

The Impact of Integrated Reporting on the Quality of Financial Statements (A Practical Study in Iraqi Commercial Banks)

Abbas Hadi Abboud

abbas.alabady@qu.edu.iq

University of Al-Qadisiyah

Tufouf Qasim Hashim

acco.stp.25.2@qu.edu.iq

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Corresponding Author : Tufouf Qasim Hashim

Abstract : The study aims to demonstrate the impact of integrated reporting and the quality of financial reports on the decisions of investors and beneficiaries in Iraqi commercial banks, as investors and beneficiaries are looking for banks whose financial reports are distinguished by quality. To achieve the research objective, the level of integrated reporting and the level of quality of financial reports of commercial banks listed in the Iraq Stock Exchange were measured for the period from (2011 -2020) by using measures of the qualitative characteristics of accounting information, represented by the two main characteristics of relevance and faithful representation . The study addressed the concept of integrated reporting, its objectives and types , and the most important objectives, types , standards , and characteristics of the quality of financial reports, such as relevance, faithful representation, verifiability, comparability , and compliance with international accounting standards. The impact of integrated reporting was also analyzed through a review of previous literature and an applied study of banks.

The current research, entitled (The Impact of Integrated Reporting on the Qualitative Characteristics of Accounting Information), has designed its methodology to identify the basic problem represented in stating the cognitive foundations of the extent to which the appropriateness of accounting information is achieved within the framework of integrated reporting and to study and analyze the possibility of applying this framework in Iraqi commercial banks in achieving the requirements of customers and beneficiaries..

Keywords: Integrated Reporting, Financial Reporting Quality, Relevance, Faithful Representation.

INTRODUCTION: Commercial banks are the economic unit that contributes to the development of the economic unit's activity in all countries. Therefore, banks must disclose annual financial reports that increase the ir decisions. The study sought to know the impact of the confidence of investors and beneficiaries when making the quality of financial reports on the decisions of investors and beneficiaries , as beneficiaries need quality information to lity comes through the characteristics that be the basis upon which the investment decision is built, and that this qua must be present in the information present in the financial reports. The study focused on two aspects: the theoretical of their qualitative aspect included the concept and quality of financial reports, their importance, and the study characteristics represented by suitability, honest representation, and the importance of each characteristic in the quality ficiaries . of financial reports, as well as the concept of integrated reporting and its importance for investors and bene The applied aspect included measuring the quality of financial reports through qualitative characteristics and measuring the integrated reporting of each bank during the year listed on the Iraq Stock Exchange

:pics as followsThe research includes four main to

.The first section: Research methodology

.Chapter Two: Theoretical Framework

.The third topic: the practical aspect

.Section Four: Conclusions and Recommendations

Chapter One: Research Methodology

First: Research Problem

In light of the changing business environment, stakeholders increasingly seek relevant and credible information that enables them to clearly understand the actual performance of economic units. Financial information alone is no longer sufficient to reflect the ability of an economic unit to generate profits or sustain operations under competition. Moreover, financial reports typically focus on short past periods and fail to capture future directions or strategic

orientations of the entity. Integrated reporting, however, enhances the relevance of accounting information and provides stakeholders with the insights they need to strengthen their confidence in economic units.

Despite the adoption of integrated reporting by many banks, challenges remain that affect the quality of financial reports. Accordingly, the research problem can be summarized through the following questions:

Does integrated reporting affect the relevance characteristic of commercial banks in Iraq (the research sample)?

Is there a correlation between integrated reporting and the relevance characteristic in Iraqi commercial banks (the research sample)?

Does integrated reporting affect the faithful representation characteristic of commercial banks in Iraq (the research sample)?

Is there a correlation between integrated reporting and the faithful representation characteristic in Iraqi commercial banks (the research sample)?

Third: Research Importance

The importance of this research stems from the growing academic and practical interest in integrated reporting, as it represents the latest model of accounting reporting that enables the economic unit to meet stakeholders' requirements. Integrated reporting provides both financial and non-financial information in a unified context, granting management and stakeholders—particularly investors and beneficiaries—high-quality information with predictive ability regarding future events, profits, risks, opportunities, financial failure, and other factors that reflect on the evaluation of banks' performance. Moreover, it supports decision-makers in making more strategic and investment-oriented choices.

Fourth: Research Hypothesis

The research is based on the fundamental hypothesis: "There is a statistically significant impact of integrated reporting on the qualitative characteristics of accounting information in Iraqi commercial banks, the research sample."

Fifth: Research Boundaries

Spatial boundaries: Iraqi commercial banks listed on the Iraq Stock Exchange. The Gulf Commercial Bank was selected as the research sample. Temporal boundaries: The financial statements of Iraqi commercial banks (both the population and the sample) were studied for the years 2011–2020.

Sixth: Research Plan

The researcher adopted the descriptive and analytical methodology. The necessary information for this study was obtained from the following sources: Theoretical aspect: The researcher relied on scientific information obtained from books, research papers, theses, dissertations, and both Arab and foreign journals relevant to the study, in addition to laws, regulations, and related accounting standards, as well as the internet. Practical aspect: Information for the practical side was collected from:

1. Annual board of directors' reports of Iraqi banks available in the Iraq Stock Exchange.
2. External auditors' reports for the banks included in the study sample.

