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The impact of auditor change on the significance of accounting information value relevance, mediated by earnings management practices

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Abstract: This study seeks to evaluate the impact of Auditor Change (AG) on the appropriateness of the Accounting Information Value Relevance (AIVR) in Iraqi banks listed on the Iraq Stock Exchange, verifying the effects of the Earnings Management Practices (EMPS) by Iraqi banks listed on the Iraq Stock Exchange on the appropriateness of the AIVR. The research sample consisted of 19 Iraqi banks listed on the Iraq Stock Exchange from 2014 to 2022, totaling 171 annual observations. These observations were derived from the banks' financial reports published on the Iraq Stock Exchange website. The researcher utilized the statistical software packages SPSS 28 and STATA 17 for data analysis. The results showed that the independent variable (AG) negatively affects EMPS and positively affects the appropriateness of the AIVR. EMPS also negatively affects the appropriateness of the AIVR. Therefore, EMPS can be an intermediary between the independent variable (AG) and the appropriateness of the AIVR.

Keywords: *Auditor, Earnings management, Relevance of accounting information value.*

1. Introduction

Auditor change is not a new thing, as the history of applying the change of the auditor was by the most prominent American companies called Du Pont, which changed the company's auditor annually since its establishment in 1910, convinced that AG will show the full picture of the company's financial position Ribeiro [1] and instill credibility in the company's records and accounts due to the increase in the tendency of professional skepticism in the new auditor, and the difference in the audit strategy, as well as contributing to increasing the auditor's ability to express his neutral technical opinion on the company's financial position, and reporting any risks that may be discovered as a result of the availability of independence for the alternative auditor in all stages of the auditing process, which helps maintain the continuity and growth of the company subject to auditing [2]. AG in companies has raised a wide controversy between supporters and opponents of AG [3]. Supporters of the process of AG believe that it makes a positive difference to the quality of the auditing process because the long period of contracting between the auditor and the company being audited does not guarantee the independence of the auditor on the one hand and creates a kind of personal relationship that negatively affects the auditing process, which allows the company being audited to manipulate its profits, which in turn is reflected in the auditor's failure to issue his appropriate opinion on the financial statements [4]. As for those who oppose AG, they do not find any evidence for this. On the contrary, they see that the cost associated with the commitment to specify the duration of the contractual relationship between the auditor and the entity subject to auditing exceeds the expected benefits [5, 6]. The auditor's knowledge of the mechanism for applying the accounting system and the internal control system of the company being audited is one of the decisive matters for discovering errors and fraud contained in the financial statements, and thus the possibility of

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forming an appropriate opinion on these financial statements [7]. In Iraq, the auditor is changed voluntarily, except for banks, which are legally obligated to change the auditor. Negative practices by corporate executives increased in the early 2000s, which in turn led to the failure of these companies and the emergence of a term called EMPS as a result of the manipulation and deliberate distortion of accounting data to affect the desired financial results reported by these companies [8, 9]. Cases of financial distress collapses and financial scandals of major joint-stock companies in global markets such as Enron Energy in 2001, World Com Communications in 2003, Zxerox, an American company specializing in selling printed and digital document products and services, and General Motors, an American company specializing in manufacturing cars, have resulted in a decline of trust in both the financial markets and the auditing profession, including auditors and audit firms, in addition to the decline in accounting information quality included in companies' financial reports [10]. The phenomenon of EMPS has become a matter of great interest to researchers due to its significant impact on the credibility of financial statements. Organizations like the US Securities and Exchange Commission and the New York Stock Exchange have also paid attention to this phenomenon to study and analyze it, identify its causes, and try to reduce it. This interest resulted from the financial scandals many major companies were exposed to declared bankruptcy, such as Enron & World com [11, 12]. Indicated that the main reason for the phenomenon of EMPS is due to the multiplicity of accounting methods and methods that agents exploit to manipulate the numbers of some items and accounts to influence profits to achieve special goals, which makes the financial statements not truly reflect the company's true financial position [13, 14]. But may ultimately lead to financial collapses and crises that cast their shadows on investors, creditors, and the financial market, which called for the provision of mechanisms that limit negative EMPSs, protect stakeholders from agent manipulation, and instill confidence in financial statements. The information in the financial statements serves as the foundation for external users, such as investors, creditors, and lenders to assess the company's financial performance, assist in the decision-making process, and evaluate the company's financial events. When this accounting information is appropriate, it can be used to determine the future of the company's accounting reports [15]. Accounting information's relevance is a key qualitative characteristic of accounting information that makes it useful to various stakeholders, so financial reports must provide information that helps their users, from current and prospective investors and creditors, to predict the amount, timing, and degree of certainty of expected cash receipts [16]. This characteristic (relevance) significantly impacts on the decisions that can be made. For accounting information to be useful, it must be appropriate for decision-maker's needs. Information is appropriate for users of financial statements if it impacts their economic decisions to help them evaluate past, current, and future events or modify the evaluation reached [17]. The Hütten and Sessar [18] defined (relevance) is the key qualitative characteristic that financial statements must possess to aid decision-making. Accounting information is relevant when it influences users' economic choice by evaluating past, present, and future events, as well as correcting prior assessments. The financial Accounting Standards Board (FASB) states that information is relevant if it impacts decision-making. Tests of relevance assess the value of the company based on the FASB's standards of the relevance and reliability, as accounting information is deemed relevant for valuation if it effectively helps investors evaluate the company. Accordingly, the research problem can be formulated with the following question: Does the auditor affect the appropriateness of the AIVR in light of the mediating role of EMPSs? The following sub-questions branch out from the above question: Q1: Does the auditor impact the EMPS by Iraqi banks listed on the Iraq Stock Exchange? Q2: 2. Does the EMPS by Iraqi banks listed on the Iraq Stock Exchange have an impact on the appropriateness of the AIVR? Q3: 3. Is the auditor's relationship affected by the appropriateness of the AIVR in light of the mediation of EMPS? The research seeks to achieve a set of objectives that are directly related to the importance of the studied variables, through which the researcher seeks to confirm the nature of the relationships among the variables within the framework of an independent and mediating relationship and the extent of their relationship to the nature of accounting information for decision-makers to ensure the extent of their appropriateness by verifying the nature of the relationship between the studied variables to reach results that contribute significantly to achieving

