Turkish Online Journal of Qualitative Inquiry (TOJQI)
Volume 12, Issue 9, August2021 :6985 - 7001

Research Article

# The Impact of Corporate Governance Mechnanisms on Financial Reporting Quality in Yemen

Al-Baraa Al-yadumi[a], S.M. Ferdous Azam[b]

[a,b] Post Graduate Centre, Management and Science University, University Drive, Off Persiaran Olahraga, Selangor, Malaysia
Email: [a]alyadumibaraa.acc@gmail.com; [b]drferdous@msu.edu.my

## Abstract

The goal of this study was to look at the impact of corporate governance mechanisms (Board of Directors, audit committee, and internal audit) as well as international financial reporting standards (IFRS) on financial reporting quality. In order to gather relevant information about Yemen's financial reporting quality, the researcher conducted a survey and distributed it via application. In addition, 290 Yemeni private sector workers participated in this study. Smart PLS software was used to conduct structural equation modelling prior to using SPSS (SEM). Corporate governance can be measured in a variety of ways, and the audit committee is no exception. The audit committee's size is determined by its independence as well as the expertise of its members. The study's findings show that the audit committee, internal audit, and international financial reporting standards all have a significant impact on financial reporting quality. The board of directors, however, has no influence on the quality of financial reporting. International financial reporting standards, as well as the outcomes of corporate governance (Audit Committee and Internal Audit), all contribute to improved financial reporting quality.

***Keywords:*** *Audit committee, board of directors, financial reporting quality, Internal audit, International financial reporting standards*

## Introduction

Ineffective corporate governance practises Financial scandals revealed flaws in financial reporting due to misunderstandings about IFRS' importance in financial reporting (FRQ). Plusieurs grandes corporations filed for bankruptcy or went out of business in 2002. Corporate scandals in the US, UK, Italy, and Australia include Enron, WorldCom, and Tyco (HIH). As a result, more companies are attempting to implement corporate governance. This may have contributed to Enron's demise, which is a case study in the lack of stakeholder protection due to conflicts of interest and asymmetric information. "Zerban" (Zerban) Paraphrased form CGP is cited as a major source of information for corporate management (Agyei-mensah, 2018). This term refers to business regulation. It promotes transparency and

accountability while increasing shareholder and stakeholder value. "Zerban" (Zerban). CG also has a big impact on business studies. Most businesses use CG strategies to improve FRQ efficiency and effectiveness (Alrshah, 2016). Corporate governance reports include the Cadbury Report (1992), the Greenbury Report (1995), the Business Roundtable (1997), and the Sarbanes-Oxley Act (2002). (99, 04) It is widely accepted that businesses must meet high CG standards to compete globally and attract foreign capital (J. F. Solomon, Lin, Norton, & Solomon, 2003). Corporate governance can help ensure financial reporting quality. Corporate governance has become a major business issue (Aifuwa & Embele, 2019).
Lack of functioning institutions leads to fraud, nepotism, and bribery in Yemen. Every year, the poor and unemployed increase (Moghram, 2007). Since 2008, CIPE and the Businessmen Club of Yemen have been working on a corporate governance project funded by the Middle Eastern Partnership Initiative. The Yemeni Association of Certified Public Accountants adopted IFRS in January 2020. YACPA 2020. Many developing countries, like Yemen, must urgently combat corruption and improve transparency. Between 2008 and 2020, corruption in Yemen increased significantly. In 2020, Transparency International ranked Yemen as the 176th most corrupt country in the world. In 2005, the Central Bank of Yemen (YCB) intervened in the National Bank issue, accusing board members of defrauding more money (Moghram, 2007). The company's bankruptcy was accelerated by administrative fraud (YCB, 2005). For this study, the board of directors, the audit committee, and internal audit are directly linked to financial reporting quality. The IFRS act as a link between corporate governance (board, audit committee, and internal audit) and Yemeni financial reporting quality.

## Literature Review

*2.1 Financial Reporting Quality*

Financial reporting quality, according to Verdi (2006), is the consistency of displaying information about a company's operations to other parties, particularly shareholders. Quality financial reporting provides accurate and truthful information about a company's financial position and performance (Chen, Tang, Jiang, & Lin, 2010). Financial reporting must be relevant, comparable, understandable, timely, accurately represented, and verifiable. Financial reporting should provide detailed information about the company's economic performance, as well as financial position, equity, and cash flows. Stakeholders, as well as internal and external users, are concerned. Financial advisors, analysts, stock exchanges, and regulators Because high-quality financial reporting helps investors, creditors, and stakeholders make better choices. This increases market efficiency (IASB, 2008). Financial reporting also aims to provide decision-makers with accurate and useful data. These financial reports will help users evaluate, predict, compare, and use resources more effectively to achieve their organisations' goals. Bribesh argues on pages 57–62 of his book that corporate reports can be effective if they are easily understood, have comparable and reliable data, and are timed correctly. Thus, this research focuses on financial reporting quality to help investors and other consumers make rational financial decisions based on accurate and reliable data.

*2.2 International Financial Reporting Standards*

The International Accounting Standards Board (IASB) was established in 2001 to meet the growing demand for high-quality, transparent, and comparable financial information in international markets (IASC). Accounting standards in common law countries with a market orientation and code law countries with a planning orientation differ, say Ball, Robin, and Wu (2003a). As a result, common law countries like the UK and the US produce better financial reporting and more transparency for the public. It is stated by the International Accounting Standards Board that IFRS are intended to improve the presentation of an entity's financial position and performance. As a result, adopting IFRS should improve financial reporting quality and transparency. Businesses and government regulatory agencies have proposed that global adoption of IFRS could benefit the economy (Bodle, Cybinski, & Monem, 2016). This will be implemented by the Yemeni Association of Certified Public Accountants in January 2020.