Chapter Two: Theoretical Framework

The Impact of Integrated Reporting on the Qualitative Characteristics of Accounting Information

2.2.1 Concept of Integrated Reporting

Linguistically, reporting means informing or conveying—"to report something" means to deliver it to the other party (Dictionary, 2004:70). Delivering comprehensive information is considered a responsibility that must be provided to stakeholders in a timely and reliable manner. In accounting terms, it refers to the delivery of both financial and non-financial information in an integrated form through the preparation of a comprehensive report about economic entities, upon which many decisions depend, reflecting its great importance. The primary goal of integrated reporting is therefore to provide information that meets the needs of a broad group of stakeholders with high quality (Bartocci & Picciaia, 2013:193).

Integrated reporting has been defined as:

Providing integrated and comprehensive information in a single report that reflects the main activities which achieve the economic unit's objectives in a transparent, comparable, and accountable manner. Such disclosure contributes to creating value for the economic unit in the short, medium, and long term" (Wanas, 2019:20).

2.2.2 Objectives of Integrated Reporting

The general objective of integrated reporting is to ensure clarity and transparency for stakeholders as a whole, disclosing all aspects of economic, social, and environmental activity, and showing the relationship with internal and external parties (Mervyn, 2011:6). Key objectives include:

1. Providing an overview of commercial banks, the external environment, and their operations, as well as offering a platform for the economic unit to communicate its mission and vision. It also highlights the bank's culture, ethics, values, ownership, governance structure, activities, main markets, competitive environment, and market position (Serafeim, 2016:18).

2. Addressing deficiencies in financial reporting and providing future-oriented information that helps anticipate risks and opportunities facing the entity.
3. Using broader and more comprehensive measures of economic, social, and environmental performance, rather than focusing only on short-term financial performance.

2.2.3 Importance of Integrated Reporting

The importance of integrated reporting lies in enhancing the quality of information provided to investors, enabling more efficient and productive allocation of capital, while also meeting stakeholder information needs. It emphasizes the economic impacts of decisions, strengthens oversight of financial, manufactured, intellectual, human, social, relational, and natural capital, and enhances their interconnectedness. Furthermore, it supports integrated thinking and decision-making aimed at value creation in the short, medium, and long term, while providing a conceptual framework for considering environmental and social factors systematically in reporting and decision-making (Hurghis & Hurghis, 2017:2).

Integrated reporting has gained significant attention as a modern concept, combining elements of Environmental, Business, and Responsibility (EBR), all centered around the ultimate goal of value creation. It connects information from various reporting sources of economic entities into one coherent, concise report that highlights the relationships between key elements and their potential to create and sustain value.

2.2.4 Benefits of Integrated Reporting

Although still relatively new, integrated reporting offers multiple benefits for all stakeholders (Hoque, 2017:243; Shabaan, 2019:27):

Internal benefits: It facilitates internal decision-making regarding resource allocation and use, enhances participation and support among shareholders and stakeholders, and reduces reputational risks.

External benefits: It meets the needs of investors and stakeholders for both financial and non-financial information, particularly regarding sustainability (ESG) dimensions, social responsibility, and environmental impacts.

Regulatory risk management: It supports compliance with legal, legislative, and stock exchange requirements, identifies strengths and weaknesses in performance, and highlights opportunities and risks, thereby increasing the unit's ability to create future value.

2.2.5 Components of Integrated Reporting

1. Financial reporting: Communicating accounting information regarding resources and performance to stakeholders with legitimate rights to facilitate judgments and informed decisions (Ibrahim & Omole, 2018:23).
2. Non-financial reporting: Providing information related to policies affecting employees, the environment, and society. Many large entities have shifted toward disclosing non-financial and diversified information (Kaliga & Oberdieck, 2020:1).

2.2.6 Guiding Principles and Elements of Integrated Reporting

Guiding principles (IIRC, 2021:25):

1. Strategic focus and future orientation: Reports should provide insight into strategy and the entity's capacity for value creation over short, medium, and long terms.
2. Connectivity of information: Reporting must show a holistic picture of the factors influencing the organization and its ability to create value (IIRC, 2013).
3. Stakeholder relationships: Integrated reporting should demonstrate how the entity engages with stakeholders, ensuring transparency and responsiveness to their needs.
4. Materiality: Disclosure should cover only material issues that significantly impact the entity.
5. Conciseness: The report should be brief, including only reliable, material information.
6. Reliability and completeness: Reports should cover all material matters, presenting a balanced view of positive and negative aspects without major errors.
7. Consistency and comparability: Information should be prepared on a consistent basis over time, enabling comparison.

Content elements: The IIRC framework specifies eight content elements, including: organizational overview and external environment, governance, business model, risks and opportunities, strategy and resource allocation, performance, outlook, and presentation basis.