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the benefit for users of accounting information, verifying the extent of the auditor's influence in EMPS. It also verifies the extent of the EMPS by Iraqi banks listed on the Iraq Stock Exchange in terms of the suitability of accounting information and the extent of the auditor's influence on the suitability of the AIVR.

2. Previous Studies

The study Salehi, et al. [19] investigates how mandatory requirements for audit firm rotation affect EMPSs and audit fees. In their study, the researchers relied on the modified Jones, et al. [20] to measure EMPS. The regression model was used to measure the impact of mandatory audit firm rotation on accrued EMPS. The research sample included 103 Iranian firms listed on the Tehran Stock Exchange from 2003 to 2012. Findings indicated the forced turnover requirements were necessary for audit firms had a significant impact on the practice of accrued EMPS (AEM). In addition, the results also showed that the mandatory requirements for audit firm rotation did not significantly impact on the practice of real EMPS and audit fees. The study Hassamo [21] examining if there is any relationship between AG and EMPS in Portuguese and Spanish companies. The researcher relied on the modified Jones model to measure the extent of EMPS by Portuguese and Spanish companies from 2013-2019, as well as relying on statistical equations and multiple regression to determine the impact of mandatory auditor rotation. The study sample consisted of 1026 Portuguese and Spanish companies. The study concluded that Portuguese and Spanish companies practice EMPS and that AG impacts the EMPS. The study Dayanandan and Kuntluru [22] examined whether the mandatory auditor rotation rules implemented in 2017 affect audit quality in India. The researchers relied on statistical equations and multiple regressions to determine the effect of mandatory auditor rotation on audit quality. The study sample consisted of 114 Indonesian companies from the banking sector, and its data was based on the year 2016-2018. The study concluded that the term of the auditor and mandatory auditor rotation had a significant negative impact on audit quality. In addition, concentrated ownership negatively impacted audit quality. The study of Christian, et al. [23] aimed to study the comparative ability of the Beneish M-score (M-Score5) and modified M-Score8 models to detect EMPS in Italian small and medium-sized companies instead of predicting fraud and financial fraud. The researchers relied on the Beneish M-Score model to detect companies practicing EMPS. The study sample consisted of 99 Italian companies. The study concluded that there were no significant differences between the modified version of (M-Score 8) and the simplified model for European companies (M-Score 5) and that the gross margin index and the sales growth index had an impact on the value of the model, and that the sales growth index had exceeded the average value of the company, indicating the existence of high risks associated with earnings and related to EMPS. While the study of Habib, 2004 aimed to identify the extent of the impact of EMPS on the importance of the relevance of the AIVR in Japanese companies, the researcher relied in his study on the modified Jones model to measure the extent of practicing EMPS and relied on financial data from 1992-1999. The relevance of the AIVR was measured through the Ohlson [24] price model and multiple regressions. This study concluded that the EMPS by Japanese companies negatively impacts the relevance of accounting information's value.