**2.3 Corporate Governance**

Many studies have found that corporate governance has a significant impact on financial reporting quality. The variables studied (Board of directors, audit committee, and internal audit) have been found to have an impact on financial reporting quality.

*2.3.1 Board of directors (BOD)*

The impact of a company's board of directors on financial reporting has been extensively studied. The board of directors is elected by the shareholders to oversee the company's operations. The Board of Directors sets company policy, appoints and fires officers, and manages the company's finances. It also oversees operations. Public and private sectors alike need it (Klamm and Watson, 2009). Al-thuneibat (2016) states that the board of directors must ensure that their duties are carried out in the best interests of the company or organisation. Internal management is under pressure to meet company goals because boards of directors are under pressure to promote work. To this end, they monitor management activities and avoid conflicts of interest that could jeopardise the company's ability to meet its obligations. As stated by Ogbuozobe (2009), the Board of Directors hires managers and oversees operations. Internal corporate governance can consider the board's qualities. Smaller boards have fewer committees and are more focused on the board's mission. This study examined board independence, duality, and expertise.

*2.3.1.1 Board Size (BZ): Board Composition*

Using "BZ" as a synonym for total board members does not limit its meaning to a particular demographic. Nicholson and Kiel (2007) define board size as the number of shareholders-elected directors. Regardless, some academics have set a board size limit. They recommend a board size of 8–9 directors, with an equal number of executive and non-executive directors. Agency theorists (Jensen, 1993) advise limiting the board to eight members. Disruptive group dynamics, according to Lipton and Lorsch (1992), affect the board's performance when there are more than ten members. Scholars have found no link between board size and FRQ. BZ has a positive impact on FRQ, say Onuorah and Friday (2016) and Reza Eslami (2016). (Uwuigbe, UwUwuigbe, U. Eluyela, D. F. Uwuigbe, O. R. Teddy, and F. Irene) (2018). A review of listed Nigerian banks' corporate governance and financial reporting.

*2.3.1.2 Board independence*

The board of independent directors is not controlled by the CEO (Peasnell, Pope, & Young, 2000). Scholars studied the effect of the independence board on FRQ, but their findings were

inconsistent (Cornett, McNutt, & Tehranian, 2009; Klein, 2002). Also, an independent board has a significant positive effect on FR (Akeju & Babatunde, 2017). In addition, Uwuigbe et al. (2018) found that the independence board has a significant positive effect on FR timeliness in Nigeria. However, other studies have found that board independence negatively impacts the FRQ. The Uwuigbe, UwUwuigbe, UwUwuigbe, O. R. (2018). et al., 2018; Banks and Bank Systems, 13(3)). Juhmani (2017) discovered that CG influences FR.

*2.3.1.3 Duality*

The "extremely different functions" of the chairman and CEO are important to J. Solomon, Solomon, and Park (2002, p. 4). The CEO runs the company on a daily basis, while the chairman oversees the board's activities. According to agency theory, management should be separated from the board of directors to better monitor their roles. Separating the board from management would allow it to better oversee management, according to agency theory (Haniffa & Cooke, 2002). The board's dual role also hinders its ability to supervise the hiring, firing, assessment, and CEO remuneration processes, according to Jensen (1993). The study also found that a non-executive chairman can bring more outside resources to the board than an insider. Others believe an insider CEO can better understand the company's challenges and opportunities (Weir, Laing, & McKnight, 2002). Laing and Weir claim that duality works best when the CEO is a dynamic individual who built the company from scratch (1999). As a result, a company's experience and entrepreneurialism matter more than its board structure. Others believe CEO duality is a form of corporate structuring power that helps high-tech firms survive (Bach & Smith, 2007). A study by Nalukenge, Tauringana, and Ntayi found that the CEO's dual role affects financial reporting timeliness (2017). Others found that this dual role had no effect on reporting time, such as management and audit reports.

*2.3.1.4 Board Expertise*

Experts on the board of directors boost financial reporting confidence (Onuorah & Friday, 2016). An expert in finance, auditing, and accounting can be a board member with sufficient professional and educational experience. Other academics believe that experience leads to better financial reporting by older directors (Kang, Cheng, & Gray, 2007). The FRQ and board expertise is a hotly debated topic. The board's experience has been shown to benefit FRQ in some studies (Alzoubi, 2014; D'onza & Lamboglia, 2014; Kantudu & Samaila, 2015; Onuorah & Friday, 2016), but not in others. This is because of the literature (Kankanamage, 2015).

**2.3.2 Audit Committee (AC)**

An AC is a board committee formed to work directly with independent and internal auditors, as well as other accounting-related activities (Mautz & Neumann, 1970). This includes FR integrity, IC effectiveness, and (internal and external) auditor monitoring. Improves the board's ability to monitor management by providing a better understanding of accounting practises and reporting (Kusnadi & Sin, 2015). In this case, the AC must ensure that managers submit ethical reports via the FR process. The current study focuses on the AC's role in the company. Thus, the current study examines the BOD, AC, and IA roles' impact on FRQ. According to the theory of agency, CG protects the interests of shareholders. Financial reporting quality influences stakeholders' decisions and interests, including potential investors, according to this study. Stakeholder theory is used to achieve this goal. That is why, for the benefit of both shareholders and society, auditing should be expanded.

Thus, the AC's primary responsibility is to ensure audit process independence. Aside from receiving, reviewing, and forwarding annual financial reports to the board, the AC can recommend external auditors to the board. After the financial frauds and scandals of many companies in 2002, the AC has important mechanisms for CG. (Gebrayel et al., 2018; Jarrar et al., 2018; Salloum et al. Other researchers claim that AC's primary role is to protect the company's FR and IC processes from unjustified accruals and fraud (Asiedu & Deffor, 2017). The audit committee will also help FRQ improve its efficiency and dependability (Gebrayel et al., 2018). It is important to contact auditors and review internal control systems. Effective audit committees that review accounting and financial reporting policies also help improve the FRQ. The AC appoints and pays for external auditors to help improve auditors' abilities in the Financial Reporting Quality Standards (FRQS) (Dhaliwal, Naiker, & Navissi, 2010). To understand the rise of audit committees in many countries, one must look at corporate failures. THIRUVADI HUANG (2010) An audit committee ensures that companies' monitoring and internal control systems are more effective. The study examined audit committee size, independence, and expertise.

