

THE RELATIONSHIP BETWEEN THE EFFECTIVENESS OF INTERNAL CONTROL SYSTEMS AND THE QUALITY OF FINANCIAL REPORTS IN IRAQI COMMERCIAL BANKS

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Abstract

This study aimed to evaluate the effectiveness and efficiency of internal control systems and their impact on the quality of financial reports and statements in financial institutions operating in the Iraqi Stock Exchange, and to shed light on the set of control procedures and means, whether accounting or administrative, on which these institutions depend and the extent of their impact on the fairness and accuracy of financial reports, The researcher used the descriptive approach by using the questionnaire as a basic tool in the study community consisting of all Iraqi financial institutions and commercial banks. A group of these financial institutions were selected through a random sample represented by financial and administrative managers, internal auditors, auditors, chartered accountants, and members of the Audit and Monitoring Profession Council and the Financial Control Bureau, The researcher used a questionnaire for the purpose of achieving the research objective consisting of (10) paragraphs to collect basic information about the research sample and analyze it using the statistical program (SPSS) to achieve the research objectives and then reach the conclusions and recommendations of the study that were extracted from the theoretical and practical aspects, The study concluded the importance and role of internal control systems in raising the efficiency and performance of financial institutions and protecting their cash and non-cash assets. The study recommended the need to pay attention to the scientific qualification, professional competence and practical experience of internal auditors.

Keywords: Internal control, efficiency and effectiveness, financial reporting, commercial banks, accounting information, internal auditors, Internal adjustment device.

Introduction

As a result of the expansion of the size of financial and banking institutions in the Iraqi labor markets, the need has led to the establishment of sound internal control and auditing systems and control devices based on individuals and technical cadres with professional administrative experience within banking institutions that undertake the task of internal supervision and control over all financial operations from the input and processing stage to the output process in the form of reports and financial statements and the financial information they contain that is characterized by qualitative characteristics and is communicated to its users. Detecting risks before they occur (Al-Bajrami, 2012: 3), Internal control is an important and key part of the senior management of commercial banks to ensure the implementation and completion of planned programs on how to use available human and financial resources and protect them from misuse, identify deviations, analyze them, and know the causes with the aim of addressing and correcting them in a timely manner for future use (Dhanibat and Kafous, 2012: 32).

To achieve this, the study came according to the following axes:

The first axis: study methodology and previous studies.

The second axis: the theoretical aspect of the study.

The third axis: the practical aspect of the study.

The Four Axis: Conclusions and recommendations.

The fifth axis: Arab and foreign sources.

The first axis: study methodology and previous studies

Study methodology

First: The problem of study

The problem of the study is that the inefficiency and ineffectiveness of internal control systems in financial institutions is what may lead to the failure of these institutions to contribute to economic development in Iraq and create financial crises, whether at the present time or in the near future, as internal control always depends on three basic control elements, which are administrative control, which is concerned with planning, organization, performance evaluation, accounting and financial control, which is concerned with financial operations, the accuracy of recording accounting entries, and preservation. On the assets and the internal control apparatus, which shows how the laws and instructions are implemented and reassures the administration that the control methods are in place by the cadres of these institutions and applied by all cadres of commercial banks.

Second: Objectives of the study. The study aims to:

- 1-** Identifying the role and effectiveness of internal control over the performance of commercial banks in the Iraqi market.
- 2-** Identifying statistical differences from the perspective of the study sample and their impact on the quality of financial reports and statements.
- 3-** Emphasizing the role of the internal control body established by financial institutions to monitor the implementation of laws, instructions and regulations by employees in those institutions.

Third: The importance of the study.

The importance of the study comes from the importance, efficiency and role of the control systems, whether internal or external, in the planning process and preparing audit programs and the responsibility of auditors in the implementation process well, which leads to the development of this profession and increasing its effectiveness in selecting the statistical sample and collecting the largest number of evidence and clues for the most important items or elements, which represent the study population Explaining the strengths and weaknesses of the control system, which facilitates the process of giving the auditor an impartial technical opinion on the veracity and fairness of the financial statements and the methods and policies used in preparing those statements.

Fourth: Study hypothesis.