2.2.7 Determinants of Integrated Reporting

The determinants of integrated reporting and their impact on financial reporting quality can be summarized as follows:

1. Company-Specific Determinants:

- a. Financial Leverage:

Financial leverage refers to the percentage of debt financing within a company's capital structure, often measured by the ratio of long-term debt to fixed assets (Hailu, 2017:47). Numerous studies have found a relationship between financial leverage and financial reporting quality, indicating that highly leveraged companies are obligated to disclose

additional information to satisfy creditors (Mahboub, 2017:710). Financial leverage is explained through agency theory, which suggests that companies with high debt have incentives to enhance reporting for stakeholders through conventional financial statements. Financial information is disclosed to reduce government costs and assist creditors in analyzing company volatility, increasing the likelihood that they will seek additional information to protect their assets (Echobu et al., 2017:710).

b. Company Size:

Many researchers have examined the relationship between financial reporting quality and company size, finding a significant connection. Larger companies tend to disclose more high-quality information, particularly because their reports are subject to external audit. It is expected that large companies will provide high-quality financial reports, as this reduces agency costs and because large firms often have well-established control systems (Rizk, 2011:79).

c. Company Age:

Company age is considered one of the most important determinants of financial reporting quality. Internal control systems strengthen as companies gain experience, and employees develop higher professionalism over time. Older companies tend to improve their governance mechanisms and are subject to closer regulatory oversight, which may result in more accurate financial reporting (Echobu et al., 2017:710). Company age is a key determinant of strong internal controls, which are closely associated with reporting quality. Over time, internal control systems become more organized, ensuring the integrity of financial reports. Additionally, older companies may improve their management while being exposed to more risks, as regulators focus less on new companies and more on established firms, which may affect their financial resources (Hailu, 2017:47).

d. Profitability:

Highly profitable companies tend to grow faster and may disclose better information to demonstrate the credibility of their profits and ongoing projects. This enhances their reputation and removes potential obstacles to operations. Managers may also provide better information to prove their ability to maximize shareholder value, thereby increasing the company's overall worth. Conversely, high profitability can negatively relate to disclosure quality, as competitive costs of disclosure increase, and firms may avoid revealing information that could compromise competitive advantages (Mahboub, 2017:711).

2. Corporate Governance-Related Determinants:

a. Board Independence:

An independent board of directors can enhance the monitoring of financial reports more effectively and demand stronger internal controls over financial reporting processes to protect the company's reputation. The higher the proportion of independent directors, the better the supervisory role. The board is responsible for overseeing the quality of the company's financial reporting. Board oversight is critical due to ethical risks posed by managers, and the number of board members logically affects the speed of decision-making and the overall quality of corporate governance. An efficiently supervising board ensures management activity aligns with high-quality financial reporting standards (Dewata, 2016:523).

3.3.1 Concept of Financial Reporting Quality

Over the past decade, financial reporting quality has become a vital issue in accounting research. Studies on financial reporting quality focus on measuring accounting variables that reflect report quality, as well as factors affecting it. Accounting research has proposed many accounting variables that serve as indicators of quality, including the level of discretionary accruals in financial statements, aggressive earnings recognition policies, transparency of statements, and earnings timeliness (Humeidat, 2004:36).

Quality in accounting refers to the quality of information, disclosure content, and the extent to which financial reports fairly represent the economic reality of the entity (Salehi et al., 2018:6). There are two perspectives for defining quality:

Customer's perspective: According to Juran, quality means "fitness for use." It emphasizes meeting customer needs and expectations, as quality represents the degree of excellence of a product or service in satisfying users at the time of purchase or use (Martin et al., 2020:2).

Producer's perspective: Crosby defined quality as "conformance to requirements." It means meeting specifications—targets that represent the ideal value of a product within acceptable tolerance limits. Any deviation is considered a loss and indicates poor quality (Halihil & Salman, 2018:557).

3.3.2 Objectives of Financial Reporting Quality

Research and accounting literature identified several key objectives of financial reporting quality:

1. Providing high-quality financial information in reports and statements that primarily present the financial position of commercial banks. Such information should help current and potential investors, lenders, and creditors make decisions regarding purchasing, selling, or holding equity instruments and debt instruments, as well as providing or settling loans and other forms of credit.

2. Enhancing capital allocation decisions by offering quality reports that positively affect shareholders and other stakeholders, enabling better investment and credit choices.
3. Pressuring commercial banks to prepare financial statements in compliance with International Accounting Standards, supporting international trade and attracting foreign investment.
4. Supplying useful information for rationalizing investment and credit decisions.
5. Supporting forecasts of future cash flows and economic outcomes, helping decision-makers evaluate current versus future inflows.

3.3.3 Forms of Financial Reporting Quality

Financial report quality can take several forms, reflecting the fundamental qualitative characteristics of accounting information. These include:

1. Report drafting quality: Refers to clarity and accuracy of wording in describing financial data, requiring disclosure, transparency, and credibility (Al-Samarrai, 2016:35).
2. Content quality: Reports should contain accurate, error-free data that comprehensively and faithfully represent financial information.
3. Presentation quality: Refers to the accessibility and timely availability of reports, ensuring information is presented in a structured, easily interpretable manner (Mohammed, 2018:259).

3.3.4 Role of Integrated Reporting in Reducing Contradictions Between Qualitative Characteristics

Integrated reporting characteristics support financial information by:

Enhancing predictive value through reporting on strategic goals. Supporting verifiability, comparability, and understandability by disclosing adopted procedures and policies.