*2.3.2.1 Audit Committee Size*

The Board of Directors' size and number of subcommittees help decision-making (Council, 2012). However, Vafeas (2005) found no consistent relationship between AC size and director performance. As a result, the size of the board and subcommittees is irrelevant. The number of board members is usually quite large, but previous research has discovered that smaller boards are better able to communicate and manage their functions. The audit committee is in charge of financial reporting. Ineffective AC may not achieve this goal. The properties and composition of AC influence its efficacy. One of the AC's non-executive directors must be an expert in accounting and finance (Anonymous, 2017).

*2.3.2.2 Audit Committee Independence*

According to committee members (1999), ACI is seen as the company excluding current and former employees, as well as those paid. Audit committee independence is emphasised in Sarbanes-Oxley (2002; Committees, 1999). For this reason, many international codes of governance mandate independent audit committees (Beasley, 1996). DeZoort and Salterio argue that an audit committee member's independence demonstrates their expertise in auditing and preference for external auditors in accounting disputes (2001). This discussion argues that AC must be independent to fulfil its oversight mandate and protect stakeholder interests. Simply put, independent members of the AC are better monitors because they are not bound by the organization's leadership. Independent audit committees are generally more effective, but experts disagree on how much independence the members should have (Carcello & Neal 2000; Klein, 2002). A group of researchers says independent directors are required to avoid conflicts of interest during the execution and monitoring process (Cotter & Silvester, 2003; Sharma, 2004). Others believe that the number of non-executive directors on the audit committee matters more than the independence of all audit committee members (Klein, 2002). The ACI helps the FR perform better, detect fraud, and present the true financial situation to the board, according to Bansal and Sharma (2016). AC's independence demonstrated its inability to influence FRQ (Kusnadi and Sin, 2015).

*2.3.2.3 Audit Committee Expertise*

ACE's audit committee expertise is a strength. It is one of the CG elements, according to Sommer Jr (1992). An ineffective audit committee is ineffective. Those capable of improving oversight should be included on the audit committee. As a result, Western financial regulators began requiring at least one finance expert on audit committees. Generally accepted accounting principles (GAAP) are defined in Section 407 of the Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley 2002). According to the UK CGC, the audit committee should have three or two independent non-executive directors. Non-executive directors may include the company's chairman on the committee if the chairman was considered independent when appointed. Assuring the audit committee's independence requires at least one member with relevant financial experience." It was 2012. Council, p. Finance reporting challenges can be significantly reduced in the UK, according to Song & Windram (2004). According to FRQ, the experience of audit committee members is beneficial (Kusnadi, 2016; Shepardson, 2019). The audit committee's accounting knowledge and the FRQ go hand in hand.

### 2.3.3 Internal Audit

Internal auditing (IA) has recently evolved to become more effective in the workplace. The IA's role used to be limited to compliance, asset protection, and financial control. Following the 2000 scandals, new regulations strengthened the responsibilities of IA officers (Sarbanes-Oxley, 2002). Auditing is generally accepted as an activity carried out by independent and skilled members of an economic body to verify the accuracy of reporting and information. To be effective in his or her role, an independent auditor must possess several qualities, including honesty, objectivity, and independence. Kewo, Afiah (2017) Al-Shetwi, Ramadili, Chowdury, and Sori (2011) claim that a weak relationship between FR and IA function may harm IA function. It has been noted that Internal Audit has reduced reporting errors and increased investor confidence in the company's ability to meet financial reporting requirements (Agyei-Mensah, 2014; Holt & DeZoort, 2009; Influencing, Quality, Financial, On, & Government, 2014; Kewo & Afiah, 2017).

## Conceptual Framework

A conceptual model linking corporate governance, IAS, and financial reporting quality is proposed. This model divides independent corporate governance into three major components: board structure, audit committee, and board expertise. Internal audit examines IFRS as a mediator and financial reporting quality as a dependent variable. Thus, this study's hypotheses are based on previous research reviews. TUNEIBAT (2016).

