



OPEN ACCESS

SUBMITTED 19 September 2025

ACCEPTED 28 September 2025

PUBLISHED 19 October 2025

VOLUME Vol.07 Issue 10 2025

CITATION

Asst. Lecturer Dhabya Safaa Mahmoud, Asst. Lecturer Israa Muhannad Abdul Malik Al-Hamdani, & Asst. Prof. Najat Hameed Sakhr. (2025). The Impact of Corporate Governance on Accounting Policies and Practices. The American Journal of Management and Economics Innovations, 7(10), 71–84. <https://doi.org/10.37547/tajmei/Volume07Issue10-06>

COPYRIGHT

© 2025 Original content from this work may be used under the terms of the creative common's attributes 4.0 License.

The Impact of Corporate Governance on Accounting Policies and Practices

Asst. Lecturer Dhabya Safaa Mahmoud Al-Ani

Secretariat Division, University Council, Al-Nahrain University, IRAQ

Asst. Lecturer Israa Mohanad Abdulmelek Al-Hamadani

Department of Auditing and Internal Control, Al-Nahrain University, IRAQ

Asst. Prof. Najat Hameed Sakhar

College of Business Economics, Al-Nahrain University, IRAQ

Abstract: This research aims to examine the impact of corporate governance on accounting policies and practices by highlighting the role of governance mechanisms in enhancing transparency and oversight of financial reporting. To achieve this, the researchers adopted a descriptive-analytical methodology, employing a questionnaire distributed to a sample of external and internal auditors to elicit their views on the effectiveness of governance mechanisms—namely, the board of directors, audit committees, and disclosure and transparency practices—in regulating accounting practices and improving the quality of financial statements. The survey results revealed a general awareness among auditors of the importance of applying governance in reducing opportunities for accounting manipulation and in strengthening confidence in financial information. However, certain weaknesses were identified in practical implementation, particularly concerning the efficiency of committees and disclosure mechanisms. The study concludes that corporate governance constitutes a fundamental tool for regulating accounting policies and recommends strengthening the role of boards of directors and audit committees, as well as enhancing disclosure requirements, to ensure the reliability of financial information.

Keywords: Corporate, Financial, Committees, Transparency

Introduction

In recent decades, growing attention has been directed toward the concept of corporate governance as an effective mechanism for limiting unsound managerial and financial practices that may threaten the sustainability of companies and negatively affect the confidence of investors and stakeholders. Corporate governance provides a framework designed to balance the interests of management and shareholders by setting rules and controls that guide the functions of boards of directors and audit committees, while promoting a high standard of disclosure and transparency.

Accounting policies and practices play a vital role in conveying a realistic representation of a company's financial performance. The absence of governance mechanisms, however, creates opportunities for manipulation and unsound practices, thereby undermining the reliability of financial statements. Hence, this study examines the relationship between corporate governance and accounting policies, with particular emphasis on the role of governance in enhancing the quality of financial information.

Accordingly, the study aims to analyze the impact of applying governance mechanisms on accounting policies and practices by surveying auditors' opinions and identifying strengths and weaknesses within the local working environment. The findings aim to provide practical recommendations that enhance the efficiency and reliability of financial reporting.

Research Methodology

1.1 Research Problem

Corporate governance is one of the key mechanisms for enhancing transparency and accountability within economic entities. Nevertheless, inadequate implementation of governance principles often gives rise to unsound accounting practices, thereby undermining the credibility of financial reports. In light of this, the research problem is articulated around the following central question:

What is the impact of corporate governance on accounting policies and practices?

1.2 Research Significance

The significance of this research stems from the

following points:

1. Highlighting the vital role that corporate governance plays in evaluating accounting practices and reducing the manipulation of financial reports.
2. Assisting senior management, investors, and stakeholders in relying on highly reliable accounting information.
3. Enriching both the theoretical and practical dimensions in the field of corporate governance and accounting policies, thereby serving as a useful reference for researchers and specialists.

1.3 Research Objectives

The purpose of this study is to accomplish the following goals:

1. Identify the relationship between the application of corporate governance mechanisms and the selection of appropriate accounting policies.
2. Clarify the impact of the board of directors, audit committees, and disclosure on accounting practices.
3. Detect the extent to which corporate governance is effective in limiting biased or misleading accounting practices

1.4 Research Hypotheses

The main hypothesis states that:

Corporate governance exerts a direct influence on improving accounting policies and practices through enhancing transparency and oversight.

In addition, the following subsidiary hypotheses are proposed:

1. The efficiency of the board of directors plays a role in adoption of fairer and more objective accounting policies.
2. The presence of effective audit committees helps limit unsound accounting practices.
3. Disclosure and transparency contribute to increasing the degree of trust in financial reports

1.5 Research Methodology

This study adopted a descriptive–analytical methodology, utilizing a structured questionnaire as the primary data collection instrument.