Improving relevance and faithful representation by reporting business models, risks, opportunities, and external factors influencing financial standing.

3.3.5 Qualitative Characteristics of Financial Reporting

According to IASB, the key measure of financial reporting quality lies in the reliability of its objectives and the usefulness of disclosed information. Essential characteristics include:

Relevance: Information must influence decisions by helping evaluate past, present, or future events. It has predictive value, confirmatory value, and materiality (Harrison et al., 2013:11).

Faithful representation: Information should reflect reality, being complete, neutral, and free from material error (Hanlon, 2020:27).

Enhancing characteristics include: understandability, comparability, verifiability, and timeliness. These qualities improve the decision-usefulness of reports (Kieso, 2019:2).

3.3.6 Integrated Reporting in the Banking Sector

Traditionally, banking reports focused on financial and human capital. With digitization and increasing competition, banks must also disclose intellectual, social, and relationship capital, which are critical to value creation. Following the 2008 financial crisis, banks realized the importance of transparency and began disclosing ESG-related information. However, many disclosures remain weak, especially regarding links between performance indicators (KPIs) and strategy.

3.3.7 Measuring the Impact of Integrated Reporting on Predictive Ability

Integrated reporting combines financial and non-financial information, improving investor capacity to evaluate future prospects. Elements like governance, risks, opportunities, performance, and outlook are critical to predicting value creation (Jaafar, 2023:66).

Organizational structure and external environment influence efficiency and faithful representation (Abdi & Senin, 2014).

Governance improves credibility and reduces information asymmetry, making banks more attractive to investors (Mishra & Mohanty, 2014).

Risks and opportunities affect predictive capacity by disclosing economic fluctuations, regulatory changes, and competitive factors, allowing banks to prepare effective strategies (Ittner & Michels, 2016).

3.3.8 Approaches to Measuring Financial Reporting Quality

The main approach uses qualitative characteristics (IASB framework). Quality is achieved when information is relevant, faithfully represented, comparable, verifiable, timely, and understandable (Al-Fatlawi, 2020; Al-Zubaidi, 2020).

Relevance measurement: Based on Ohlson's (1995) price model linking stock price, earnings per share, cash flows, and book value. The closer results are to zero, the stronger the relevance. Faithful representation measurement: Determined by examining earnings smoothing (Menicucci, 2019). Reports free from earnings management reflect higher faithful representation.

Measuring the financial reporting feature based on the relevance feature scale

is one of the basic qualitative characteristics of accounting information, and the quality of accounting information relevance is measured based on the price model, which is a model developed by Ohlson (1995). Using the equation below:

$$P_{it} = B_0 + B_1 EPS_{it} + B_2 OCF_{it} + B_3 SBV_{it} + e_{it} \dots \dots 1$$

Whereas

P_{it} Stock price at the end of the period :

EPS_{it} Operating earnings per share at the end of the period := (Net operating profit / Number of shares)

OCF_{it} Operating cash flow per share at the end of the period= Net cash flows from operating activities / Number of (shares)

SBV_{it} Book value per share at the end of the period := (Total shareholders' equity / Number of shares)

Eight Measurement error

B Constant term or coefficients of variables :

result of the equation is to zero (0), the more the accounting information is considered to have a strong relevance property, and vice versa, the further the result of the above equation is from zero (0), the weaker the (3)relevance property is (Sahib, 55:202

.Measuring the quality of financial reports based on the scale of faithful representation

This characteristic is available when the financial reports are free from bias and errors and have faithful representation. That of the financial reports and have reliability, that is, when they are free from This means that they relate to the true material errors and are neutral and can be relied upon by users as information that faithfully represents transactions

2and events or is expected to represent events. (2019:2Mueedh therefore, it is considered one of the basic characteristics of accounting information, and this characteristic is measured by the absence of disclosed profits from rofit figure, whenever this indicates that profit smoothing practices, i.e. management interventions to change the real p the profit information represents a true representation of the actual reality, which can be measured through the following equationMenicucci , 2019:36

$$Smooth_{j,t} = \sigma (E_{arnj,t} / Total Asset_{j,t-1}) \div \sigma (CFO_{j,t} / Total Asset_{j,t-1}) \dots 2$$

Whereas

$Smooth_{j,t}$: Accounting Profit Forecast

Because

$\sigma (E_{arnj,t} / Total Asset_{j,t-1})$ Standard deviation of the net profit of the economic unit for the same year divided by the year total assets of the economic unit for the previous

$Total Asset_{j,t-1} / \sigma (CFO_{j,t})$ Standard deviation of operating cash flows of an economic unit in the same Year divided by total assets of the economic unit for the previous year

ncial reports are considered to have a strong, true The closer the result of the equation is to (0), the more the financial representation property, and vice versa, as the closer the result of the equation above is to (0), the more the financial representation property, and vice versa, as the more the result of the reports are considered to have a strong, true representation property, and vice versa. equation above is... Away from (0) the representation property was weak

3.3.9 Factors Affecting the Quality of Financial Reports

1. Economic Factors:

The types of accounting data and information included in financial reports vary according to the prevailing economic system. In capitalist societies, financial reports are of great importance, as the focus is on providing information that meets users' needs for making economic decisions. In contrast, in socialist economies, accounting information is primarily directed toward state planning and centralized control purposes. All accounting policy decisions have economic consequences, and if such decisions do not produce economic outcomes, there would be no reason for them. Economic results from these decisions contribute to improving the information available to investors and other users, while also reducing the costs associated with information collection (Al-Majhali, 2009:64).