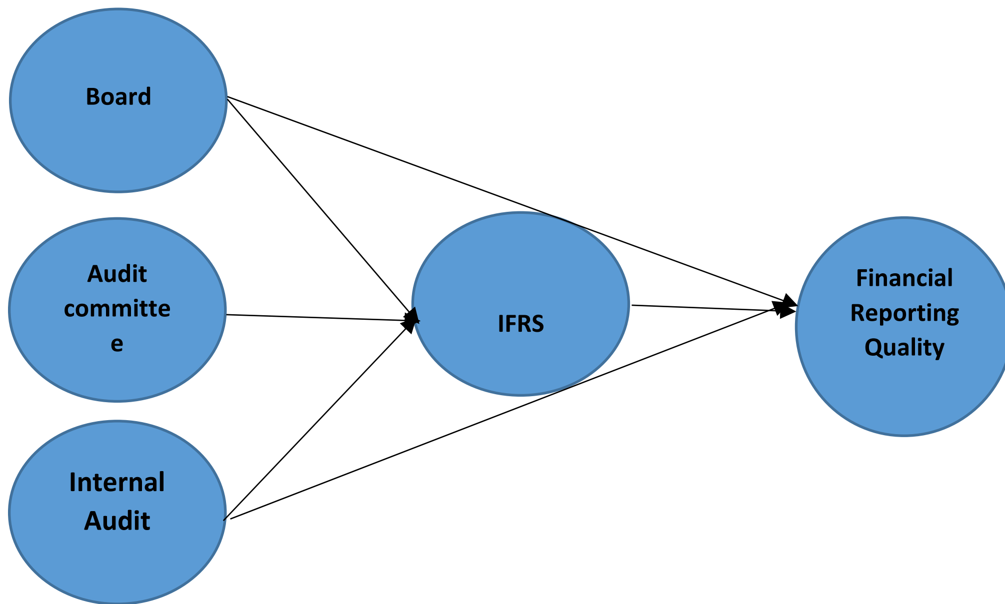


**Fig1: Research conceptual model.**

## Research Methodology

This study uses data directly from the source. This study collects primary data via surveys. A table was cited to support Sekaran and Bougie (2016)'s size decision (Krejcie & Morgan, 1970). Hair Jr, Black, Babin, and Anderson (2014) define a research population as data collection and information that will be analysed in the study. The term "population" refers to the entire pool of potential study participants. According to Sekaran and Bougie (2016), the target population should be defined by elements, geography, and time. This study focuses on Yemen's private sector. Their recommendation is 290 for a population of 1400 or more. The questionnaire was based on previous research. The survey sampled Yemen's financial and service sectors. Data-driven descriptive statistics.

## Results and Discussion

This part shows the findings of data analysis such as measurement model, structural model, and hypotheses testing.

*5.1 Descriptive Statistics*

Table 1 illustrates the result for respondents

| Gender | Frequency | Percentage |
|---|---|---|
| Male | 264 | 91% |
| Female | 26 | 9% |
| Total | 290 | 100 % |

| Educational level | Number of respondents | Percentage |
|---|---|---|
| Diploma | 6 | 2.1% |
| Bachelor | 154 | 53.1% |
| Master | 115 | 39.7% |

| | | |
|---|---|---|
| PhD | 15 | 5.1% |
| Total | 290 | 100% |

| Experience Years | Number of respondents | Percentage |
|---|---|---|
| Less than 5 years | 18 | 6.2% |
| 5-10 years | 64 | 22.1% |
| 11-15 years | 102 | 35.2% |
| More than 15 | 106 | 36% |
| Total | 290 | 100% |

Men (264 out of 290) make up 91 percent of the population. 9 percent of respondents were female. Furthermore, 154 out of the total population had a bachelor's degree. Despite this, only 5.1% of respondents had a PhD, with 15 responding. A master's degree is also shown in the table, while only 6 respondents (2.1%) have a diploma. 106 respondents (36%) had more than 15 years of experience. The study found that 35.2% of 102 respondents had been in the industry for 5-15 years. Moreover, 64 out of 290 respondents (22.1%) have five to ten years of experience. Only 6.2% have less than five years experience. 41.4 percent of respondents were in the financial sector (120 businesses). While only 23.4 percent (68) of the 290 businesses were in this sector, it is clear that 102 were. Because Yemen imports and exports heavily, the services sector may rank last.

**Table 4. 3 Skewness and Kurtosis for Variables.**

| Variables | Code | Skewness | Kurtosis |
|---|---|---|---|
| Board of Director | BOD | -1.530 | 2.453 |
| Audit Committee | AUC | -1.061 | 2.217 |
| Internal Audit | INA | -2.173 | 2.175 |
| International Financial Reporting Standard | IFRS | -2.472 | 1.735 |
| Financial Reporting Quality | FRQ | -2.431 | 1.328 |

### 5.1.5 Test of Multicollinearity

Table 4.4 shows that there is no evidence of significant multicollinearity among the research predictor variables because all tolerance values are greater than 0.10 and range from 0.561 to 0.367, and all VIF values are less than 10 and range from 2.726 to 1.783. This is because all tolerance values are greater than 0.10 and range from 0.561 to 0.367, and all VIF values are less than 10.

**Table 4.4 the Tolerance and VIF for Variables**

| Variables | | Collinearity Statistics | |
|---|---|---|---|
| | Code | Tolerance | VIF |
| Board of Director | BOD | .561 | 1.783 |
| Audit Committee | AUC | .376 | 2.658 |
| Internal Audit | INA | .367 | 2.726 |
| International Financial Reporting Standard | IFRS | .448 | 2.233 |

*6.1 Measurement Model*

The measurement model addressed the relationships that existed between the variables observed and the constructs being measured. The constructs were assessed through the use of items that represented the observed variables in the study. The results of the analysis of the measurement model were loading estimates, which provided the scholar with an indication of the strength of the measures. Convergent validity is confirmed in Smart PLS when items load heavily, according to Hair, Risher, Sarstedt, and Ringle, who found that when items load heavily, convergent validity is confirmed (2019). (In exploratory research, a p-value greater than 0.70 or 0.60 is considered significant). Those items with the lowest outer loadings (below 0.60) should be removed from the scale; however, this should only be done if removing the item does not result in a reduction in the average variance extracted (AVE).

**Table 1: Cronbach's alpha, Composite Reliability (CR) and AVE**

| Variables | Cronbach's alpha | CR | AVE |
|---|---|---|---|
| **Board of Director** | 0.963 | 0.968 | 0.751 |
| **Audit Committee** | 0.843 | 0.871 | 0.459 |
| **Internal Audit** | 0.955 | 0.963 | 0.766 |
| **International Financial Reporting Standard** | 0.914 | 0.933 | 0.700 |
| **Financial Reporting Quality** | 0.897 | 0.928 | 0.764 |

The (AVE) test results for one of the constructs, Audit Committee (AC), were between 0.459 and 0.766. (AVE) should be greater than 0.5, but we can accept 0.4. According to Fornell and Larcker (1981), if AVE is less than 0.5 but CR is greater than 0.6, convergent validity is still adequate. The study thus confirmed convergent validity. There was a positive AVE value for each set of constructs, indicating discriminant validity. A construct's correlation square with any other factor was greater than the square root of its AVE (AVE > correlation square). That the square root of the extracted average variances exceeded the correlation among latent constructs indicated adequate discriminant validity.