2. The Concept of Corporate Governance: Its Characteristics and Principles

2.1 The Concept of Corporate Governance

The notion of corporate governance has been described through multiple definitions due to differing perspectives, research purposes, and disciplinary orientations. It has broadly been described as a framework through which companies are guided and regulated. From an accounting perspective, governance is often defined as the procedures adopted by company owners to monitor risks and mitigate the effects of management actions. Others view governance as the relationship between shareholders and general assemblies with boards of directors and executive bodies, aimed at eliminating financial corruption and administrative deviations (Al-Ajeel, 2022: 1280).

Another definition conceptualizes governance as a set of processes that guide managers to operate in a manner that serves the best interests of shareholders, while simultaneously fostering investor confidence in capital market participation (Khalaf, 2023: 59). Bovaird and Löffler (2001: 2) explained it as a collection of formal and informal rules, structures, and processes that determine how individuals and organizations exercise authority over decisions affecting their welfare and everyday lives.

Similarly, Samarasiri (2008: 1) explained corporate governance as a documented administrative structure developed by companies within a specific framework, aimed at protecting stakeholders, mitigating risks, and ensuring the continuity of business operations. The Organization for Economic Co-operation and Development (OECD, 2015) explained governance as a means of fostering market trust and business integrity. It is not an end but a necessity for companies seeking the availability of equity financing to support long-term investments (Qader & Jassim, 2022: 281).

Accordingly, the researchers conclude that corporate governance may be understood as a network of relationships and administrative rules between company management and the board of directors. These mechanisms are employed to ensure effective internal management and to promote quality and excellence in administrative performance. In turn, sound corporate governance contributes to sustained economic growth, the advancement of investment, enhanced profitability, expanded employment opportunities, and the mitigation of abuses of authority that may harm the public interest.

2.2 Characteristics of Corporate Governance

By clarifying the concept of corporate governance, it becomes evident that this notion is inherently linked to the behaviors of the individuals involved. These behaviors must embody a set of characteristics for the principles of governance to be effectively realized. These characteristics include the following (Ahmed, 2021: 49):

1. **Discipline:** Adherence to appropriate ethical conduct consistent with the work environment.
2. **Transparency:** Providing an accurate and comprehensive picture of the company's overall situation.
3. **Independence:** Ensuring freedom from influences and pressures that could affect the course of operations.
4. **Accountability:** The capacity to appraise and analyze the effectiveness of the Board of Directors and senior management.
5. **Responsibility:** Recognition of obligations toward all stakeholders of the company.
6. **Fairness:** Respecting the rights of the different groups of stakeholders within the company.
7. **Social Responsibility:** Treating the company as a responsible and conscientious corporate citizen

2.3 Fundamental Principles of Corporate Governance

In 1999, the Organization for Economic Co-operation and Development (OECD) issued a network of relationships designed to promote sound corporate governance, initially emphasizing four core principles: **fairness, transparency, accountability, and responsibility**. These principles were overhauled and reissued In April 2004, these were expanded into five key principles: **shareholder rights, fair treatment of shareholders, the role of company-related stakeholders, transparency and disclosure, and the duties of the Board of Directors**.

In September 2015, these principles were further updated under the title *G20/OECD Principles of Corporate Governance*. Among the key principles are the following:

First Principle: Establishing a Foundation for an Effective Corporate Governance Framework

A corporate governance framework must foster market transparency and efficiency, guarantee the proper allocation of resources, uphold the rule of law, and enable effective oversight and enforcement. To

accomplish this, the following components should be established:

1. Establishing a corporate governance framework that exerts a significant influence on overall economic performance, upholds market integrity, and shapes the incentives of market participants, while simultaneously promoting transparency and efficiency within markets.
2. Ensuring that legal and regulatory provisions related to corporate governance comply with the rule of law, while remaining transparent and effectively enforceable.
3. Clearly define and design the allocation of responsibilities among different authorities in a way that serves the public interest.
4. Ensuring that securities market regulations support effective corporate governance.
5. Providing supervisory and regulatory bodies with the authority, resources and integrity required to perform their duties professionally and impartially, while ensuring their decisions are timely, transparent, and well-justified.
6. Promoting cross-border cooperation through bilateral and multilateral arrangements for information exchange.

Second Principle: The Rights and Equitable Treatment of Shareholders and the Key Functions of Ownership

The corporate governance framework should safeguard shareholders and enable them to fully exercise their rights. It must also ensure fair treatment for all shareholders, including minority and foreign investors, and provide access to effective remedies in case of rights infringements. This principle includes the following aspects:

1. **The fundamental rights of shareholders**, which include:
 - a. The registration of ownership.
 - b. The transfer or disposal of shares.
 - c. Access to relevant and material company information on a timely and regular basis.
 - d. Participation and voting in the general meeting of shareholders.
 - e. The election and removal of members of the Board of Directors.
 - f. A share in the company's profits.
2. Shareholders should receive adequate information

and retain the right to endorse and participate in decisions relating to any fundamental variation in the company.