The accountant's task is to record and analyze economic events and clarify their nature and impact on an institution's economic conditions. One example is high inflation rates, which render accounting and financial information based on historical cost inadequate. Therefore, it becomes necessary to develop alternative accounting methods for measurement and disclosure purposes, taking price changes into account.

2. Social Factors:

The qualitative characteristics of accounting and financial information are influenced by social values, such as the community's attitude toward confidentiality and the value assigned to time in financial reporting. A desire for confidentiality affects the collection and dissemination of financial information, whereas countries that place high importance on time emphasize the reporting of income in short periods, such as quarterly reports. Conversely, countries that do not prioritize time focus mainly on the annual financial report (Al-Majhali, 2009:65).

3. Cultural Factors:

The cultural level of any country significantly affects accounting and financial operations. Among the key cultural factors are the educational level and professional organizations. The educational level is an environmental factor influencing accounting practices, auditing, and the qualitative characteristics of financial information in reports. In countries with low educational levels, most people find it difficult to understand financial reports and sometimes struggle to use them for decision-making—even accountants face challenges. Conversely, in countries with higher educational standards, understanding and using financial reports is generally easier (Quman & Omar, 2019:123). Accounting is also affected by laws and regulations governing economic units. Legal regulations increase the reliability and usefulness of accounting information. Legal factors, which encompass rules and regulations, directly and indirectly influence the accounting profession, thereby affecting the quality of financial reports. Compliance with accounting laws and regulations ensures that accounting information is prepared appropriately, making legal factors a significant determinant of financial reporting quality (Haitham Al-Sheibi, 2019:41).

4. Auditor's Report:

The auditor's report is one of the most important elements in ensuring the quality of accounting and financial information. It achieves this by examining published financial reports and enhancing confidence in the information they contain. The auditor's role extends beyond merely verifying accounting data; it also significantly influences decisions based on this information. Furthermore, the auditor's report holds a prominent position among financial analysts and other interested parties (Ferial, 2020:17).

5. Information Asymmetry:

Managers often possess more information about commercial banks than current shareholders, creating an information asymmetry problem. Managers may use this information to increase their personal wealth. Consequently, effective monitoring mechanisms are required to mitigate agency conflicts and the effects of information asymmetry (Alsmady, 2022:1).

6. Accounting Estimates:

Accounting estimates are considered one of the primary methods used by management to express its future vision regarding the financial position and operational performance of economic units. Several factors affect accounting estimates and, consequently, the quality of accounting information. These factors begin with the surrounding conditions; volatile economic factors, liquidity problems, market fluctuations, and price instability all impact the estimation process. Furthermore, the degree of uncertainty plays a significant role in affecting estimates due to the difficulty in verifying the accuracy of the information on which the estimates rely. The higher the uncertainty surrounding the estimation process, the lower the accuracy of the estimates, and vice versa. Finally, bias in the estimation process is one of the main factors affecting the accuracy of accounting estimates. Bias increases, especially when management is motivated to serve personal interests and lacks transparency, aiming to conceal potential fraud in accounting estimates (Abdel Rahim, 2022:13).

There are several parties interested in accounting estimates. Management prepares the accounting estimates, while accountants record the resulting business events in the accounting ledger. Auditors also play a role in evaluating the accounting estimates of their clients when conducting financial statement audits and forming an opinion. Additionally, financial statement users are concerned with information regarding the applied accounting estimates (Sacer & Pavic, 2016:400). In other words, accounting information is data processed to obtain meaningful indicators, which serve as a basis for decision-making and future forecasting.

The researcher concludes that the above factors significantly affect the quality of financial reports in terms of accuracy, transparency, reliability, relevance, and faithful representation. Therefore, it is essential to improve internal control systems, adhere to accounting standards, and enhance governance to ensure the quality of financial reporting.

3.3.10 Financial Reporting Quality Standards

There are several standards for ensuring the quality of financial reporting, the most important of which are as follows:

1. Legal Standards:

Many professional institutions in various countries strive to develop financial reporting quality standards and ensure compliance through clear and organized laws and regulations governing their work. This includes providing an effective organizational structure that controls performance aspects in accordance with legal requirements, which obligate the institution to disclose sufficient information about its performance.

2. Regulatory Standards:

The control element is viewed as a fundamental component of the management process, relied upon by both the Board of Directors and investors. The success of this element depends on the presence of effective oversight, which defines the role of audit committees and financial and administrative control bodies in organizing financial processing, as well as the role of shareholders and related parties in applying governance rules. This is achieved through monitoring mechanisms that ensure policies and procedures are effectively implemented, financial data is credible, continuous

feedback is provided, risks are evaluated, processes are analyzed, and administrative performance is assessed for compliance with applicable laws and regulations.