3. Theoretical Framework of the Research

3.1. Auditor Change

In the early 2000s, there was much interest and ongoing discussion about a more stringent regulatory environment in which companies, auditors, and auditing firms operate after the multiple series of financial crises and various major accounting scandals that occurred to many companies in the world [25]. The accompanying collapses in several companies in East Asian and Latin American countries in 1997, the Enron crisis in 2001, which operates in the marketing electricity and natural gas in the United States of America, and the American World Com Company in 2002, and Tyco Company [26]. Consequently, these crises and financial and accounting scandals lead auditors to bear a large part of the responsibility by being accused of being unable to perform their professional duties and adhere to the ethics and conduct of the profession, which led to the loss of confidence of the financial community in auditors [27]. That would

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spread a lousy reputation among auditors and auditing offices [28]. At the same time, there was a question and discussion among the academic community, government agencies, investors, and other stakeholders about the role of the auditing profession and the performance of auditors and auditing firms in successfully performing their roles and preventing the occurrence of events similar to the American Enron Company in the future [25]. As a result of these public discussions between the academic community, government agencies, investors and other stakeholders, the US House of Representatives intervened in 2002 and issued the SOX (Sarbanes Oxley) Act, which confirmed in paragraph (207) that the term mandatory change of auditor means that there should be a maximum numbers of years during which a registered accounting firm may be an auditor for a particular client [29]. The US Sarbanes-Oxley Act, which was issued in 2002, came as a result of the repercussions of the severe financial violations that led to the collapse of Enron Energy Company, and addressed the issue of AG, as Section 203 of the Act stipulated the necessity of AG responsible for the audit of the financial statements, after five years of performing the auditing tasks of the same company [30]. An extended relationship between the auditor and the audited company may jeopardize the auditor's independence, as a prolonged association increases the risk of bias, the more likely the auditor will become more loyal to them and ignore their professional doubts in conducting the audit [31]. According to Suryandari, et al. [32] some companies change the auditor to reduce the possibility of detecting fraudulent financial statements because the replacement auditor does not understand the actual state of the audited company. Quick and Schmidt [33] defined AG as an appropriate organizational approach to decrease the economic interdependence between the auditor/audit firms and the audited company and reduce the possibility of weakening the auditor's independence and audit quality. Hammoud and Al Fatlawi [34] see that AG is a decision that directs the company to terminate the association with the current auditor and replace him with another, even though these professional tasks provided by the current auditor were complete. The company must change the auditor every specific period.

3.2. Earnings Management Practice

Professional and academic accounting thought has recently paid increasing attention to EMPS [35]. This is due to the importance of the net profit figure prepared on an accrual basis, as it is one of the most important variables that many users of accounting information rely on from within or outside the company in making operational investments and funding financial decisions. In addition, it represents the best measure in evaluating the company's current performance in preparing predictive studies on its future performance. One of the important indicators for determining the company's share price in the stock market, and thus the possibility of judging the extent of management's efficiency in using available resources [36, 37]. Negative practices by corporate executives have increased in the early 2000s, which in turn led to the failure of these companies and the emergence of a term called EMPS as a result of the manipulation and deliberate distortion of accounting data to influence the desired financial results reported by these companies. Cases of financial distress collapse and financial scandals of major joint-stock companies in global markets such as Enron Energy in 2001, World Com Communications in 2003, Zxerox, an American company specializing in selling printed and digital document products and services, General Motors, an American company specializing in manufacturing cars, and Parmalat, an Italian food company in 2003, and other companies have led to a loss of confidence in the financial markets on the one hand, and in the auditing profession, auditors and audit offices on the other hand, in addition to the decline in the quality of accounting information included in companies' financial reports [38]. The phenomenon of EMPS has become a matter of great interest to researchers due to its significant impact on the credibility of financial statements. Professional organizations such as the US Securities and Exchange Commission and the New York Stock Exchange have also paid attention to this phenomenon to study and analyze it, find its causes, and try to reduce it. This interest resulted from the financial scandals many major companies were exposed to, such as Enron & World com, which declared bankruptcy [39]. A study of Anggita, et al. [40] defined EMPS as the purposeful intervention by the company's management in preparing external financial reports to obtain some private gains. A study of Rajeevan and Ajward [41]

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indicated that EMPS is a series of arrangements taken by the company's management to enhance the current reported profits without a corresponding growth in the company's long-term profitability.