3. Shareholders ought to have the opportunity for effective participation and voting in general meetings of shareholders.

4. Shareholders, involving institutional investors, should be permitted to consult with one another regarding issues related to fundamental shareholder rights, as explained in the principles, subject to certain exceptions to prevent abuse.

5. All shareholders of the same class should be treated fairly. Information should be disclosed about capital structures and any arrangements that give certain shareholders influence or control beyond their proportional ownership.

6. **Approval of related-party transactions** should be undertaken and executed in a manner that ensures sound management of conflicts of interest while safeguarding the interests of the company and its shareholders.

7. **Protection of minority shareholders** from abuse by, or in favor of, controlling shareholders, whether conducted indirectly or directly. Effective remedies should be available, and abusive practices—such as insider trading—must be strictly prohibited.

8. **Ensuring efficient and transparent markets for corporate control**, thereby allowing ownership and control transactions to proceed in a manner that supports fair and competitive market functioning.

Third Principle: Institutional Investors, Stock Markets, and Other Intermediaries

In addition to allowing stock markets to function in a way that supports solid corporate governance, the corporate governance framework should establish strong incentives across the investment chain.

1. When operating in a fiduciary position, institutional investors should reveal their corporate governance and voting practices, including the steps they take to determine how to use their voting rights.
2. Either custodians (trustees) or the beneficial owners of the shares may cast votes in compliance with their directives.
3. In their fiduciary role, institutional investors ought to reveal how they resolve significant conflicts of

interest that might compromise the exercise of important ownership rights over their investments.

4. The corporate governance framework ought to mandate that analysts, brokers, rating agencies, proxy advisors, and other service providers who provide analyses and recommendations that are pertinent to investor decision-making declare and reduce any conflicts of interest that might jeopardize the accuracy of their advice or analysis.
5. It is imperative that market manipulation and insider trading be outlawed completely and that the relevant regulations be properly implemented.

Fourth Principle: The Role of Stakeholders in Corporate Governance

In addition to encouraging active collaboration between businesses and stakeholders in generating wealth, creating jobs, and guaranteeing the sustainability of enterprises on a sound financial basis, the corporate governance framework should acknowledge the rights of stakeholders as established by law or through mutual agreements. In order to accomplish this, the following needs to be noted:

1. Respect for the rights of parties involved, whether they are derived from agreements made between parties or from the law.
2. Where the law provides for the protection of stakeholder interests, there should be access to effective remedies in the event of rights violations.
3. The establishment of mechanisms that allow for employee participation.
4. When participating in the corporate governance

process, stakeholders should be frequently provided with timely, relevant, sufficient, and dependable information.

5. Stakeholders should be able to communicate with the Board of Directors and competent public authorities to express concerns regarding illegal or unethical practices, without their rights being diminished or undermined for doing so.
6. A strong framework for the enforcement of creditor interests and an efficient and effective insolvency process should be added to the corporate governance framework.

Fifth Principle: Disclosure and Transparency

All significant information about the business, such as its ownership structure, financial situation, performance, and governance procedures, should be accurately and promptly disclosed via the corporate governance framework.

Sixth Principle: The Responsibilities of the Board of Directors

Corporate governance procedures should guarantee the Board of Directors' efficient supervision of senior management, give strategic direction for the company, and assure the Board's accountability to the company and its shareholders.

For further details on the principles of corporate governance, reference may be made to the link provided below.*

The figure below illustrates the principles of corporate governance:



Source: Prepared by the Researchers. *<https://www.oecd-ilibrary.org>

2.4 Corporate Governance Mechanisms

Corporate governance can achieve its objectives only through the adoption of specific mechanisms that enable the realization of its intended purpose. It has been defined as: *“a set of procedures and practices guided by senior management to make decisions that allow the achievement of the company’s objectives, while ensuring the fulfillment of the goals of the corporate governance system that has been designed”* (Ibrahim, 2009: 2).

It is also defined as a set of authorities and responsibilities that govern managerial decisions and determine the methods and approaches to be followed in regulating relationships among the concerned parties, balancing their needs, and enhancing their value. In addition, corporate governance mechanisms serve to protect and safeguard the rights of shareholders and stakeholders (Qader & Jasim, 2022: 290).