The researcher relied on a basic and main hypothesis depending on the problem of the study, and the hypothesis is:

(There is no statistically significant relationship between internal control systems and methods of preparing reports and financial statements produced by commercial banks operating in the Iraqi market).

Fifth: Study method.

To achieve the objectives of the study, the descriptive analytical approach was adopted as a method for studying the relationship between internal control systems and the preparation of financial reports. In the first phase of the study, theoretical information taken from books, magazines, periodicals, theses and university dissertations in the field of control and auditing was relied upon. In the second phase, the identification came from a selected sample of Iraqi commercial banks listed on the Iraqi Stock Exchange As for the time period, it is the period that was determined between (2022-2023), and based on the financial data and information in the financial statements published by those financial institutions, conclusions related to the study hypothesis were drawn, through which a complete understanding of the relationship between control systems and methods of preparing financial statements is built.

**The first axis: study methodology and previous studies
previous studies**

First: Abbas's study (2024) "Study of the relationship between the quality of accounting information and the quality of auditing in financial statements" This study was conducted on a group of Iraqi commercial banks as a sample for the study and addressed the definition and concept of accounting information in terms of its importance, qualitative characteristics, objectives, impact on its users, and the relationship between it and the quality of internal and external auditing. The researcher used the analytical description through a questionnaire prepared to collect primary information from members of the study sample The researcher reached a set of conclusions, the most important of which is the

existence of a direct relationship between the two variables that is statistically significant. The most important recommendations are the necessity for auditors to measure the efficiency and effectiveness of the means and procedures of the internal control body within financial institutions and evaluate its performance from time to time to reduce supervisory and implicit risks.

Second: Abu Kamil's study (2018) "Developing internal control tools to protect electronically prepared data"

This study showed the extent of the relationship between the means and methods of internal control used in private banks for the purpose of protecting accounting data and financial information prepared by these institutions in the financial statements from all the risks surrounding them. The study used analytical description and concluded that the weak professional experience of individuals working on computers, their small number and lack of skill led to the emergence of some control risks in the control system used. The study recommended great attention to the internal control system in place and the publication of instructions, laws and regulations that must be implemented to reassure the administration that the internal control and monitoring methods are working well.

Third: Fayoum Study (2016) "The Impact of Using Information Technology on the Internal Control System"

This study aimed to demonstrate the strong relationship between the uses of computer information technology by joint-stock financial companies and the extent of its impact on the internal control systems used by these financial companies. The study concluded that there must be working individuals who possess high skills in current computer systems, including auditors and financial managers, to reassure management that the laws and instructions are well applied in the main departments of the company with the aim of maintaining the accuracy of financial parameters and that the company operates in accordance with policies. Accounting The study recommended the need for auditors to use information technology in preparing financial reports and addressing weaknesses that may occur in internal control systems.

The second axis: the theoretical aspect of the study

Internal control

First: The concept and importance of internal control.

The internal control system is defined as a set of internal principles, policies and procedures used by the management of financial institutions that aim to protect their financial assets and property from fundamental errors, embezzlement and fraud, and to address and correct cases of unwanted deviation with the aim of making optimal use of the resources of economic units, whether human resources or financial resources (Abbas, 2019: 18).

The concepts of control systems always refer to all activities, programs and plans that are implemented by working individuals, monitoring their performance, trying to diagnose deviations, if any, and address them, and ensuring that the control methods in place are correct and are implemented in the required manner and monitored through the internal control device established by the institution with the aim of reassuring it of the progress of work (Hamad, 2016: 14). Internal control is defined as an investigation and research process

aimed at evaluating accounting, administrative, and other procedures within an organization in order to provide guarantees to users, including project owners, partners, shareholders, banks, and others, about the accuracy and credibility of the information placed at their disposal that represents the reality of the organization. Therefore, the oversight process includes examination, investigation, and reporting (American Society of Accountants, 2009: 3).

Internal control is an internal function established by economic institutions and joint-stock companies to provide management services and correct errors to ensure the progress of work, protect their assets, ensure accuracy in recording accounting operations, preparing financial statements and communicating them to their users in the required manner, disclose all necessary and necessary operations in an understandable and timely manner, and ensure that working individuals follow the plans, instructions and laws set by official bodies (Abdullah, 2020: 24).

Second: Objectives and characteristics of internal control.