3.3. The Relevance of the Accounting Information Value

The interest in the relevance and AIVR has increased, especially after the increase in cases of financial collapse and bankruptcy of major companies in different countries worldwide. This has led to investors and other stakeholders losing confidence in the accounting information provided by financial reports. Therefore, determining the relevance of the AIVR has become a significant requirement to support confidence in the outputs of the accounting information system, and to EMPshasize the extent of the relevance and effectiveness of the rules and standards governing the work of the accounting information system [42]. Financial statements serve as a key resource in decision-making, illustrating a company's financial status and performance over a specific timeframe. Their primary purpose is to convey information regarding the company's financial position, performance and any changes in that financial position Hussein, et al. [43] which is useful for the majority of users of financial statements in making economic decisions, and financial statements often become tools in the fundamental analysis that investors perform to make economic decisions, also financial statements are prepared for use in evaluating management performance in achieving the company's goals during a specific period [44]. The term (value relevance) began to appear in the literature in the nineties of the last century, but studies conducted to show the relationship between accounting numbers and company value began more than 59 years ago, as the first article in this field was published in 1966 by (Miller & Modigliani) using a sample of companies belonging to the electricity sector. The authors showed that capitalizing profits relative to assets is important in market valuation. The literature related to the subject goes back to the essential work conducted by the studies Ball and Williams [45] and Beaver [46] which are considered among the first studies that were interested in testing the relevance of accounting numbers in financial markets [47]. Ball and Williams [45] studied the relevance of earnings components and noted their association with market prices. In contract, Beaver studied value relevance by monitoring the market price reaction and transaction volume after the publication of annual financial reports Rahman, et al. [48]. Ohlson [24] developed his model that links the company's market value to accounting information represented by (earnings book value of equity). Many studies have tested this model [49]. Value relevance describes how accounting information reflects stock prices. It is inferred from the statistical relationship between accounting data and the market value or stock returns [50]. According to Francis and Schipper [51] accounting information summarizes the information relevant to stock prices, which is evidenced by a statistical correlation between financial data and prices or returns. Barth [52] defined the value relevance of accounting information with a value measure, like stock prices. A significant relationship indicates that accounting information holds relevant value. However, accounting information is irrelevant if the two parties have no significant relationship.

4. Methodology

4.1. Research Sample

Balanced longitudinal data (Balanced Panel Data) will be used for a sample of 19 Iraqi banks listed on the Iraq Stock Exchange from (2014 to 2022) with a total of 171 annual observations to operate the structural research model, which was obtained from the financial reports and published on the Iraq Stock Exchange.

4.2. Variables Measurement Method

The study seeks to measure the impact of AG and the auditing quality on the appropriateness of the AIVR in Iraqi banks on Iraq Stock Exchange, whether directly or indirectly through EMPS (i.e. within the framework of an "intermediary" model in which EMPS can play an intermediate role). A research model consisting of three equations will be built. The first equation is concerned with studying the impact of AG and the auditing quality on the level of EMPS in banks listed on the Iraq Stock Exchange. In

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contrast, the second equation is concerned with studying the impact of each of EMPS, AG, and the auditing quality on the appropriateness of the value to the earnings per share (as one of the indicators of the appropriateness of the AIVR). The third equation is concerned with studying the impact each EMPS, AG, and the auditing quality on the appropriateness of the value to the book value (as another indicator of the appropriateness of the AIVR) in Iraqi banks, so that we can make EMPS an intermediary variable in the relationship between AG and the auditing quality and the appropriateness of the AIVR (whether concerning the appropriateness of the value to the earnings per share or the book value). Thus, the structural research model can be built in a simplified form as follows:

$$EM\_status_{it} = \alpha_0 + \alpha_1 AudChang_{it} + \alpha_2 Audfee_{it} + \alpha_3 Audfirsize_{it} + \alpha_4 Banksize_{it} + \alpha_5 ROA_{it} + \alpha_6 LEV_{it} + \alpha_7 SGR_{it} + \varepsilon_t$$

$$EPS\_abs_{it} = \beta_0 + \beta_1 EM\_status_{it} + \beta_2 AudChang_{it} + \beta_3 Audfee_{it} + \beta_4 Audfirsize_{it} + \beta_5 Banksize_{it} + \beta_6 ROA_{it} + \beta_7 LEV_{it} + \beta_8 SGR_{it} + \epsilon_t$$

$$PVS\_abs_{it} = \gamma_0 + \gamma_1 EM\_status_{it} + \gamma_2 AudChang_{it} + \gamma_3 Audfee_{it} + \gamma_4 Audfirsize_{it} + \gamma_5 Banksize_{it} + \gamma_6 ROA_{it} + \gamma_7 LEV_{it} + \gamma_8 SGR_{it} + \xi_t$$

Where:

- EM_status_it → The status of EMPS based on the real activities of bank i in the current year t. It is a dummy variable that takes the value (1) if EMPS is practiced by bank i according to the Beneish [53] model, and takes the value (zero) otherwise.
- EPS_abs_it → The absolute value of the level of value relevance to the earnings per share of bank i in the current year t. It is calculated using the Ohlson [24] price model.
- PVS_abs_it → The absolute value of the level of value relevance to the book value of bank i in the current year t. It is also calculated using the Ohlson [24] price model.
- AudChang_it →The extent to which the auditor of bank i has changed in the current year t, thus reflecting the length of the auditor's association with bank i, is a dummy variable that takes the value (1) if bank i has been audited by the same auditor for more than three years and takes the value (zero) otherwise.
- Audfee_it →The audit fees provided by bank i in the current year t, which represents a dummy variable for the level of audit quality, are calculated by taking the natural logarithm of the audit fees provided to the auditors.
- Audfirsize_it →The size of the audit firm of bank i in the current year t, which is a dummy variable that takes the value (1) if bank i has been audited by an audit firm and takes the value zero otherwise.
- Banksize_it →The size of bank i in the current year t, is measured by the natural logarithm of the bank's total assets at the end of the year.
- ROA_it →The return on assets rate of bank i in the current year t, is measured by dividing net profit after tax by total assets at the end of the year.
- LEV_it → The leverage level of bank i in the current year t, is measured by dividing total liabilities by total assets at the end of the year.
- SGR_it → The sales growth rate of bank i in the current year t, is measured by dividing the difference between sales in the current year t and sales in the previous year t-1 by total sales in the previous year t-1.
- α_0, α_0, γ_0 → Represent the constant of the function for the first, second, and third equations, respectively.
- ε_t, ϵ_t, ξ_t → Represent the error term with its usual characteristics for the first, second, and third equations, respectively.

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5. Results

5.1. Descriptive Statistics

It is clear from the statistical summary of Table 1. below, related to all research variables, that the minimum and maximum related to all research variables for the sample of banks fall within a very wide range, which leads to a large size of the standard deviation. This large difference/variance may seem natural due to differences in experiences or conditions directed by each bank or other structural and organizational variables. This variance is confirmed by the normal distribution test, which came with statistical significance for all variables. Accordingly, the null hypothesis will be rejected. Therefore, we will accepted the alternative hypothesis indicating that these variables do not adhere to a normal distribution, i.e., their actual values fall within a wide range and do not revolve around their average. Since the size of the standard deviation is large and the research variables do not follow the normal distribution, this leads to making the mean statistic invalid and cannot be relied upon here, i.e., it is not meaningful or useful, since the mean is affected by abnormal or extreme values. Therefore, this research will rely on the median statistic since abnormal values do not affect it.

Table 1.
Descriptive statistics summary.

VARIABLES	Unit	Mean	Median	Std. Dev.	Min	Max	Normality test
Dependent Variable							
Earnings per Share	Scale	18.345	3.9493	64.36	1.6	708.90	[48671.5]***
Negative Earnings per Share	Scale	-20.2	-2.828	52.62	-365.6	-1.6	[2395.65]***
Positive Earnings per Share	Scale	17.289	4.7462	70.23	0.0528	708.90	[34199.1]***
Book Value of Earnings per Share	Scale	6.9552	1.9866	17.30	2.3	185.22	[32295.7]***
Negative Book Value	Scale	-7.003	-1.449	12.85	-71.59	-1.1	[433.327]***
Positive Book Value	Scale	6.9214	2.1909	19.87	2.3	185.22	[17580.2]***
Mediating Variable							
EMPS	Scale	4.7756	2.3690	15.96	0.0630	191.81	[90590.1]***
Low EMPS	Scale	-2.5463	-2.2310	2.134	-13.790	-0.0630	[906.269]***
High EMPS	Scale	10.488	2.9359	29.38	0.0878	191.81	[1911.68]***
EM_status	Dummy	0.6374	1.0000	0.482	0	1	[29.2613]***
Independent Variables							
AG	Dummy	0.6608	1.0000	0.475	0	1	[30.0178]***
Audit Fees	Logarithm	7.8444	7.8400	0.164	7.5200	8.8633	[1982.68]***
Audit Firm Size	Dummy	.8012	1.0000	0.400	0	1	[65.4602]***
Control Variables							
Bank Size	Logarithm	11.543	11.720	0.787	.5155	12.900	[655.054]***
Return on Assets	%	0.0488	0.0100	0.151	-0.0400	1.2200	[6840.18]***
Financial Leverage	%	0.4606	0.4400	0.285	-0.9400	2.9800	[10218.5]***
Sales Growth Rate	%	-0.0125	-0.0500	0.447	-1.7000	1.9000	[79.4163]***

Note: *** indicates significance at 1%.

5.2. Approval of the Results

After ensuring the quality of the structural model, using its suitability to the data collected, and its freedom from various measurement problems, we can continue the analysis to obtain the path coefficients, as shown in Table 2.

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Table 2.
Outcomes of the path analysis for the structural model (SEM) AG, audit quality, EMPS, and suitability of accounting information.