Corporate governance mechanisms can be classified into two main categories, as follows (Al-Ajeel, 2022: 1280):

The first classification is divided into two categories:

1. Internal Mechanisms: These are a set of rules and instruments applied within the company to supervise and monitor the actions and practices undertaken by management. Their purpose is to improve the quality of financial reporting, ensure compliance with reporting standards, and safeguard the credibility of financial statements. These mechanisms include:

- a. The Board of Directors.
- b. Audit Committees.
- c. Internal Auditing.

2. External Mechanisms: These mechanisms oversee company management and ensure that the company assumes responsibility for directing its activities appropriately in a way that satisfies all parties concerned. They function as external supervisors and monitors of company management. These mechanisms include:

- a. External Auditing.
- b. The Legal and Regulatory Environment.

The second classification is divided into:

1. Accounting Mechanisms: Accounting systems play a fundamental and critical role in activating the governance framework through financial statements and reports, which serve as the primary channel of communication with stakeholders. Accounting mechanisms are concerned with producing accounting information that is useful to various parties, in a manner that reinforces stakeholders' confidence in the company. These mechanisms include:

a. Accounting and auditing standards.

b. Internal auditing.

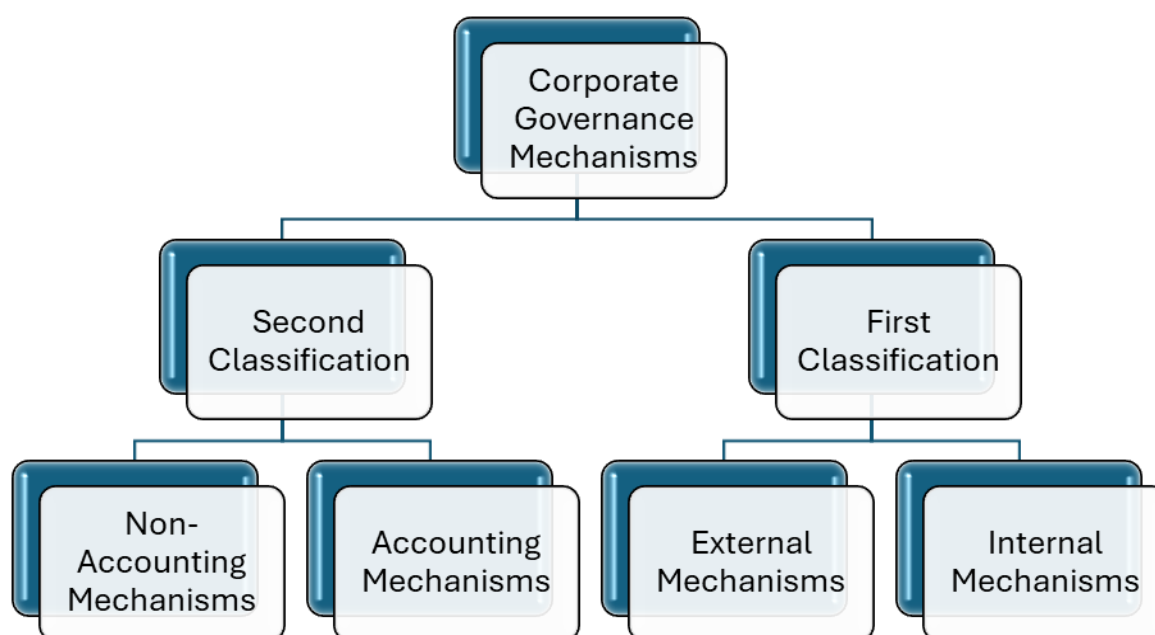
c. Audit committees.

d. External auditing

2. Non-Accounting Mechanisms:

These encompass all aspects related to legal, supervisory, administrative, and organizational dimensions.

The figure below illustrates the mechanisms of corporate governance



Source: Prepared by the Researchers

3- Accounting Policies and Practices

3-1 The Concept of Accounting Policies and Practices

Accounting policy has been conceptualized in various ways, with definitions differing according to researchers' perspectives. One definition describes it as *"a set of practices, foundations, principles, agreements, and specific rules adopted by an economic unit in preparing and presenting the financial statements of the company's financial position"* (Hussein & Aziz, 2024: 346).

Similarly, Mustafa (2017: 756) defines it as *"a set of scientific application tools that establish the basis for accounting measurement and disclosure, as well as the presentation of financial data in the company's financial reports. Accountants employ these tools or foundations to apply accounting principles and to specify the treatment of items, transactions, and events within a given domain."*

3-2 The Importance of Accounting Policies and Practices

Accounting policies constitute the core of the company and its related parties, as their importance lies in facilitating corporate activities through the selection of available alternatives. Their significance can be summarized as follows (Qurmit & Taybi, 2020: 4):

1. Accounting policies help clarify the figures presented in the company's financial statements.
2. They enable the selection of the most appropriate accounting alternatives suited to prevailing conditions and factors—whether at the company or societal level—thus producing financial statements with accurate and reliable data that serve stakeholders.
3. Defining a company's accounting policies is essential, since comparing the data presented in

financial statements is necessary for assessing the company's efficiency.