**Table 2: Discriminant validity -Fornell and Lacker Criterion**

| Variables | AUC | BOD | FRQ | IFRS | INA |
|---|---|---|---|---|---|
| **AUC** | 0.678 | | | | |
| **BOD** | 0.211 | 0.867 | | | |
| **FRQ** | 0.642 | 0.283 | 0.781 | | |
| **IFRS** | 0.567 | 0.499 | 0.771 | 0.837 | |
| **INA** | 0.631 | 0.036 | 0.663 | 0.568 | 0.875 |

*6.2 Structural Model*

This section contains the structural model's results and hypotheses tested. It focuses on testing effects moderating and mediating hypotheses. They included path coefficient (), effect size (f 2), endogenous variable R2 coefficient of determination (Q2), and multicollinearity (). (inner VIF). The path coefficients, t-statistics, and standard errors showed the effect's significance, and the R2 showed how much variance it explained. Table 3 shows the R2 for the dependent variables: (R2=0.577) IFRS (IFRS). Three latent variables (board of directors, audit committee, and internal audit) explain 57% of the variance in IFRS (IFRS). BOD, AC, and IA explain a significant variation in Financial Reporting Quality (FRQ).

**Table 3: Coefficient of determination result $R^2$**

| Exogenous Construct | Endogenous Construct | $R^2$ | Cohen, (1988b) | Chin (1998) |
|---|---|---|---|---|
| BOD, AC, IA | IFRS | 0.577 | Mediate | Substantial |
| BOD, AC, IA, IFRS | FRQ | 0.713 | Substantial | Substantial |

International Financial Reporting Standards had a large effect size of 0.429. (More than 0.35) Internal Audit also had the smallest effect size on the International Financial Reporting Standard (IFRS) at 0.246 percent (IFRS). (Over 0.15.) The Audit Committee influenced IFRS by 0.059 points (IFRS). Financial Reporting Quality had a large effect size of 0.527, while the board of directors had no effect at 0.009. (less than 0.02). However, audit committees and internal auditors had little impact on Financial Reporting Quality. Table 4: Exogenous Latent Variables Impact on Endogenous

**Table 4: Effect Size of predictive Variables**

| Variable | Effect size ($f^z$) | | | |
|---|---|---|---|---|
| | International Financial Reporting Standard | Rating | Financial Reporting Quality | Rating |
| Board of Director | 0.429 | Large | 0.009 | None |
| Audit Committee | 0.059 | Small | 0.062 | Small |
| Internal Audit | 0.246 | Medium | 0.074 | Small |
| International Financial Reporting Standard | | | 0.527 | Large |

**Table 5: Summary of Structural Model Assessment Direct and Indirect Hypotheses**

| H. No | Exog. | ⟹ | Endo. | Estimated | S. E | t-value (C.R) | P-Value | Status | Result |
|---|---|---|---|---|---|---|---|---|---|
| **H1** | BOD | ⟹ | FRQ | -0.061 | 0.061 | 0.996 | 0.319 | Non-Sig | Not supported |
| **H2** | AUC | ⟹ | FRQ | 0.182 | 0.050 | 3.654 | 0.000 | Sig | Supported |
| **H3** | INA | ⟹ | FRQ | 0.211 | 0.061 | 3.471 | 0.001 | Sig | Supported |
| **H4** | BOD | ⟹ | IFRS | 0.440 | 0.079 | 5.533 | 0.000 | Sig. | Supported |
| **H5** | AUC | ⟹ | IFRS | 0.210 | 0.049 | 4.261 | 0.001 | Sig. | Supported |
| **H6** | INA | ⟹ | IFRS | 0.420 | 0.130 | 3.229 | 0.000 | Sig. | Supported |
| **H7** | IFRS | ⟹ | FRQ | 0.598 | 0.064 | 9.274 | 0.000 | Sig | Supported |

***Significant at p<0.01, *Significant at Bootstrapping p<0.05,*

BOD: Board of Director, AUC: Audit Committee, INA: Internal Audit, IFRS: International Financial Reporting Standard, FRQ: Financial Reporting Quality

## Conclusion

These mechanisms (Board of Directors, audit committee, and internal audit) as well as international financial reporting standards (IFRS) were investigated in this study (IFRS). Only the board of directors, according to the findings of this study, has no impact on the quality of financial reporting. It was also discovered that CGP and IFRS have a direct and positive relationship with one another. According to the findings, International Financial Reporting Standards appear to play a role in mediating the relationship between CGM and FRQ to a certain extent. Globally, CGMs are widely recognised as being critical to the advancement of International Financial Reporting Standards, which in turn aids the advancement of the Financial Reporting Quality (FRQ). A new avenue for further research into the complementary effect of other factors has been opened up as a result of this study, which will be carried out in the Republic of Yemen, other developing countries, and the rest of the world in the future.

## References

[1] Abbott, L. J., & Parker, S. (2000). Auditor Selection And Audit Committee Characteristics. *Auditing: A Journal Of Practice & Theory*, *19*(2), 47–66.

[2] Abbott, L. J., Parker, S., & Peters, G. F. (2004). Audit Committee Characteristics And Restatements. *Auditing: A Journal Of Practice & Theory*, *23*(1), 69–87.