The objectives of internal control systems or internal audit bodies, whether the accounting audit or administrative audit process, are characterized by the fact that they include all the basic operations of financial institutions, which include examination, i.e. ensuring the accuracy, integrity and precision of the measurement of financial operations that have been recorded, analyzed, classified and fixed in accounting books and records, and the verification process, which means the possibility of judging the validity of the final financial statements as a sound expression of the institution's work for a specific period of time and as an indication of the financial position at the end This period and the process of the final report issued by the auditor, which is expressing the neutral technical opinion on the financial statements according to a final report showing the results of the examination and investigation and submitted to the Board of Directors of the economic institution, is considered the conclusion of the audit process, in which the auditor expresses his neutral technical opinion on the financial reports and statements as a whole in terms of the truthfulness and fairness of their portrayal of the institution's financial position (Al-Suhail, 2017: 54).

Al-Kubaisi believes that the objectives of internal control systems are as follows: (Al-Kubaisi, 2019: 68).

- 1- Protecting the assets of economic units, whether they are in-kind assets or financial assets.
- 2- Ensure the accuracy of recording accounting entries and substantive financial operations in accounting records and transferring them to the professor's main records.
- 3- Control and implementation of laws, regulations, rules and instructions by working individuals and monitoring of performance evaluation by supervisory bodies, external audit and monitoring offices and the Board of Directors.
- 4- Follow up on the inputs of the accounting system and the process of processing and operating that data and ensure the system's outputs in the form of final lists that meet the goals and plans of those economic institutions at the lowest cost and good quality for the

purpose of delivering them to their users in an easy, objective and timely manner (disclosure).

5- Trying to detect fraud, forgery and embezzlement before they occur and reducing the (creative accounting) policy that some financial managers or accountants in financial institutions may use.

6- Distributing duties, defining powers and responsibilities for individuals working in all departments within institutions, and monitoring their performance.

7- Raising production efficiency by improving performance according to drawn-up plans at the lowest possible cost, while relying on the principle of necessary disclosure and quality of information to achieve the goals of economic unity.

One of the most important main characteristics of internal control systems is the existence of integrated organizational plans covering all activities of financial institutions, showing all policies followed by boards of directors, divisions and departments and monitoring their implementation, in addition to emphasizing the distribution of powers and defining responsibilities with the aim of raising the efficiency and productive effectiveness of these institutions. Ensure that individuals working in economic units implement all written laws, regulations and instructions and monitor their performance through the internal control device. Monitoring and auditing shall be comprehensive and not according to randomly selected samples. (Dahmash, 2016: 30).

Third: Types of internal control.

Audit Manual No. (4) issued by the Accounting and Control Standards Council in Iraq divided the types of internal control into the following: (Iraqi Audit Manual, 2000: 2).

1- Administrative control: It is a set of instructions and procedures that contribute to examining and evaluating all aspects of administrative activities to diagnose administrative problems, identify deficiencies and errors, and find appropriate solutions for them. Administrative control has multiple methods, including, for example: (planning budgets, cost centers, statistical reports).

2- Accounting control: It includes the accounting means, methods, approaches and policies adopted by international standards councils, whose mission is to preserve the cash and non-cash assets of economic institutions and the accuracy of accounting data and information. Accounting control has a set of methods, including: (double entry system, measurement, registration and transfer to the professor's register, final, semi-annual and quarterly accounts, monthly trial balance, positive and negative approvals, continuous and periodic inventory system).

3- Internal control system: It includes all means, procedures and organizational means that aim to control the operations of the economic unit and monitor the work of working individuals by making the work of a specific individual monitored by another person automatically and continuously to ensure the progress of work to avoid errors or manipulation. The system is based on distributing the work, responsibilities and powers of each division or department and preventing any person or official from conducting any process completely from beginning to end.

4- Internal Audit Authority: It is a completely independent administrative body and is one of the means of internal control established by senior management to serve it and reassure it that all published control procedures for working individuals are applied in accordance with the controls in force to ensure the accuracy of recording and processing accounting and statistical data and operations and to ensure the protection of the economic unit's funds.