4. Flexibility in accounting policy contributes to understanding the differences among economic sectors, thereby ensuring the possibility of making meaningful comparisons between the results of the company's economic activities based on its financial data.
5. Establishing an accounting policy supports the principle of comparability, which promotes impartiality, accuracy, and objectivity in disclosing the company's efficiency, capacity, and level of achievement of its intended objectives.

3-3 Types of Accounting Policies Accounting policies vary considerably; however, all of them fall within the frameworks established by the International Financial Reporting Standards (IFRS) or the Generally Accepted Accounting Principles (GAAP). The choice of policy may differ according to the industry in which the company operates and the system it adopts. The main types include the following (Hanine & Aisha, 2023: 4–9):

1. Full Disclosure Policy The application of a full disclosure policy enables users of accounting information, as presented in the financial statements, to make well-informed decisions. Such accounting information must be characterized by accuracy, objectivity, relevance, clarity, and comprehensiveness, while avoiding any form of misrepresentation or ambiguity (Al-Naqeeb, 2008: 202). The proper practice of disclosure requires adherence to certain parameters, namely:

- A. To whom is the disclosure directed, what is its purpose, and what is the level of the intended users of the disclosed information?
- B. What is the type, scope, and value of the information to be disclosed?
- C. What are the current and future implications of the information disclosed?
- D. When should disclosure be carried out?
- E. What is the scope of disclosure—should it be limited to financial statements, or should it extend to other areas?
- F. What are the appropriate methods of disclosure to be employed?
- G. What types of disclosure should be adopted?

2. Conservatism Policy (Prudence)

This policy emphasizes a cautious approach toward accounting information, enhancing its reliability and relevance under conditions of uncertainty. It requires that potential and foreseeable losses be considered and treated as though they have already been realized. Accordingly, provisions are established, such as allowances for doubtful accounts, provisions for inventory devaluation, and others.

Under uncertainty, the accountant applies prudence by opting to reduce or understate assets rather than overstate them, while simultaneously recognizing higher potential losses and liabilities. To implement this policy, accountants employ various accounting methods, such as valuing inventories and short-term investments at the lower cost or market, and adopting the Last-In, First-Out (LIFO) method. In conditions of uncertainty, the accountant selects measurement methods and approaches that achieve the following objectives:

- A. Avoid inflating net income; rather, reduce it where appropriate.
- B. Avoid overstating net assets; instead, present them conservatively.
- C. Apply methods that recognize liabilities at higher values.
- D. Postpone the recognition of certain revenues, while accelerating the recognition of certain expenses.

3. Consistency Policy (Uniformity and Regularity) The consistency policy requires the accountant to adhere to a specific and stable method in addressing accounting issues and to continue applying it from one fiscal year to the next. Should a change in method be necessary, the reasons for such a change must be explicitly disclosed, in alignment with the principle of full disclosure.

This policy encompasses accounting methods, measurement techniques, procedures, and accounting policies. It is regarded as one of the fundamental accounting principles that accountants are obliged to observe, and it also represents a key standard in the preparation of the external auditor's report, which mandates explicit reference to the application of this policy.

4. Materiality (Relative Importance) This policy is derived from the periodicity principle, which requires the regular and systematic preparation of financial

statements at the end of each fiscal year. It is often referred to as the *materiality principle*, reflecting the necessity of determining the monetary value of an item in relation to its relative significance compared with others. This concept is reflected in both financial and cost accounting, for example, when expenses are distinguished as either revenue or capital in nature, or when costs are classified into production and marketing, each classification affecting operating and trading accounts differently.

To determine the materiality of a given item, several considerations must be addressed: What is the appropriate criterion for materiality? Who are the intended users of this significant information? How does materiality relate to the principle of full disclosure? What is the economic nature of the event linked to this item? What type of cash flows are involved, whether inflows or outflows? What role does the item play in decision-making?

Answering these questions reveals the extent, complexity, and challenges involved in applying the materiality policy, since subjective judgment plays a central role in assessing whether an item is material in comparison to others. This reliance on professional judgment may, at times, conflict with the principle of objectivity. Consequently, the professional expertise and discretion of the accountant become decisive in determining materiality. More importantly, however, the ultimate benchmark lies with the users of accounting information, who serve as the primary reference point in evaluating the significance of a given item.