[3] Agyei-Mensah, B. K. (2014). Adoption Of International Financial Reporting Standards (IFRS) In Ghana And The Quality Of Financial Statement Disclosures. *International Journal Of Accounting And Financial Reporting*, *3*(2), 269. Https://Doi.Org/10.5296/Ijafr.V3i2.4489

[4] Agyei-Mensah, B. K., & Agyei-Mensah, B. K. (2018). *Impact Of Corporate Governance Attributes And Financial Reporting Lag On Corporate Financial Performance*. Https://Doi.Org/10.1108/AJEMS-08-2017-0205

[5] Aifuwa, H. O., & Embele, K. (2019). Board Characteristics And Financial Reporting. *Journal Of Accounting And Financial Management*, *5*(1), 30–44.

[6] Akeju, J. B., & Babatunde, A. A. (2017). Corporate Governance And Financial Reporting Quality In Nigeria. *International Journal Of Information Research And Review*, *4*(2), 3749–3753.

[7] Al-Shetwi, M., Ramadili, S. M., Chowdury, T. H. S., & Sori, Z. M. (2011). Impact Of Internal Audit Function (IAF) On Financial Reporting Quality (FRQ): Evidence From Saudi Arabia. *African Journal Of Business Management*, *5*(27), 11189–11198.

[8] Al-Thuneibat, A. A. (2016). *The Effect Of Corporate Governance Mechanisms On Earnings Management Evidence From Saudi Arabia*. *26*(1), 2–32. Https://Doi.Org/10.1108/RIBS-10-2013-0100

[9] Alobaidi, F., Aloqab, A., & Raweh, B. (2017). Corporate Governance In Banking Sector: Case Study Of Yemen. *International Journal Of Economics, Commerce And Management*, *V*(12), 554–568.

[10] Alrshah, A. M. (2016). *CORPORATE GOVERNANCE AS ENABLER OF AUDITED FINANCIAL STATEMENTS RELIABILITY : MEDIATING ROLE OF AUDIT TEAM ATTRIBUTES CORPORATE GOVERNANCE AS ENABLER OF AUDITED FINANCIAL STATEMENTS RELIABILITY : MEDIATING*. (May).

[11] Alves, S. (2014). The Effect Of Board Independence On The Earnings Quality: Evidence From Portuguese Listed Companies. *Australasian Accounting, Business And Finance Journal*, *8*(3), 23–44.

[12] Alzoubi, E. S. S. (2014). Board Characteristics And Financial Reporting Quality: Evidence From Jordan. *Corporate Ownership And Control*, *11*(3), 8–29.

[13] Arens, A. A., Elder, R. J., & Mark, B. (2012). *Auditing And Assurance Services: An Integrated Approach*. Boston: Prentice Hall.

[14] Asiedu, K. F., & Deffor, E. W. (2017). Fighting Corruption By Means Of Effective Internal Audit Function: Evidence From The Ghanaian Public Sector. *International Journal Of Auditing*, *21*(1), 82–99.

[15] Bach, S. B., & Smith, A. D. (2007). Are Powerful Ceos Beneficial To Post-IPO Survival In High Technology Industries?: An Empirical Investigation. *The Journal Of High Technology Management Research*, *18*(1), 31–42.

[16] Ball, R., Robin, A., & Wu, J. S. (2003). Incentives Versus Standards: Properties Of Accounting Income In Four East Asian Countries. *Journal Of Accounting And Economics*, *36*(1–3), 235–270.

[17] Bansal, N., & Sharma, A. K. (2016). Audit Committee, Corporate Governance And Firm Performance: Empirical Evidence From India. *International Journal Of Economics And Finance*, *8*(3), 103.

[18] Barclay, D., Higgins, C., & Thompson, R. (1995). *The Partial Least Squares (PLS) Approach To Casual Modeling: Personal Computer Adoption Ans Use As An Illustration*.

[19] Barth, M. E., Landsman, W. R., & Lang, M. H. (2008). International Accounting Standards And Accounting Quality. *Journal Of Accounting Research*, *46*(3), 467–498.

[20] Beasley, M. S. (1996). An Empirical Analysis Of The Relation Between The Board Of Director Composition And Financial Statement Fraud. *Accounting Review*, 443–465.

[21] Bhagat, S., & Black, B. (2001). The Non-Correlation Between Board Independence And Long-Term Firm Performance. *J. Corp. L.*, *27*, 231.

[22] Bodle, K. A., Cybinski, P. J., & Monem, R. (2016). Effect Of IFRS Adoption On Financial Reporting Quality Evidence From Bankruptcy Prediction. *Accounting Research Journal*, *29*(3), 292–312. Https://Doi.Org/10.1108/ARJ-03-2014-0029

[23] Boynton, W. C., & Johnson, R. N. (2006). *Modern Auditing: Assurance Services And The Integrity Of Financial Reporting*. Wiley.

[24] Bribesh, F. N. (2006). *The Quality Of Corporate Annual Reports: Evidence From Libya*. University Of Glamorgan.

[25] Cadbury, A. (1992). *Report Of The Committee On The Financial Aspects Of Corporate Governance* (Vol. 1). Gee.

[26] Camfferman, K., & Zeff, S. A. (2007). *Financial Reporting And Global Capital Markets: A History Of The International Accounting Standards Committee, 1973-2000*. Oxford University Press On Demand.

[27] Carcello, J. V, & Neal, T. L. (2000). Audit Committee Composition And Auditor Reporting. *The Accounting Review*, *75*(4), 453–467.

[28] Chen, H., Tang, Q., Jiang, Y., & Lin, Z. (2010). The Role Of International Financial Reporting Standards In Accounting Quality: Evidence From The European Union. *Journal Of International Financial Management & Accounting*, *21*(3), 220–278.

[29] Committees, B. R. C. On I. The E. Of C. A. (1999). Report And Recommendations Of The Blue Ribbon Committee On Improving The Effectiveness Of Corporate Audit Committees. *The Business Lawyer*, 1067–1095.