The researcher believes that in order to achieve an integrated system of means and procedures for internal control, all management of economic units must contribute by providing certain important elements that include an organizational and administrative plan that defines the general structure of the economic unit, in addition to a unified accounting system based on a set of inputs represented by records, documents, and an accounts manual to process and operate them according to the accounting system, and then outputs represented by the numbers of audit balances and final accounts such as the income statement and the financial position statement.

Fourth: Acceptable internal control standards.

The means and procedures of internal control in modern and advanced banks and commercial institutions differ from traditional institutions during the modern era due to their use of information technology and their reliance on accurate information and electronic programs as a result of the expansion of their work to include many industries and economic sectors, whether at the local or global level. Consequently, the need has become for advanced and modern internal control systems issued by international audit institutes (AII) that rely on objective, reliable and comprehensive information for all activities and work of banks and economic units (Juma, 2016: 24).

International standards for internal control and auditing are general and main instructions and rules and an effective means of judging the extent of professional competence and effectiveness enjoyed by workers in that profession, evaluating their continuous performance, defining responsibilities and powers, and enhancing their technical skills to achieve the goals set by management. The American Institute of Certified Public Accountants defines control and audit standards as a general and basic guiding method to guide the work of auditors, not the audit process and the extent of their professional and ethical responsibility (rules of professional conduct) in implementing the audit process and following up on the audit programs established by them, whether fixed and drawn audit programs or gradual audit programs prepared by the auditor during the implementation of the audit process. The extent of their professional responsibility when preparing the final report on the validity and fairness of the financial statements (Al-Hanini, 2014: 26).

The importance and objectives of international control and auditing standards are: (Al-Rahahla, 2017: 33).

1- Management relies on the assurances and reports provided by two auditors during the audit process and takes them into account to improve the workflow of individuals working in these institutions.

2- Standards always set general principles and rules for all business activities, departments and individuals through written instructions and must be adhered to by management.

Among the most important standards issued by the Internal Audit Institute are:

- 1- The auditor's independence and impartiality in all the work he performs, whether apparent independence related to his personality or objective independence related to the evidence, clues and information he obtains during the implementation of the audit process.
- 2- Full disclosure, in accordance with accepted accounting principles, of all necessary cases that are not believed to be consistent with the operation and nature of the unit's economic activity in the form of a report showing the expression of his neutral technical opinion on the fairness and honesty of the financial statements.
- 3- Emphasizing that there is no joint work between those responsible for auditing and the owners of the company subject to supervision and auditing in any way.
- 4- It is necessary for auditors and their assistants to enjoy the necessary professional care in terms of appropriate professional and educational competence.
- 5- The importance of relying on the quality of the internal control system (the scope of the auditor's work) and emphasizing management and the extent of its full commitment to distributing powers and responsibilities as stated in International Standard No. (1), which is related to the professional performance standard.
- 6- Having an integrated action plan before and during the implementation of the audit process that includes objectives and how to obtain sufficient evidence and clues to reduce the supervisory, implicit and fundamental risks of elements of relative importance according to the audit program (All, 2007).

We note that internal control systems are not limited to the financial and accounting fields only, but have developed to include other fields such as administrative, technical and technological activities with the aim of ensuring the accuracy, integrity and accuracy of the initial financial statements and transforming them into useful information through the process of running them on the computer to become information that can be used in the form of financial reports, which are considered the outputs of the accounting system.

**The second axis: the theoretical aspect of the study
financial statements**

The concept of financial statements.

The activity of any economic unit is always translated into financial elements or information in the body of financial reports and statements through which its users are able to obtain the necessary and sufficient information for each specific category according to its needs. It is a means and tool for the full and necessary disclosure of the overall work of those units, and the final result of any accounting system is financial statements Which provides users