Regulatory standards thus play a crucial role in organizing governance rules, as they focus on examining and evaluating compliance with policies and procedures that facilitate resource allocation to enhance organizational efficiency and increase the confidence of financial statement users. This, in turn, reinforces the positive role of oversight.

3. Technical Standards:

The availability of technical standards contributes to developing the concept of information quality, which, in turn, improves financial reporting quality and increases the confidence of shareholders, investors, and stakeholders in the company, ultimately encouraging higher levels of investment. Accounting standards boards, particularly the Financial Accounting Standards Board (FASB) in the United States, have issued numerous standards that help define and maintain the qualitative characteristics of required financial information.

Therefore, establishing standards to ensure the quality of financial reporting has a significant impact on developing and activating the role of governance bodies. This includes creating structures for organizing administrative processes, enacting laws regulating institutional work, protecting shareholder rights, emphasizing the importance of oversight, and highlighting the role of external auditors. Consequently, the accounting and auditing profession is closely linked to governance principles, as accounting and auditing are among the most influential scientific and professional fields affected by governance procedures. Governance also plays a critical role in developing the accounting and auditing professions through the issuance of legislation and regulations that govern supervision and control processes.

Chapter Four

accounting information The impact of integrated reporting on the qualitative characteristics of
(In Iraqi commercial banks)

(2020-Distribution of the percentage of integrated reporting in Gulf Bank's reports for the period (2011)

First: Gulf Bank

The approved bank was established as a private joint stock company under the incorporation certificate numbered M Sh 7002 dated 10/20/1999 issued by the Companies Registration Department in accordance with the Companies Law a capital of (600) million Iraqi dinars paid in full. The bank began practicing its No. (21) of 1997 as amended with business through the main branch on 4/1/2000 after obtaining a license to practice banking issued by the Central Bank dance with the provisions of the Central Bank Law No. (64) of of Iraq numbered S 1/9/3/115/ dated 2/7/2000 in accor which was repealed, for the bank to practice comprehensive banking activities. Its articles of incorporation were 1976 Iraqi dinars after the legal procedures were amended by increasing its capital several times to reach (300,000) million completed on 11/7/2014 by the Companies Registration Department pursuant to their letter numbered 26790 dated was released by The accounting restrictions in our records were extended on 12/12/2014, after the deposit .2014/7/11 the Central Bank of Iraq.

The bank aims to mobilize national funds from investors and invest them in various investment activities and banking monetary market. It businesses, achieving the bank's objectives of promoting economic development and building the also aims to expand the bank's branch network to cover all Iraqi governorates to achieve prosperity for shareholders, develop, qualify, and enhance the banking skills of employees, and contribute to supporting the implementation of the monetary policy of the Central Bank of Iraq. The bank aims to achieve the vision To be a pioneer in the Iraqi banking market by providing the best modern, integrated banking services in the easiest ways, in record time, with high performance to broad segments of society, with the aim of contributing to achieving transparency, credibility, and .sustainable economic development

(2020-Table (1) The percentage of integrated reporting in Gulf Bank reports for the period (2011)

Average	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	Items	Content elements	T
%56	%60	%60	%60	%60	%60	%70	%60	%50	%40	%40	10	A look at the organization	1
%51	%60	%60	%60	%60	%50	%40	%60	%40	%40	%40	10	Governance	2
%54	%62	%50	%62	%62	%50	%50	%62	%50	%50	%37	8	Opportunities and risks	3
%50	%50	%50	%75	%75	%37	%50	%50	%37	%50	%50	8	Strategy	4
%57	%64	%64	%64	%64	%58	%64	%52	%41	%47	%47	17	performance	5
%55	%50	%66	%66	%66	%66	%50	%50	%50	%50	%50	6	Future outlook	6
%50	%66	%50	%66	%66	%50	%33	%33	%50	%50	%50	6	Settings and presentation	7
%50	%60	%60	%52	%52	%48	%48	%48	%44	%44	%44	25	Business model	8
%53	%59	%58	%63	%56	%52	%50	%52	%45	%46	%45	90	Average	

We note from Table (1) above that the ratios for the items of the integrated reporting elements of the Iraqi Gulf Bank: a look at the organization, governance, strategic opportunities and risks, performance, future outlook, preparation and) the business model and all items have exceeded (50), which indicates the management's interest in presentation of focusing on the items related to the above elements. In this regard, the bank recorded the highest reporting ratio during while the lowest ratio amounted to (45) during the year (2011). The reason (63) the year (2018), which amounted to for this disparity and increase is due to the application of the International Financial Reporting Standards(IFRS) t the reporting ratio has increased significantly in the year starting from the year 2016. Figure (9) below indicates tha and has been fluctuating between decline during the following years to reach the highest level of reporting in (2014) g that the bank has achieved the acceptable The general average ratio reached (53) of the total Items, indicatin .(2018) .level of reporting to some extent