[30] Cornett, M. M., Mcnutt, J. J., & Tehranian, H. (2009). Corporate Governance And Earnings Management At Large US Bank Holding Companies. *Journal Of Corporate Finance*, *15*(4), 412–430.

[31] Cotter, J., & Silvester, M. (2003). Board And Monitoring Committee Independence. *Abacus*, *39*(2), 211–232.

[32] Council, F. R. (2012). The UK Corporate Governance Code. *London, September*.

[33] D'onza, G., & Lamboglia, R. (2014). *The Relation Between The Corporate Governance Characteristics And Financial Statement Frauds: An Empirical Analysis Of Italian Listed Companies*.

[34] Dezoort, F. T., & Salterio, S. E. (2001). The Effects Of Corporate Governance Experience And Financial-Reporting And Audit Knowledge On Audit Committee Members' Judgments. *Auditing: A Journal Of Practice & Theory*, *20*(2), 31–47.

[35] Dhaliwal, D. A. N., Naiker, V. I. C., & Navissi, F. (2010). The Association Between Accruals Quality And The Characteristics Of Accounting Experts And Mix Of Expertise On Audit Committees. *Contemporary Accounting Research*, *27*(3), 787–827.

[36] Eisenberg, T., Sundgren, S., & Wells, M. T. (1998). Larger Board Size And Decreasing Firm Value In Small Firms. *Journal Of Financial Economics*, *48*(1), 35–54.

[37] Fornell, C., & Larcker, D. F. (1981). *Structural Equation Models With Unobservable Variables And Measurement Error: Algebra And Statistics*. Sage Publications Sage CA: Los Angeles, CA.

[38] Gebrayel, E., Jarrar, H., Salloum, C., & Lefebvre, Q. (2018). Effective Association Between Audit Committees And The Internal Audit Function And Its Impact On Financial Reporting Quality: Empirical Evidence From Omani Listed Firms. *International Journal Of Auditing*, *22*(2), 197–213.

[39] Hair, J. F., Risher, J. J., Sarstedt, M., & Ringle, C. M. (2019). When To Use And How To Report The Results Of PLS-SEM. *European Business Review*.

[40] Hair Jr, J. F., Black, W. C., Babin, B. J., & Anderson, R. E. (2014). *Multivariate Data Analysis: Harlow Pearson Education Limited*. Pearson New International Edition.

[41] Haniffa, R. M., & Cooke, T. E. (2002). Culture, Corporate Governance And Disclosure In Malaysian Corporations. *Abacus*, *38*(3), 317–349.

[42] Holt, T. P., & Dezoort, T. (2009). The Effects Of Internal Audit Report Disclosure On Investor Confidence And Investment Decisions. *International Journal Of Auditing*, *13*(1), 61–77.

[43] Huang, H.-W., & Thiruvadi, S. (2010). Audit Committee Characteristics And Corporate Fraud. *International Journal Of Public Information Systems*, *6*(1).

[44] IASB, E. D. (2008). *An Improved Conceptual Framework For Financial Reporting*. IASB.

[45] Ilaboya, J. O., & Lodikero, O. (2017). Board Independence And Financial Statement Fraud: A Moderating Effect Of Female Gender Diversity. *Accounting And Taxation Review*, *1*(1), 196–221.

[46] Influencing, F., Quality, T. H. E., Financial, O. F., On, I., & Government, G. (2014). *FACTORS INFLUENCING THE QUALITY OF FINANCIAL REPORTING AND ITS IMPLICATIONS ON GOOD GOVERNMENT GOVERNANCE (Research On Local Government Indonesia)*. *5*(1), 111–121.

[47] Jensen, M. C. (1993). The Modern Industrial Revolution, Exit, And The Failure Of Internal Control Systems. *The Journal Of Finance*, *48*(3), 831–880.

[48] Juhmani, O. (2017). Corporate Governance And The Level Of Bahraini Corporate Compliance With IFRS Disclosure. *Journal Of Applied Accounting Research*, *18*(1), 22–41. Https://Doi.Org/10.1108/JAAR-05-2015-0045

[49] Kang, H., Cheng, M., & Gray, S. J. (2007). Corporate Governance And Board Composition: Diversity And Independence Of Australian Boards. *Corporate Governance: An International Review*, *15*(2), 194–207.

[50] Kankanamage, C. A. (2015). *The Relationship Between Board Characteristics And Earnings Management: Evidence From Sri Lankan Listed Companies*.

[51] Kantudu, A. S., & Samaila, I. A. (2015). Board Characteristics, Independent Audit Committee And Financial Reporting Quality Of Oil Marketing Firms: Evidence From Nigeria. *Journal Of Finance, Accounting & Management*, *6*(2).

[52] Kewo, C. L., & Afiah, N. N. (2017). *Does Qual I Ty Of F I Nanc I Al Statement Affected By Internal Control System And Internal Aud I T ? 7*(2), 568–573.

[53] Klamm, B. K., & Watson, M. W. (2009). SOX 404 Reported Internal Control Weaknesses: A Test Of COSO Framework Components And Information Technology. *Journal Of Information Systems*, *23*(2), 1–23.

[54] Klein, A. (2002). Audit Committee, Board Of Director Characteristics, And Earnings Management. *Journal Of Accounting And Economics*, *33*(3), 375–400.

[55] Krejcie, R. V, & Morgan, D. W. (1970). Determining Sample Size For Research Activities. *Educational And Psychological Measurement*, *30*(3), 607–610.

[56] Kusnadi, Y. (2016). *Audit Committees And Financial Reporting Quality In Singapore*. 197–214.

[57] Kusnadi, Y., & Sin, K. (2015). Audit Committees And Financial Reporting Quality In Singapore. *Journal Of Business Ethics*, *2001*. Https://Doi.Org/10.1007/S10551-015-2679-0

[58] Laing, D., & Weir, C. M. (1999). Governance Structures, Size And Corporate Performance In UK Firms. *Management Decision*, *37*(5), 457–464.