with statistics on operations through the income statement including net profit or loss for a specific period of time, and statistics on customers, suppliers, debtors, creditors and inventory through the financial position statement which expresses a specific moment in time. The outputs of commercial banks are represented in the form of copies of reports and financial statements and the clarifications and notes attached to them. International and local accounting standards require the principle of accounting disclosure of important and necessary information that is of interest to investors who seek to know the profits and cash liquidity that they expect to obtain in the future as a result of their investments in commercial banks. Disclosure is made in a timely manner, whether in the body of the financial statements or in the form of notes attached to those statements (Abbas, 2014: 68). The term accounting estimates in financial statement items, which is used by accountants and management on elements such as depreciation and productive life of fixed assets, and even inventory estimation, debt allocation, potential and emergency losses, and the extent of its impact on users, whether internal or external, is considered one of the important matters that has occupied a large space at the technical and professional level for those working in the supervision and auditing profession, as it has a significant impact on the process of measuring and analyzing these elements, especially those characterized by relative importance, which It is included in the financial statements published by those commercial banks and similar institutions, Senior management is always primarily responsible for the accounting and financial information contained in these lists, whether they are quarterly or annual, and the extent of the impact of these accounting estimates on the activity of these institutions and on the user audience (Abdel Aal, 2017: 77).

Therefore, this information must be disclosed in an appropriate and objective manner so that the data of these lists are not affected by the risks of (creative accounting) and the use of international accounting principles and standards for the purposes or interests of the senior management of these institutions Internal control systems must detect these incorrect practices related to estimates of the institution's assets, whether they are current cash assets or fixed assets, and any overestimation of inventory or reduction in potential liabilities, and ensure that financial statements are presented and presented objectively and transparently and express the reality of the work of these institutions (Karbakouri, 2018: 216).

Characteristics and attributes of accounting information.

The information contained in financial reports and statements has now become an important, valuable and useful source for many concerned parties, whether inside or outside economic institutions and for all sectors, which prompted the International Accounting Standards Board (IASB) to issue a list entitled (Quality Standards for Accounting Information Contained in Financial Statements), in which it explained the qualitative characteristics of accounting information that, if present in that information, is considered of great benefit for taking Rational decisions of the user group. Financial statements, the list of financial position (balance sheet), business results, profit or loss, and cash flows for

the activities of these institutions are considered among the most important main sources published by the economic units for all investors (Al-Omari, 2018: p. 27).

Through the accounting information in the financial reports and financial statements, the importance of the profitability of economic institutions appears, and thus the investment in those institutions is increased. The international committees concerned with setting accounting standards have adopted the creation of characteristics and features for accounting information, which are called the qualitative characteristics of accounting information in List No. (2) issued by (FASB) for the year 1980 AD, and what is meant by them are those characteristics that must characterize all information So that it is of great importance to both current and prospective users and investors who are responsible for the numbers of annual financial statements, in evaluating the quality of information resulting from the application of accounting principles and practical procedures (Al-Sabbagh, 2018: p. 32).

The basic characteristics of this information are the utility characteristic, which relates to the extent to which it is useful to decision makers whether to invest or not, and the suitability characteristic, which means the extent to which the information matches the needs of decision makers and is timely in order to be more appropriate and useful in evaluating the performance and operations of these institutions and predicting future events, Reliability is a basic property of information, meaning it expresses its freedom from major errors and the possibility of relying on that information as honest and correct information. It is also a property of understandability, and it acts as a link between decision makers and the usefulness of financial information. It must be in easy and understandable language so that the user audience can understand it correctly and without ambiguous terms, assuming that users have an acceptable level of knowledge in the accounting profession (educational disclosure) (Al-Qadi and Hamdan, 2021: p. 274).

The researcher believes that accounting data is considered accounting information that has been prepared, produced and presented in an organized and useful manner and is characterized by quality due to the qualitative characteristics it contains that are more useful. It must be credible and express the reality of the economic unit and reach the decision maker in a timely manner to help him predict the expected results and be able to evaluate the regression of previous predictions. It must also be comparable to the previous financial statements of those units.

The third axis: the practical aspect of the study

The researcher relied on the analytical approach of the accounting data and information included in the financial statements of some private banks and similar financial institutions operating in the Iraqi market, which represent the study community, to extract the final results through statistical procedures such as measures of central tendency such as the arithmetic mean, standard deviation, percentages, and the statistical package program (SPSS). The questionnaire was relied upon, consisting of (10) paragraphs related to the most important elements that affect the efficiency of control systems and improving the quality of the audit process for the lists of companies and commercial banks, the research sample. The questionnaire was distributed to a group of senior management members,

financial managers, accountants, internal auditors, as well as some external auditors and members of the Council of the Profession of Auditing and Control. (28) questionnaires were distributed to the first category and (20) questionnaires to the second category. All questionnaires were obtained, and the questionnaire was designed according to the five-point Likert scale based on the (T-test).