Paths	Unstandardized coefficient	OIM Std. Err.	z	P>|z|
EMPS Equation				
AC → EMP	-0.13285	0.0178	-6.990	***
Audit Fees →EMPS	-1.19516	0.0177	-15.57	***
Audit Firm Size →EMPS	0.07298	0.0161	2.070	0.038**
Bank Size →EMPS	-0.35249	0.0155	-19.70	***
Return on Assets →EMPS	0.33269	0.0161	3.830	***
Financial Leverage →EMPS	0.40661	0.0177	7.720	***
Sales Growth Rate →EMPS	-0.14719	0.0162	-5.370	***
Constant	13.9963	1.2328	23.54	***
Earnings Per Share Equation:				
EMPS →Earnings Per Share	-246.186	0.0127	-34.16	***
AG →Earnings Per Share	108.485	0.0132	13.56	***
Audit Fees →Earnings Per Share	419.433	0.0138	12.40	***
Audit Firm Size →Earnings Per Share	288.841	0.0119	19.64	***
Bank Size →Earnings Per Share	89.8269	0.0124	11.03	***
Return on Assets →Earnings Per Share	148.001	0.0118	4.090	***
Financial Leverage →Earnings Per Share	-738.526	0.0133	-32.92	***
Sales Growth Rate →Earnings Per Share	191.582	0.0119	16.70	***
Constant	-4017.54	1.0321	-14.23	***
Book Value Per Share Equation				
EMPS →Book Value Per Share	-8.45303	0.0165	-6.000	***
Audit Fees →Book Value Per Share	28.3892	0.0162	19.14	***
Audit Firm Size →Book Value Per Share	77.3498	0.0172	12.12	***
Bank Size →Book Value Per Share	41.2741	0.0147	14.99	***
Return on Assets →Book Value Per Share	13.1563	0.0156	8.500	***
Financial Leverage →Book Value Per Share	103.327	0.0147	15.17	***
Sales Growth Rate →Book Value Per Share	-35.9208	0.0165	-8.530	***
→Book Value Per Share Equation	16.2906	0.0150	7.480	***
Constant	-769.408	1.2855	-14.49	***

Note: - ***, **, and * are significant at the 1%, 5% and 10%, respectively.

From Table 2 above, which is related to the results of the structural model path analysis, the following is clear:

5.3. Regarding the Results of the Equation of the State Of EMPS

5.3.1. Regarding the Change of the Auditor:

It is clear from the paths of the equation that there is a direct adverse impact of AG on EMPS at a statistical significance level (1%). According to the non-standard regression coefficient, which shows the effect size increasing with the auditor's change by one degree, it decreases the EMPS by Iraqi banks listed on the Iraq Stock Exchange by percentage of (0.1329) on average. These findings are consistent with the correlation matrix, which revealed that EMPS is negatively related to the independent variable of AG.

5.3.2. Regarding Audit Quality

It is clear from the equation paths that there is a direct negative effect of audit fees on EMPS at a statistical significance level (1%), and in contrast, the audit firm size had a positive effect on EMPS at a level of (5%). According to the non-standard regression coefficient, which shows the size of the effect, we find that increasing the logarithm of audit fees by an increase of dinar will results in a decrease in the EMPS by Iraqi banks listed on the Iraq Stock Exchange by percentage of (1.1952) on average while increasing by one degree in reliance on audit firms will lead to an increase in EMPS by a percentage of (0.0729) on average. This result is consistent with the correlation matrix, showing that EMPS negatively

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correlates with the audit fees variable. In contrast, it is positively correlated with the size of the audit firm. Thus, this result above confirms what is stipulated in the (Sarbanes-Oxley) Act by prohibiting many non-audit services that can be provided by the current auditor of a public company, as well as its emphasis on AG after 5 years, and that the auditor's long-term presence in auditing a particular company will weaken and reduce the importance of the auditor's independence and impartiality, and create intimate relationships with the company's management, and this long relationship between the auditor and the audited company may prevent the auditor from providing his audit work with high quality, and that the use of high-quality auditors leads to (high audit fees), which in turn will limit the EMPS in banks, and gives credibility to the financial statements, which are one of the indicators of high-quality auditing, and this certainly leads to enhancing the auditing quality and the auditor at the same time, and thus these results support the realization of the two hypotheses (the first hypothesis) which states (there is an adverse impact of AG on EMPSs in Iraqi banks), and (the second hypothesis) which states (there is a negative impact of audit quality on EMPSs in Iraqi banks). As for the control variables, the rest of the equation paths showed a negative effect of the bank size and sales growth rate on the level of EMPS at a statistically significance level (1%). In contrast, financial leverage and return on assets rate had a positive effect on the EMPS of Iraqi banks, also at a significance level (1%). This means that larger banks do not resort to managing their earnings like smaller banks and that the percentage of practicing EMPS decreases during periods of economic expansion.