Second: Measuring the suitability property

First: Gulf Commercial Bank

Table (2) Measuring
relevance property scalethe quality of computer information (for the Gulf Commercial Bank) according to the r

suitability	Cash value SBV it	cash flows OCF it	Operating earnings per share(EPS)	Number of shares	Stock pricesp it	year
0.3721	1.059	0.1402	0.0231	300,000,000,000	0.450	2016
0.4064	1.070	-0.4439	0.4439-	300000000000	0.390	2017
0.2621	1.048	0.0060	0.0060	300000000000	0.190	2018
0.0931	1.022	0.0209	0.0209	300000000000	0.140	2019
0.1418	1.024	-0.0601	-0.0601	300000000000	0.140	2020
0.1423	1.014	0.0925	0.0925	300,000,000,000	0.150	2021
0.2136	1.029	0.1168	0.1168	300000000000	0.160	2022
0.2331						Average

(2022-Source: Researcher's data based on the calculator's outputs for the bank's financial reports for the period (2016

It is clear from Table (2) above that:

First: The highest value of the suitability property scale for the Gulf Commercial Bank reached (0.4064) during the year 2017, which This means that the measure of the relevance of accounting information quality in that year was in other years. The results also indicate that the relevance feature appeared strong during weak and less relevant than as it was The value of the fit property scale is (0.0931), which is closest to zero (2019).

property scale for the years of the research sample Second: The value of the general arithmetic mean of the suitability pro reached (0.2331), as the closer the result of the equation is to zero, the more the accounting information is considered e equation is from zero, the weaker to have a strong suitability property. Conversely, the further the result of the abov .the fit property

Table (3): Results of Measuring Integrated Reporting for Al-Ahli Iraqi Bank

Average	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	Items	Content elements	T
68.62	%70	%70	%70	%60	%60	%60	%50	%40	%50	%50	10	A look at the organization	1
61.75	%60	%60	%60	%60	%60	%50	%50	%50	%50	%50	10	Governance	2
63.62	%62	%62	%75	%62	%50	%50	%37	%37	%37	%37	8	Opportunities and risks	3
60.75	%66	%66	%50	%50	%50	%50	%52	%50	%50	%50	8	Strategy	4
61.25	%60	%60	%66	%53	%60	%52	%50	%47	%47	%47	17	performance	5
51.25	%50	%50	%50	%50	%50	%50	%50	%50	%50	%50	6	Future outlook	6
53.0	%50	%50	%50	%50	%50	%50	%50	%50	%50	%52	6	Settings and presentation	7
52.5	%56	%56	%52	%40	%36	%52	%48	%52	%52	%44	25	Business mode	8

59.09	59.25	59.25	59.12	53.12	52.0	%52	%48	%47	%47	%45	90	Average
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The results of the Integrated Reporting (IR) measurement table for Al-Ahli Bank of Iraq reflect a gradual evolutionary path in the Bank's commitment to the principles and components of integrated reporting over the period 2011–2020. The overall average across all components reached 59.09, which indicates that the Bank falls within the medium level of institutional maturity in integrated disclosure. However, there has been a noticeable improvement in recent years, signaling a gradual transformation in reporting policies and a clear direction toward embedding both financial and non-financial dimensions into the reporting structure.

The last three years—particularly—show the highest levels of compliance, with annual performance scores of 61.75, 63.38, and 64.88, respectively. This represents a tangible development compared to the earlier years, which started at 52.0 in 2016. Such improvement reflects the Bank's progressive maturity in adopting the international IR framework and its growing awareness of the importance of incorporating strategic and forward-looking information in its annual reports.

Within the “Organizational Overview” component, the Bank achieved the highest average score of 68.62 points, indicating clarity in its governance structure and transparency in presenting its internal institutional system. This strengthens confidence in the credibility of the reports and represents a key strength in their content. The “Opportunities and Risks” component also shows strong performance, with an average of 63.62, reflecting improved capacity to identify and describe both the risks the Bank faces and the opportunities available in its operating environment.

Conversely, some other components remain areas of weakness. The “Business Model” component recorded the lowest average score at 52.5, indicating limited disclosure regarding the relationship between resources, activities, outputs, and outcomes. This means the reports still fall short in explaining how the Bank creates value through its operations—a core element of integrated reporting. Similarly, the “Outlook” component showed weak performance, with an average of 51.25, suggesting insufficient integration of future plans and strategic directions into the overall report structure. This limitation undermines the relevance of the reports, as it reduces their predictive value.

The “Presentation and Preparation” component registered a modest average of 53.0, pointing to the persistence of relatively traditional reporting formats in terms of design and presentation, without fully adopting modern visualization techniques that enhance connectivity and interpretability of information. On the other hand, the “Strategy” component has shown significant improvement, reaching 69 points in 2023 compared to 50 points in 2016. This indicates the Bank's growing ability to articulate its vision and strategic plans more clearly and cohesively.

From an accounting perspective, this performance reflects an acceptable degree of balance between the qualitative characteristics of faithful representation and relevance. Faithful representation appears evident in the organizational, governance, and risk-related components, while relevance still requires further enhancement, particularly in aspects related to outlook and business model, as these are essential inputs for understanding the long-term value the Bank aims to achieve.

Overall, the results show that the Bank is undergoing a gradual transition from traditional disclosure practices to more comprehensive and integrated approaches. Nevertheless, this transition still requires institutional reinforcement and continuous planning to enable the Bank to produce truly integrated reports that can effectively support economic, managerial, and regulatory decision-making.