Table (1) Sample and response rate

the details	Number of forms	percentage
Distributed form	48	100%
neglected form	zero	0%

Table (2) Likert scale

Classification	5	4	3	2	1
degree of acceptance	very high	high	medium	very low	low

Below are the conclusions drawn related to the main research hypothesis (there is a positive relationship between the efficiency and effectiveness of internal control systems and the quality of accounting information in financial statements published by commercial banks):

Table (3) Analysis of the opinions of the study sample members

seq	Statement	mean	standard deviation	Level	ranking	Ratio	Variation coefficient
1	The necessity of having an internal control system and adhering to instructions in the administrative structure of commercial banks	4.71	0.41	very high	1	94%	8.70
2	The necessity of subjecting accounting information in financial statements to internal control to identify abnormal cases that affect users	3.80	0.56	high	10	76%	14.73
3	The effectiveness of financial information about the financial position in the annual or quarterly balance sheet improves management decisions	3.89	0.64	high	8	78%	16.45
4	The effectiveness of internal control systems helps the external auditor implement the audit process with high quality	4.14	0.53	very high	4	86%	12.82

5	The need to compare the financial reports of the current period with the financial reports of previous years contributes to the process of detecting and correcting deviations	4.42	0.63	very high	3	88%	14.70
6	Auditors and the Internal Control Authority provide audit services to clients and answer their inquiries	4.98	0.54	high	7	80%	13.05
7	Good audit planning and software helps improve audit quality and reduces oversight, discovery, and implicit risks	4.18	0.41	high	6	83%	15.31
8	The need for the management of commercial banks to periodically evaluate the performance of all employees in the audit department	4.52	0.42	very high	2	90%	9.29
9	External auditing contributes to preventing and detecting fundamental manipulation and embezzlement in commercial bank statements	3.86	0.52	high	9	77%	13.47
10	The external auditor helps verify the effectiveness and efficiency of accounting disclosure in financial reports and statements published by commercial banks	4.25	0.44	very high	5	85%	10.35

Source: Prepared by the researcher based on electronic computer outputs.

We note from the table above that paragraph (1) came with the highest arithmetic mean (4.71), a standard deviation of (0.41), a coefficient of variation (8.70), and a Tide ratio (94%), which indicates that the degree of approval is very high, and the Tide ratio was obtained by dividing the arithmetic mean by the value of the variable, which is equal to five.

Table (4) Result of testing the main hypothesis of the research

seq	Statement	mean	calculated value	Tabular Value	result
1	The necessity of having an internal control system and adhering to instructions in the administrative structure of commercial banks	4.71	12.51	1.241	accepted
2	The necessity of subjecting accounting information in financial statements to internal control to identify abnormal cases that affect users	3.80	13.52	1.241	accepted

3	The effectiveness of financial information about the financial position in the annual or quarterly balance sheet improves management decisions	3.89	14.40	1.241	accepted
4	The effectiveness of internal control systems helps the external auditor implement the audit process with high quality	4.14	13.53	1.241	accepted
5	The need to compare the financial reports of the current period with the financial reports of previous years contributes to the process of detecting and correcting deviations	4.42	14.61	1.241	accepted
6	Auditors and the Internal Control Authority provide audit services to clients and answer their inquiries	4.98	13.45	1.241	accepted
7	Good audit planning and software helps improve audit quality and reduces oversight, discovery, and implicit risks	4.18	14.54	1.241	accepted
8	The need for the management of commercial banks to periodically evaluate the performance of all employees in the audit department	4.52	13.22	1.241	accepted
9	External auditing contributes to preventing and detecting fundamental manipulation and embezzlement in commercial bank statements	3.86	14.32	1.241	accepted
10	The external auditor helps verify the effectiveness and efficiency of accounting disclosure in financial reports and statements published by commercial banks	4.25	14.44	1.241	accepted
Total		4.06	14.026	1.241	accepted

Source: Prepared by the researcher based on electronic computer outputs.