Using standard path coefficients, which standardize measurement units and thus reflect their coefficient's relative importance of variables beyond the scale of the impact, we find that the most important variables for EMPS are the size of the bank with an impact coefficient of (-0.305), followed by audit fees with a coefficient of (-0.276), then financial leverage (0.137), AG (-0.125), sales growth rate (-0.087), return on assets rate (0.062), and finally the size of the audit firm with an impact coefficient of (0.033). Thus, audit fees (as one of the audit quality variables) came in second place as the most influential variable on the level of EMPS, while the independent variable, AG, came in fourth place. In contrast, the audit firm size was last on the list of variables affecting EMPS. Therefore, if Iraqi banks cannot pay attention to all dimensions of audit quality, they can focus more on increasing audit fees to use high-quality auditors due to their significant impact that exceeds most of the other dimensions.

5.4. Regarding The Results of the Equation of the Relevance of Value to Earnings Per Share

5.4.1. Regarding EMPS

The path (EM_status → EPS_abs) shows a direct adverse impact of EMPS on the relevance of value to earnings per share in Iraqi banks on Iraq Stock Exchange at a significance level of (1%). Based on the non-standard regression coefficient, increasing the EMPS by one degree by Iraqi banks on Iraq Stock Exchange leads to a decrease in the relevance of the AIVR provided by banks about earnings per share by an average of (246.2) degrees, i.e. a decrease rate equivalent to (246.2%) of the percentage of increase in EMPS, which is a considerable percentage of course and reflects the pivotal role of EMPS in reducing the level of relevance of value to earnings per share. This result is consistent with the correlation matrix, which shows an inverse relationship between EMPS and the relevance of value to earnings per share.

Accordingly, the EMPS by Iraqi banks on Iraq Stock Exchange will affect the appropriateness of the AIVR, as financial statements play a fundamental role as a form of accountability for management on the resources it manages, and the information provided by financial statements is necessary for investors to be able to make their investment decisions, and decision makers can find the information useful, one of the features that must be available in financial statements is the appropriateness of the information for users, and the importance of the value of financial information is represented in the ability of accounting numbers to summarize the financial performance of the company, and its ability to influence the change in the prices of bank shares, and thus this result supports the achievement of (the third hypothesis), which states (there is a negative impact of EMPSs on the appropriateness of the AIVR in Iraqi banks).

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5.4.2. Regarding AG

It is clear from the equation paths that there is a direct positive effect of the independent variable AG on the relevance of the value of the earnings per share at a statistical significance level (1%), and according to the non-standard regression coefficient, we find that increasing the change of the auditor by one degree will lead to an increase in the level of relevance of the value of the accounting information disclosed by the Iraqi banks on Iraq Stock Exchange about the earnings per share by an average of (108.5) degrees, and this result is consistent with the correlation matrix that showed that the relevance of the value of the earnings per share is positively related to the independent variable AG, and this result also supports the realization of the fourth hypothesis that states (there is a positive impact of AG on the relevance of the value of the accounting information in Iraqi banks).

5.4.3. Regarding Audit Quality

It is clear from the equation paths that there is a direct positive effect of the independent variable audit quality, represented by the variables (audit fees and audit firm size) on the appropriateness of the value to the earnings per share at a statistical significance level (1%), and according to the non-standard regression coefficient, we find that relying on audit firms to one degree, and the logarithm of audit fees to one dinar, will lead to an increase in the appropriateness of the AIVR disclosed by Iraqi banks listed on the Iraq Stock Exchange about earnings per share by an average of (419.4, 288.8) degrees, respectively, and this result is consistent with the correlation matrix that showed that the appropriateness of the value of earnings per share is positively related to the variables of audit quality, and this result also supports the achievement of the fifth hypothesis, which states (there is a positive effect of audit quality on the appropriateness of the AIVR in Iraqi banks). As for the control variables, the rest of the equation paths showed a positive effect of bank size, return on assets rate, and sales growth rate on the value relevance to earnings per share at a statistical significance level (1%), while financial leverage negatively affects value relevance to earnings per share, also at a significance level (1%). This means that larger banks that achieve a higher rate, whether in terms of return on assets or sales growth, and provide accounting information on earnings per share, have more excellent value and relevance, and vice versa. - Using the standard path coefficients that reflect their coefficients represented by the size of the effect and the relative importance of the variables, we find that the most important variables for the relevance of value to earnings per share are the level of financial leverage with an effect coefficient of (-0.437), followed by EMPS with a coefficient of (-0.434), then the size of the audit firm (0.233), the sales growth rate (0.200), the change of auditor (0.179), the audit fees (0.171), the size of the bank (0.137), and finally the return on assets rate (0.048). Thus, we can see the importance of EMPS in its effect on the relevance of value to earnings per share, followed by the size of the audit firm, then the change of auditor, and the audit fees.