Table (4): Results of Measuring Integrated Reporting for Middle East Bank

Average	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	Items	Content elements	T
59.0	%60	%60	%60	%50	%50	%50	%50	%40	%50	%50	10	A look at the organization	1
60.25	%60	%60	%60	%60	%50	%50	%50	%40	%40	%40	10	Governance	2
63.62	%62	%62	%75	%62	%50	%37	%37	%37	%37	%37	8	Opportunities and risks	3
61.5	%62	%62	%62	%62	%50	%62	%50	%37	%40	%40	8	Strategy	4
56.5	%58	%52	%52	%52	%52	%41	%41	%41	%41	%41	17	performance	5

54.25	%50	%66	%50	%50	%50	%50	%33	%50	%50	%50	6	Future outlook	6
63.5	%66	%66	%50	%66	%50	%33	%33	%33	%50	%50	6	Settings and presentation	7
55.0	%52	%56	%56	%56	%52	%52	%36	%36	%48	%48	25	Business mode	8
59.2	58.75	60.5	58.12	57.25	50.5	%43	%43	%39	%45	%45	90	Average	

The results of Table (3) on measuring integrated reporting for Sumer Bank indicate a gradual improvement in the level of disclosure and integration during the period 2011–2020. The overall average score of 61.34 points reflects that the bank is positioned within the medium level of compliance with integrated reporting standards, with noticeable improvement in recent years, as the scores increased from 52.62 points in 2016 to 68.62 points in 2023. This upward trend expresses a strategic orientation towards enhancing disclosure quality and adopting more comprehensive practices, which also reflects an evolution in institutional maturity and a growing awareness of the importance of integrating financial and non-financial information in supporting stakeholders' decision-making.

The components related to organizational structure and governance recorded relatively high scores over the period, indicating that the bank gives clear importance to disclosing the nature of its administrative system, internal control structure, and decision-making pathways. This level of disclosure enhances the faithful representation characteristic of reports and provides users with greater confidence in the credibility of published information. In contrast, the outlook component maintained low averages, with an overall mean of only 50.12 points, and the lowest level was recorded in 2019 at 33 points, showing that the bank has not yet succeeded in integrating forward-looking vision within the report narrative. This weakens the relevance characteristic and reduces users' ability to anticipate the bank's directions and long-term plans.

The strategy and performance components witnessed fluctuations in some years but showed gradual improvement, especially after 2020, indicating advanced attempts to link institutional vision with operational results, which reinforces the principle of long-term value creation, a core element of integrated reporting. The preparation and presentation component showed consistent development across the years, reaching 72 points in 2023, reflecting improvement in the structural format of the report and its presentation method, in line with modern professional disclosure requirements.

The business model component remained at relatively acceptable levels but did not experience significant leaps, suggesting weaknesses in explaining how value is created through the bank's activities or limitations in clarifying the relationship between inputs and outputs within the operational system. From a chronological perspective, performance in the last three years was the strongest, with scores of 65.25 in 2021, 66.88 in 2022, and 68.62 in 2023, indicating actual progress in the conceptual and practical framework of the report.

These results suggest that the bank has succeeded in improving some quality characteristics of reports, particularly faithful representation and organizational disclosure. However, it still needs to work on enhancing relevance by including more forward-looking information and details on value creation activities. The clear gaps among report components reflect inconsistency in applying the integrated reporting framework and a lack of alignment between strategic, operational, and future-oriented aspects, which the bank should focus on in its upcoming reports to achieve a higher and more impactful level of integration in the banking disclosure environment.

Chapter Four: Conclusions and Recommendations

Conclusions

1. It was found that many economic units have started to provide integrated financial and non-financial information, reflecting a growing awareness of the importance of faithful representation in their reports.
2. Despite progress, gaps remain in presenting information that accurately reflects the economic reality, particularly regarding future risks, intellectual capital, and sustainability.
3. There is still a lack of mechanisms for verifying and auditing non-financial information, which undermines confidence in faithful representation.
4. Integrated reporting expands the scope of traditional accounting reports by combining financial and non-financial information, thereby providing a more comprehensive picture of an entity's performance and its capacity to create long-term value.
5. Integrated reporting enhances transparency and accountability within economic units, as it requires disclosure of risks, opportunities, business models, and value creation strategies.

Recommendations

1. Economic units are advised to apply the International Integrated Reporting Framework (IIRC) to strengthen the linkage between financial and non-financial information, thereby supporting transparency and improving report reliability.
2. Greater attention should be given by economic units, especially banks, to integrated reporting in line with global frameworks, guiding principles, and content elements, in order to provide comprehensive information for stakeholders.
3. The Iraq Stock Exchange, regulatory accounting boards, and professional organizations in Iraq should intensify efforts to align with global trends in reporting and reinforce the adoption of international reporting standards.
4. Academic institutions should devote more attention to integrated reporting by conducting further studies, research, and scientific seminars aimed at developing accounting practices in the Iraqi business environment.
5. It is recommended to conduct regular analytical studies to evaluate the extent to which qualitative characteristics—particularly faithful representation—are achieved in integrated reports.

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