[59] Lipton, M., & Lorsch, J. W. (1992). A Modest Proposal For Improved Corporate Governance. *The Business Lawyer*, 59–77.

[60] Mautz, R. K., & Neumann, F. L. (1970). *Corporate Audit Committees*. Bureau Of Economic And Business Research, University Of Illinois.

[61] Moghram, M. A. (2007). Legal And Institutional Structure For Fighting Corruption In The Republic Of Yemen. *Sana'a University, Yemen*.

[62] Nalukenge, I., Tauringana, V., & Ntayi, J. M. (2017). Corporate Governance And Internal Controls Over Financial Reporting In Ugandan Mfis. *Journal Of Applied Accounting Research*, *11*(1). Https://Doi.Org/10.1108/Jaar.2010.37511aaa.003

[63] Nicholson, G. J., & Kiel, G. C. (2007). Can Directors Impact Performance? A Case-Based Test Of Three Theories Of Corporate Governance. *Corporate Governance: An International Review*, *15*(4), 585–608.

[64] Oba, V. C. (2014). Board Dynamics And Financial Reporting Quality In Nigeria. *Revista De Management Comparat Internațional*, *15*(2), 226–236.

[65] Ogbuozobe, F. (2009). A Consideration Of The Impact Of The Companies And Allied Matters Act (1990) And The Insurance Act (2003) On The Board Of Insurance Companies In Nigeria. Part 1. *International Journal Of Law And Management*, *51*(5), 336–358.

[66] Onuorah, A. C.-C., & Friday, I. O. (2016). Corporate Governance And Financial Reporting Quality In Selected Nigerian Company. *International Journal Of Management Science And Business Administration*, *2*(3), 7–16.

[67] Peasnell, K. V, Pope, P. F., & Young, S. (2000). Accrual Management To Meet Earnings Targets: UK Evidence Pre-And Post-Cadbury. *The British Accounting Review*, *32*(4), 415–445.

[68] Responsibility, S. (2017). *Corporate Governance And Corporate Social Responsibility Disclosure : Evidence From Saudi Arabia Murya Habbash*. *1*(2), 161–178.

[69] Reza Eslami, A. A. H. R. J. (2016). A Study On The Effect Of Corporate Governance On The Timeliness Of Financial Reports Of Listed Firms On Tehran Stock Exchange. *Academic Journal Of Accounting And Economic Researches ISSN 2333-0783*, *4*(4), 140–152.

[70] Sarbanes-Oxley, A. C. T. (2002). Sarbanes-Oxley Act. *Washington, DC: One Hundred And Seventh Congress Of The United States Of America*.

[71] Sekaran, U., & Bougie, R. (2016). *Research Methods For Business: A Skill Building Approach*. John Wiley & Sons.

[72] Sharma, V. D. (2004). Board Of Director Characteristics, Institutional Ownership, And Fraud: Evidence From Australia. *Auditing: A Journal Of Practice & Theory*, *23*(2), 105–117.

[73] Shepardson, M. L. (2019a). Effects Of Individual Task-Specific Experience In Audit Committee Oversight Of Financial Reporting Outcomes. *Accounting, Organizations And Society*, *74*, 56–74. Https://Doi.Org/10.1016/J.Aos.2018.07.002

[74] Shepardson, M. L. (2019b). Effects Of Individual Task-Specific Experience In Audit Committee Oversight Of Financial Reporting Outcomes. *Accounting, Organizations And Society*, *74*, 56–74.

[75] Solomon, J. F., Lin, S. W., Norton, S. D., & Solomon, A. (2003). Corporate Governance In Taiwan: Empirical Evidence From Taiwanese Company Directors. *Corporate Governance: An International Review*, *11*(3), 235–248.

[76] Solomon, J., Solomon, A., & Park, C. (2002). A Conceptual Framework For Corporate Governance Reform In South Korea. *Corporate Governance: An International Review*, *10*(1), 29–46.

[77] Sommer Jr, A. A. (1992). Auditing Audit Committees: An Education Opportunity For Auditors. *Journal Of Accountancy*, *173*(6), 112.

[78] Song, J., & Windram, B. (2004). Benchmarking Audit Committee Effectiveness In Financial Reporting. *International Journal Of Auditing*, *8*(3), 195–205.

[79] Uwuigbe, Uwuwuigbe, U., Eluyela, D. F., Uwuigbe, O. R., Teddy, O., & Irene, F. (2018). Corporate Governance And Quality Of Financial Statements: A Study Of Listed Nigerian Banks. Banks And Bank Systems, 13(3), 12–23. Https://Doi.Org/10.21511/Bbs.13(3).2018.02alomwa, Eluyela, D. F., Uwuigbe, O. R., Teddy, O., & Irene, F. (2018). Corporate Governance And Quality Of Financial Statements: A Study Of Listed Nigerian Banks. *Banks And Bank Systems*, *13*(3), 12–23. Https://Doi.Org/10.21511/Bbs.13(3).2018.02

[80] Vafeas, N. (2005). Audit Committees, Boards, And The Quality Of Reported Earnings. *Contemporary Accounting Research*, *22*(4), 1093–1122.

[81] Verdi, R. S. (2006). Financial Reporting Quality And Investment Efficiency. *Available At SSRN 930922*.

[82] Weir, C., Laing, D., & Mcknight, P. J. (2002). Internal And External Governance Mechanisms: Their Impact On The Performance Of Large UK Public Companies. *Journal Of Business Finance & Accounting*, *29*(5-6), 579–611.

[83] Zerban, A. M. (2017). *Corporate Governance And Board Of Directors Responsibilities : The Case Of Saudi Arabia International Journal Of*. *5*(2). Https://Doi.Org/10.4172/2472-114X.1000171