5.4.4. Third: Regarding the Results of the Value Relevance to Book Value Equation

Here, the impact of EMPS, audit quality, or control variables on the value-to-book-value (EPS_abs) in the third equation did not differ from their effect on the value-to-earnings-per-share (PVS_abs) in the second equation, as shown in Table (9) above, which confirms the strength and stability of the results. The only difference is regarding the significance of the variables. The results of the third equation can be interpreted as follows:

5.4.5. Regarding EMPS

The path (EM_status →PVS_abs) shows a direct adverse impact of EMPS on the relevance of value-to-book-value at a significance level of (1%). Based on the non-standard regression coefficient, raising EMPS by one degree results in a reduction in average value-to-book-value relevance by (8.453) degrees, i.e. a decrease rate equivalent to (845%) of the percentage increase in EMPS. This result is consistent with the correlation matrix, which shows an inverse correlation between EMPS and Profits and the appropriateness of the value to the book values. Thus, this result confirms the realization of the third hypothesis, which asserts (that EMPS negatively affects the suitability of banks' value to book values).

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5.4.6. Regarding AG

It is clear from the paths of the equation that there is a direct positive impact of the independent variable AG on the suitability of value to book values at a significance level of (1%), and according to the non-standard regression coefficient, we find that a one-degree increase in AG leads to an increase in the level of suitability of the AIVR to book values by an average of (28.39) degrees, and this result aligns with the correlation matrix, which showed that the suitability of value to book values is positively related to AG, and this result also supports the realization of the fourth hypothesis, which states (there is a positive impact of AG on the suitability of the AIVR in Iraqi banks). - As for audit quality: It is clear from the equation paths that there is a direct positive effect of the independent variable the quality of the audit indicated by the two variables (audit fees and audit firm size) on the suitability of the value to the book values at a significance level of (1%), and according to the non-standard regression coefficient, we find that an increase of one degree in the audit quality variables will lead to an increase in the level of suitability of the AIVR to the book values by an average of (77.35, 41.27) degrees respectively. This result aligns with the correlation matrix, which indicated that the value's suitability corresponds to the book values is positively related to the independent variable audit quality represented by (audit fees and audit firm size), and this result also supports the achievement of the fifth hypothesis, which states (there is a positive effect of changing audit quality on the suitability of the AIVR in Iraqi banks). - As for the control variables, the rest of the equation paths showed a positive effect of the variables of bank size, return on assets rate, and sales growth rate on the level of value suitability to book values at a statistical significance level of 1%. Simultaneously, financial leverage had an adverse impact on value suitability to book values, also at a significance level of (1%). - Using the standard path coefficients, which reflect their coefficients represented by the size of the impact and the relative importance of the variables, we find that the most important variables for the relevance of value to book values are the change of auditor with an impact coefficient of (0.311), followed by the rate of return on assets with a coefficient of (0.224), then the size of the audit firm (0.220), audit fees (0.208), financial leverage (-0.141), bank size (0.133), sales growth rate (0.113), and finally EMPS (-0.099). Thus, we can see the importance of AGs in its impact on the relevance of value to book values, followed by the significance of audit quality reflected in the scale of the audit firm and audit fees. In contrast to the relevance of value to earnings per share, we find that EMPS comes in last place in relative importance.

6. Conclusion

This study sought to assess the impact of AG and practicing EMPS from finance on the appropriateness of the AIVR. We found a significant effect of the auditor's role in increasing the appropriateness of the AIVR disclosed by Iraqi Stock Exchange banks, whether for earnings per share or book values. The high level of EMPS leads to a decrease in the appropriateness of the AIVR disclosed by Iraqi banks, whether for earnings per share or book values. AG negatively affects EMPS and positively affects the appropriateness of the AIVR. EMPS also negatively affects the appropriateness of the AIVR. Therefore, EMPS can play an intermediary role between the X variable (AG) and the Y variable (appropriateness of the AIVR). There is a positive effect of bank size, return on assets rate, and sales growth rate on the appropriateness of value to book values and the appropriateness of value to earnings per share. Simultaneously, financial leverage had a detrimental impact on the appropriateness of value to book values. Based on the research findings, the researcher suggests the importance of researching the impact of AG on delaying the timing of issuing the audit report and studying the relationship between AG and the level of accounting conservatism.

Transparency:

The authors confirm that the manuscript is an honest, accurate, and transparent account of the study; that no vital features of the study have been omitted; and that any discrepancies from the study as planned have been explained. This study followed all ethical practices during writing.

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