3-4 The Impact of Accounting Policies on Decision-Making

Accounting policies exert a significant influence on a company's financial position through the financial statements produced by the management of the economic unit. The usefulness of such statements to decision-makers largely depends on the extent to which users of financial reports are familiar with, and comprehend, the accounting policies and practices on

which they are based. Examples of accounting policies include the following (Ali & Halihil, 2010: 14):

1. The basis for consolidating accounts.
2. The method of determining and valuing inventory costs.
3. The accounting basis for recognizing revenues and considering them realized.
4. Policies governing the depreciation of fixed assets.
5. The accounting basis for recognizing deferred revenues and treating them as realized in the case of maritime transport units.
6. The accounting treatment of pre-operating (establishment) expenses.
7. The accounting treatment of conversion fees on construction loans.
8. The accounting treatment of gains and losses arising from the financing of assets and liabilities to be settled in foreign currencies.
9. The accounting basis for preparing financial statements (accrual basis or cash basis).
10. The accounting treatment of research and study expenses.
11. The accounting treatment of land reclamation expenses, permanent agricultural costs, or crop-related expenses not accounted for at the end of the financial period.

4- The Impact of Corporate Governance on Accounting Policies and Practices

The study covers the fieldwork conducted by the researchers, which involves the selected sample, the distribution of questionnaires to accountants, and the subsequent analysis and testing of the collected responses. A total of thirty (30) questionnaires were circulated, of which twenty-two (22) were returned. All the returned questionnaires were subjected to study and analysis, as outlined below:

(4-1) Questionnaire Responses

No.	Item	Yes	No
1	Are opening balances carried forward to the following year?	✓	

2	Are suspended balances in the records cleared?	✓	
3	Are the observations raised in the reports of the Federal Board of Supreme Audit addressed?		✓
4	Are journals and ledgers maintained and reconciled by the accountant?	✓	
5	Is a monthly trial balance prepared?	✓	
6	Is the reconciliation of the bank statement performed by the accountant?	✓	
7	Are analytical schedules for advances and deposits prepared?	✓	
8	Is the cashier considered part of accounting functions?		✓
9	Is there an alternative cashier?	✓	
10	Does the cashier keep the duplicate keys of the safe?	✓	
11	Is reconciliation performed between the cash register and the cash journal?	✓	
12	Does every committee include a financial member?	✓	
13	Is there an electronic system for payroll entry?	✓	
14	Is information carried forward from month to month?	✓	
15	Does the system allow for entering all changes (e.g., promotions, allowances, absences, etc.)?		✓
16	Are manual adjustments made to payroll?	✓	
17	Is financial allocation provided for all disbursement transactions?	✓	
18	Is the accuracy of accounting classifications tested?	✓	
19	Are the Ministry of Finance's instructions followed in recording accounting entries?	✓	
20	Are documents subject to erasures or overwriting?	✓	
21	Has the approval of the senior authority been obtained for all financial transactions?	✓	
22	Are all instructions related to advances for entrusted projects followed and implemented?	✓	
23	Are all advances settled before the end of the fiscal year?		✓
24	Are fines imposed for the delayed settlement of advances?	✓	
25	Are committees rotated every six months?		✓
26	Are all fixed assets coded?		✓
27	Are analytical schedules prepared for idle and depreciated assets?		✓
28	Are suspended checks analyzed?		✓
29	Is the cash fund subject to surprise audits?		✓
30	Is a tax settlement conducted for receipts exceeding five million?	✓	
31	Are document amounts posted daily in the records?		✓
32	Are deposits made daily in the bank?		✓

33	Are all staff in the accounting department specialists in the field?		✓
34	Are custody records maintained for assets assigned to employees?		✓
35	Is there a system for following up on suspended deposits exceeding the five-year legal period, whereby they are transferred as revenue to the public treasury and then to the Ministry of Finance?		✓
36	Are investment budget allocations used for operational purposes?		✓
37	Are employees rotated periodically without disrupting workflow?		✓
38	Is there a special register for recording each employee's incentives and bonuses?		✓
39	Does the Ministry of Finance allocate sufficient amounts in the budget to cover expenses?		✓
40	Is the accounting manual reference number affixed to all revenue receipts by the cashier?		✓

Source: Prepared by the Researchers

From the table above, the results of the questionnaire can be analyzed as follows:

4-2 Analysis of Questionnaire Results

The research sample demonstrates an overall level of competence, though certain observations and shortcomings remain. The strengths and weaknesses will be highlighted accordingly. The response rate for this model was 80%, with answers restricted to the options Yes or No

(4-2-1) Strengths

1. Opening balances are carried forward to the subsequent fiscal year by preparing an entry with the bank as the debit side and the revolving cash balance as the credit side.
2. Suspended balances appearing in the records are cleared.
3. Principal (journal) and subsidiary (ledger) records are maintained, with reconciliation performed by the accountant.
4. A monthly trial balance is prepared and reconciled with the records.
5. Bank statements are reconciled by the accountant.
6. Analytical schedules for advances and deposits are prepared and reconciled with the account set.
7. An alternate cashier is available when the primary cashier is on leave.
8. Reconciliation is carried out between the cash register and the cash journal, showing a zero balance at the end of the fiscal year.
9. A financial member is included in all committees.

