmetic	Totally agree		Agreed		To some extent		I do not agree		I don't totally agree		Variables
			5		4		3		2		1		
			%	Repetition	%	Repetition	%	Repetition	%	Repetition	%	Repetition	
66.77	0.97	3.34	12.3	8	30.8	20	36.9	24	18.5	12	1.5	1	Z1
79.69	0.84	3.98	29.2	19	44.6	29	21.5	14	4.6	3	0.0	0	Z2
79.08	0.84	3.95	27.7	18	44.6	29	23.1	15	4.6	3	0.0	0	Z3.a
78.46	0.80	3.92	24.6	16	46.2	30	26.2	17	3.1	2	0.0	0	Z3.b
75.08	0.83	3.75	20.0	13	40.0	26	35.4	23	4.6	3	0.0	0	Z3.c
74.15	1.04	3.71	24.6	16	38.5	25	21.5	14	13.8	9	1.5	1	Z4
85.85	0.91	4.29	52.3	34	30.8	20	12.3	8	3.1	2	1.5	1	Z5
86.77	0.76	4.34	50.8	33	32.3	21	16.9	11	0.0	0	0.0	0	Z6
70.15	0.89	3.51	15.4	10	30.8	20	43.1	28	10.8	7	0.0	0	Z7
81.23	0.79	4.06	30.8	20	47.7	31	18.5	12	3.1	2	0.0	0	Z8
64.92	0.98	3.25	10.8	7	29.2	19	35.4	23	23.1	15	1.5	1	Z9
75.38	1.00	3.77	27.7	18	33.8	22	26.2	17	12.3	8	0.0	0	Z10
76.00	0.92	3.80	24.6	16	38.5	25	30.8	20	4.6	3	1.5	1	Z11
77.23	0.93	3.86	29.2	19	33.8	22	32.3	21	3.1	2	1.5	1	Z12
75.08	0.90	3.75	23.1	15	36.9	24	32.3	21	7.7	5	0.0	0	Z13
76.39	0.89	3.82											Total

CONCLUSIONS AND RECOMMENDATIONS

This chapter represents a summary of the researchers' efforts in their research, which dealt with the topic of the impact of corporate governance mechanisms on the internal control system in a sample of corporates in the province of Baghdad and the results of the statistical analysis of the research variables to prove its hypothesis. The research reached a set of conclusions under which a set of recommendations will be presented in two parts: conclusions and recommendations.

Conclusions

In light of the literature review, data analysis and results of the research, the two researchers present the theoretical and practical conclusions reached by them and they are as follows:

- 1- Corporate performance can be improved through the effective application of an internal control system that contributes to reducing operational risks through the adoption of a discreet corporate governance system .
- 2- The good application of corporate governance needs radical reforms in the legal aspects and regulations applied by companies, which in turn contributes to creating a safe environment to attract investors .

- 3- Governance works as an integrated system consisting of the inputs represented by the board of directors, the executive management, committees affiliated with the board of directors, auditors, regulations, laws and processes that revolve around the control of the activities of the corporates and facing the risks and outputs that are the goals it achieves as a result of its internal operations. As for the feedback, it is represented by the accountability of managers and everyone working in the system for all actions.

- 4- It is necessary to re-engineer the internal control system in a way that contributes to enhancing the function of internal audit and its role in supporting management and achieving integration with the Audit Committee and external audits.
- 5- There is an urgent need to keep pace with the developments and changes taking place in the field of auditing profession in order to complete the work quickly and better. The primary point, to cope with these developments, lies in including international auditing standards in the curriculum and opening auditing courses for employees in the internal control systems.

- 6- Working to create an institution that has the responsibility to issue a corporate governance system in accordance with international standards that meet the requirements of the local business environment, this institution works to train cadres capable of applying good corporate governance.
- 7- Risk management is everyone's responsibility and a goal for everyone, and awareness of the direction of spreading governance is one of the requirements for preparing for the regulatory reform process.

Recommendations

In light of the conclusions reached by the two researchers in the first section, they present the following recommendations:

- 1- The necessity of obligating all corporates to define the requirements of governance, strive to implement it and act accordingly.
- 2- Determining weaknesses and deficiencies in the work mechanisms of the internal control systems and setting and defining plans that focus on addressing this deficiencies and developing performance.
- 3- Preparing educational programs and training courses for employees of the internal control systems for the purpose of qualifying them to fulfill the requirements of correct and proper performance and raising their awareness of the risks of corruption inherent in the performance of their jobs.
- 4- Emphasis on the importance of cooperation between the audit committee in the corporates and each of the internal auditor and the external auditor, which enhances the effectiveness of control over these units.
- 5- Conducting more studies linking governance, in addition to preparing studies that link between transparency and performance.
- 6- Subjecting the internal auditors and their working methods to a continuous evaluation process to determine the strengths and weaknesses in their work, working to develop their expertise and skills, and assisting them in familiarizing themselves with the modern auditing methods used in developed countries.
- 7- The internal control unit must have all the powers that it gives it to obtain the data it needs.
- 8- The employees of the internal control systems must be acquainted with the new systems and any amendments to the existing systems, by holding seminars for them that contribute to activating the role of the internal audit.

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