Through testing and examining the basic research hypothesis and according to the (T-test) system and the statistical program (SPSS) to know and determine the arithmetic mean and standard deviation, the researcher concluded that there is a positive and direct relationship between the efficiency and effectiveness of the internal control systems in place in commercial banks, the study sample, and the reports and financial statements issued by those commercial banks in the Iraqi market and the quality of disclosure Whereas the calculated value (14.026) is greater than the tabular value (1.241) under ((T, SiG (0.000) and since the general rule for accepting the research hypothesis (if the calculated value is greater than the tabular value, the main research hypothesis is accepted).

HO Hypothesis result	T SiG	T Tabular	T Calculated
acceptance	0.000	1.241	14.026

Source: From the researcher's preparation based on computer outputs.

The fourth axis: Conclusions and recommendations

Conclusions

Through the results of the practical study and the theoretical study that dealt with internal control systems and the extent of their impact on the honesty and fairness of financial statements published by commercial banks, the study sample draws the following results:

- 1- There is an important and major role for the internal control systems established by commercial banks to reassure them of the progress of work in all departments and thus to achieve efficiency, effectiveness and performance of all activities of these financial institutions in the service of the user public.
- 2- The Internal Control Department in commercial banks must enjoy great independence through its position in the organizational and administrative structure and its commitment to implementing laws and instructions by all working individuals and not being administratively subordinate to departments and administrations. There are always clear and specific instructions and regulations for employees in this department that help them practice their work and perform their responsibilities and powers with complete objectivity.
- 3- Financial institutions, which rely heavily on an important element, namely cash, rely heavily on financial and statistical reports and annual and quarterly statements prepared by management and under the supervision of the Internal Control Department to help improve rational decision-making and enhance performance in all departments of these banks with a high degree of accuracy and objectivity.
- 4- Through field visits to the banks of the research sample, we notice a great and positive interest from the bank management in ensuring complete protection and confidentiality of all customers' cash assets and their dealings with others, and taking care of programs and files to ensure effective and efficient internal control.
- 5- Audit offices, external auditors, and auditors affiliated with the Audit Profession Council help continuously examine internal control systems and address deviations and risk problems in improving and judging the quality of accounting and financial information, especially if that information is characterized by objectivity, honesty, comprehensive disclosure, and comparability.
- 6- There is a statistically significant relationship between the efficiency and effectiveness of internal control systems and the quality of accounting information in financial statements, as most Iraqi commercial banks have their financial reports and statements examined and audited by highly professional external audit offices and auditors in the labor market, with care taken to apply the necessary professional care standards in planning, organizing, and implementing the ongoing examination, audit, and oversight process, and issuing an impartial and appropriate professional opinion.

Recommendations

Through the research results, the researcher sees the need to pay great attention to internal control and auditing systems and the internal control apparatus, not to rely on financial auditing, and to move to monitoring all banking activities, which benefits these financial institutions and improves their performance through the following:

- 1- It is necessary to pay attention to the academic qualification and professional experience of all workers in the auditing and control profession and develop their skills by

following up on the issuance of audit standards, using modern technologies in completing their work, and adhering to the Code of Professional Conduct bulletin issued by the Iraqi Syndicate of Accountants and Auditors.

2- It is mandatory for senior management in commercial banks to develop performance bulletins and regulations approved by the Iraqi Accounting and Supervisory Standards Board and in accordance with Iraqi audit manuals, on the basis of which the internal auditor examines and evaluates the actual performance of these financial institutions.

3- Individuals working in the Internal Control Department must adhere to the principle of complete independence so that the final reports that express their neutral technical opinion and are prepared by them are characterized by credibility, objectivity, and high accuracy and can be relied upon by all users, including senior management, in making decisions and improving performance in those financial institutions.

4- 4- Internal auditors must monitor and analyze the financial statements in the accounting system before converting them into useful financial information included in the annual and quarterly financial reports, follow up on them, and measure their efficiency and freedom from accounting errors, whether committed or technical, in preparation for protecting the assets and liabilities of these institutions and the extent of reliance on the accuracy of accounting records, books, and asset documents that feed the accounting system.

5- The necessity of paying attention to the internal control system, whether accounting control, financial control, or administrative control, and to the control reports issued by auditors and the periodic reports produced by management, comparing them with previous financial reports of the same institution, and working to evaluate performance.

The Fifth axis: Sources.

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