10. An electronic system for payroll entry is in place.

11. Information is rolled over from month to month.

12. Manual adjustments are made to payroll when necessary.

13. Financial allocations (budgetary appropriations) are provided for all disbursement transactions executed from the operational budget. In cases where allocations are insufficient, reliance is placed on the Unified Accounting System.

14. The accuracy of accounting classifications is tested.

15. The Ministry of Finance's instructions are followed in recording accounting entries.

16. Approval of the senior authority is obtained for all financial transactions.

17. All instructions regarding entrusted advances are followed and implemented.

18. Late settlement fines of 7% are imposed on advances that are not settled within the specified period.

19. Tax settlement is carried out for receipts exceeding five million, while for receipts below this threshold, a tax identification certificate suffices.

20. Investment budget allocations are not diverted for operational purposes.

(4-2-2) Weaknesses

1. Observations included in the reports of the Federal Board of Supreme Audit are not addressed.

2. The cashier does not hold a specialization in accounting (backgrounds include political science,

chemistry, etc.).

3. The system is incapable of recording all personnel changes (e.g., promotions, bonuses, absences, etc.).
4. Not all advances are settled before the end of the fiscal year.
5. Committees are not rotated every six months; some continue for several years.
6. Fixed assets in the stores division are not fully coded.
7. Analytical schedules of idle, consumed, and in-use assets are not prepared.
8. Suspended checks are not analyzed within schedules.
9. Surprise cash counts are not conducted to verify deposits in the bank; rather, they are performed by the individual responsible.
10. Amounts from vouchers (entries, disbursements) are not posted daily in records.
11. Collected amounts are not deposited in the bank daily.
12. Not all employees in the accounting department are specialists in the field.
13. Records of assets assigned to employees are not maintained.
14. The follow-up system for suspended deposits exceeding the legal period (five years)—which requires transferring them as revenue to the state treasury and forwarding them to the Ministry of Finance—is not implemented.
15. Employees are not rotated periodically in a manner that ensures workflow continuity.
16. A dedicated register for incentives and bonuses (amounts received by employees) does not exist.
17. The Ministry of Finance does not allocate sufficient funds within the operational budget to cover expenses.
18. Revenue and collection receipt vouchers are issued without accounting reference numbers by the cashier.
19. Documents contain erasures and corrections

(4-2-3) Addressing the Weaknesses

1. Addressing the observations noted in the reports of the Federal Board of Supreme Audit to avoid their recurrence in subsequent years.
2. Ensuring that the cashier position is assigned to personnel with accounting specialization.
3. Developing a system, prepared by qualified staff, capable of recording all personnel changes (e.g., promotions, allowances, absences, etc.).
4. Settling all advances before the end of the fiscal year to prevent the advances account from showing an improper debit balance.
5. Rotating committees every six months to allow wider staff participation.
6. Coding and classifying all fixed assets.
7. Preparing analytical schedules of idle and consumed assets for disposal.
8. Preparing analytical schedules of suspended checks.
9. Conducting surprise and periodic cash counts.
10. Posting voucher amounts (entries and disbursements) daily in the records to avoid accounting errors during reconciliation.
11. Depositing collected amounts in the bank daily.
12. Assigning employees in the accounting department who hold specializations in accounting, finance, and auditing.
13. Maintaining custody records of assets allocated to employees to facilitate accountability during physical inventory.
14. Applying a system to transfer suspended deposits exceeding the legal period of five years into state treasury revenue and forwarding them to the Ministry of Finance.
15. Rotating staff periodically, without disrupting workflow, to ensure that all employees in the accounting department are familiar with financial procedures and to avoid disruption in the absence of any staff member.
16. Establishing a dedicated register for incentives and bonuses to document amounts received and prevent duplication.
17. Securing adequate budgetary allocations from the Ministry of Finance to cover all expenses.
18. Recording the accounting reference number on all

revenue receipt vouchers.

19. Prohibiting erasures and corrections on financial documents; any mistakes should be addressed through proper reissuance.

5. Conclusions and Recommendations

5.1 Conclusions:

1. Opening balances are carried forward to the subsequent fiscal year.
2. A financial member is included in all committees.
3. Allocations from the investment budget are not utilized for operational purposes.
4. The accounting code number is not recorded on all revenue receipts by the cashier.
5. The system lacks the capacity to record all changes (such as promotions, allowances, absences, etc.).
6. Erasures and alterations are evident on certain documents.
7. Committees are not rotated every six months.
8. There is no dedicated register for tracking incentives and rewards for each employee.

5.2 Recommendations:

1. The accounting code number should be recorded on all revenue receipts.
2. A system should be developed by specialized staff with the capacity to record all relevant changes (such as promotions, allowances, absences, etc.).
3. Erasures and alterations on documents and records should be strictly prohibited; in case of errors, corrections must be made with proper authorization and signature.
4. Committees should be rotated every six months to ensure the participation of all employees, thereby enhancing fairness, particularly in annual evaluations.
5. A dedicated register should be maintained for incentives and rewards for each employee to monitor disbursed amounts and prevent duplication.

References

1. Al-Ajeel, Omar Saad. *The Impact of Corporate Governance Implementation on Improving the*

Quality of Accounting Information and Rationalizing Decisions in the Context of Digitalization: An Applied Study on the Kuwaiti Stock Market. Extracted research, *Scientific Journal of Financial and Administrative Studies and Research*, Vol. 13, No. (2), Faculty of Commerce, Sadat City University, Egypt, March 2022.

2. Khalaf, Sahar Naji. *The Effect of Governance Principles on the Practice and Perception of the Importance of Accounting Conservatism in Financial Reporting: A Field Study on a Sample of Commercial Banks Listed in the Iraq Stock Exchange*. Extracted research, *Al-Riyada Journal of Finance and Business*, Vol. 4, No. (2), Technical Engineering College, Middle Technical University, Baghdad, Iraq, 2023.
3. Qader, Thamer Hussein, & Jassim, Muthanna Rokan. *The Impact of Corporate Governance Mechanisms on the Relevance of Accounting Information Value: An Applied Study on a Sample of Companies Listed in the Iraq Stock Exchange*. *Tikrit Journal of Economic and Administrative Sciences*, Vol. 18, No. (18), College of Administration and Economics, University of Tikrit, Iraq, 2022.
4. Ahmed, Hikmat Mustafa. *The Role of Corporate Governance in Limiting Creative Accounting Practices: A Field Study on a Sample of Iraqi Banks Operating in Erbil Province*. Master's Thesis, College of Economic and Administrative Sciences, Department of Finance and Accounting, Erbil, 2021.
5. Ibrahim, Alaa al-Din Tawfiq. *The Relationship Between Corporate Governance Mechanisms and the Scope of Voluntary Disclosure in Published Financial Reports: A Theoretical and Field Study*. Unpublished Doctoral Dissertation, Faculty of Commerce, Tanta University, 2009.
6. Hussein, Salim Salim, & Aziz, Beh Rzin Sheikh Mohammed. *Accounting Measurement and Disclosure within the Framework of International Accounting Standard (IAS 8): Accounting Policies, Changes in Accounting Estimates, and Errors – and Their Impact on Enhancing the Quality of Financial Reports: An Exploratory Study of the Views of Academics, Accountants, and Legal Practitioners in Companies in Erbil*. Extracted research, *Polytechnic Journal of Humanities and Social Sciences*, Vol. 5, No. (1), College of Administrative Technology, University of Erbil, 2024.

7. Mustafa, Hassan Tawfiq. *Factors Affecting Management's Choice of Accounting Policies. Journal of Economic and Financial Research*, No. (2), Zarqa University, Jordan, 2017.
8. Qurmit, Hafsiya, & Taybi, Hala. *A Study of the Factors Affecting Accounting Policies in Enterprises*. Academic Master's Thesis, Faculty of Economic Sciences, Management Sciences, and Commercial Sciences, Kasdi Merbah University – Ouargla, Algeria, 2020.
9. Ali, Miad Hamid, & Halihil, Jalila Idan. *The Impact of Globalization on Accounting Policies and Practices. Journal of Accounting and Financial Studies*, Vol. 5, No. (13), College of Administration and Economics, Department of Accounting, University of Baghdad, 2010.
10. Al-Naqeeb, Kamal Abdulaziz. *Introduction to Accounting Theory*. Jordan, 1st Edition, 2008.
11. Hnin, Aisha, & Dfarour, Ousoli. *The Effect of Accounting Policies on the Relevance of Financial Statements: A Field Study of a Sample of Professionals in Economic Institutions in Tébessa during the Period March–May 2023*. Academic Master's Thesis, Faculty of Economic Sciences, Management Sciences, and Commercial Sciences, Kasdi Merbah University – Ouargla, Algeria, 2023.
12. Bovaird, Tony, & Löffler, Elke. (2009). *Public Management and Governance* (2nd ed.). Routledge, Taylor & Francis Group, London.
13. Samarasiri, P. (2008). *The Need for a New Version of Corporate Governance for the Promotion of Risk Management in Banks*. Central Bank of Sri Lanka.
14. OECD iLibrary. Retrieved from: <https://www.oecd-ilibrary.org>