


THE IMPACT OF INTEGRATED REPORTING ON IMPROVING THE QUALITY OF FINANCIAL REPORTING

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ARTICLE INFO	ABSTRACT
<p>Article history:</p> <p>Received 20 February 2023</p> <p>Accepted 04 May 2023</p>	<p>Purpose: The aim of this study is to demonstrate the impact that integrated reports on the quality of the financial report by analyzing the relationship between them. The current study aims to It applies it to the 132 companies listed in the Iraq Stock Exchange for the year 2022.</p> <p>Theoretical framework: The nature of integrated reports: Company reports are an essential means through which decision-making information can be delivered to stakeholders. So corporate reports must keep pace with the expansion of commercial activities and the development of economic reality and meet the needs of stakeholders.</p> <p>Design/methodology/approach: For the purposes of data analysis, the researchers used the statistical program (SPSS & Amos) version XXV.</p> <p>Findings: The results of the study concluded by rejecting the null hypothesis and accepting the alternative hypothesis as follows which is there is a statistically significant effect of disclosure according to the integrated reports on the quality of the financial report, as measured by the accounting options gap.</p> <p>Research, Practical & Social implications: The study need arose for other reports that support and improve the quality of financial reports and contain financial and non-financial information due to the need of stakeholders for this type of reporting, which is called integrated reports. These reports are able to provide information related to strategy, risk, performance, governance and future expectations in one report.</p> <p>Originality/value: The value of the study is to reduce the asymmetry of information between investors through the disclosure of financial and non-financial information, the disclosure of this type of reports can increase the confidence of stakeholders in financial reports and support them and thus make sound decisions for investment. The integrated reports provide reports on the six capitals, the main objective of these reports is to improve the quality of the information that is provided by the authority, whether financial or non-financial.</p>
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O IMPACTO DO RELATÓRIO INTEGRADO NA MELHORIA DA QUALIDADE DO RELATÓRIO FINANCEIRO

RESUMO

Objetivo: O objetivo deste estudo é demonstrar o impacto que os relatórios integrados têm na qualidade do relato financeiro, analisando a relação entre eles. O presente estudo visa aplicá-lo às 132 empresas listadas na Bolsa de Valores do Iraque para o ano de 2022.

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Enquadramento teórico: A natureza dos relatórios integrados: Os relatórios da empresa são um meio essencial através do qual a informação para a tomada de decisão pode ser entregue às partes interessadas. Assim, os relatórios corporativos devem acompanhar a expansão das atividades comerciais e o desenvolvimento da realidade econômica e atender às necessidades dos stakeholders.

Delineamento/metodologia/abordagem: Para fins de análise dos dados, os pesquisadores utilizaram o programa estatístico (SPSS & Amos) versão XXV.

Resultados: Os resultados do estudo concluíram rejeitando a hipótese nula e aceitando a hipótese alternativa de que existe um efeito estatisticamente significativo da divulgação de acordo com os relatórios integrados sobre a qualidade do relatório financeiro, medida pela lacuna de opções contábeis .

Implicações de Pesquisa, Práticas e Sociais: Surgiu a necessidade do estudo de outros relatórios que suportem e melhorem a qualidade dos relatórios financeiros e contenham informações financeiras e não financeiras devido à necessidade das partes interessadas por esse tipo de relatório, que é chamado de relatórios integrados. Esses relatórios são capazes de fornecer informações relacionadas à estratégia, risco, desempenho, governança e expectativas futuras em um único relatório.

Originalidade/valor: O valor do estudo é reduzir a assimetria de informação entre investidores através da divulgação de informação financeira e não financeira, a divulgação deste tipo de relatórios pode aumentar a confiança dos stakeholders nos relatórios financeiros e apoiá-los e assim tomar boas decisões de investimento. Os relatórios integrados fornecem relatórios sobre as seis capitais, o principal objetivo desses relatórios é melhorar a qualidade das informações que são fornecidas pela autoridade, sejam elas financeiras ou não financeiras.

Palavras-chave: Financeiro, Impacto, Reporting.

EL IMPACTO DE LA INFORMACIÓN INTEGRADA EN LA MEJORA DE LA CALIDAD DE LA INFORMACIÓN FINANCIERA

RESUMEN

Propósito: El objetivo de este estudio es demostrar el impacto que tienen los informes integrados en la calidad del informe financiero mediante el análisis de la relación entre ellos. El estudio actual tiene como objetivo aplicarlo a las 132 empresas que cotizan en la Bolsa de Valores de Irak para el año 2022.

Marco teórico: La naturaleza de los informes integrados: Los informes de empresa son un medio esencial a través del cual se puede entregar información para la toma de decisiones a las partes interesadas. Por lo tanto, los informes corporativos deben seguir el ritmo de la expansión de las actividades comerciales y el desarrollo de la realidad económica y satisfacer las necesidades de las partes interesadas.

Diseño/metodología/enfoque: Para efectos del análisis de datos, los investigadores utilizaron el programa estadístico (SPSS & Amos) versión XXV.

Hallazgos: Los resultados del estudio concluyeron rechazando la hipótesis nula y aceptando la hipótesis alternativa de la siguiente manera, que existe un efecto estadísticamente significativo de la divulgación según los informes integrados sobre la calidad del informe financiero, medida por la brecha de opciones contables .

Implicaciones de investigación, prácticas y sociales: surgió la necesidad de estudiar otros informes que respalden y mejoren la calidad de los informes financieros y que contengan información financiera y no financiera debido a la necesidad de las partes interesadas de este tipo de informes, que se denominan informes integrados. Estos informes pueden proporcionar información relacionada con la estrategia, el riesgo, el rendimiento, la gobernanza y las expectativas futuras en un solo informe.

Originalidad/valor: El valor del estudio es reducir la asimetría de información entre inversionistas a través de la divulgación de información financiera y no financiera, la divulgación de este tipo de informes puede aumentar la confianza de los stakeholders en los informes financieros y apoyarlos y así tomar decisiones acertadas de inversión. Los informes integrados brindan informes sobre los seis capitales, el principal objetivo de estos informes es mejorar la calidad de la información que se brinda por parte de la autoridad, ya sea financiera o no financiera.

Palabras clave: Financiero, Impacto, Reporting.

INTRODUCTION

Annual financial reports, including financial statements, are the most important means of delivering information to their users, so attention is focused on them in light of the successive

developments in various fields. This happened after traditional financial information has become not fully sufficient due to the rapid changes in the surrounding economic environment, as well as technological developments and intense competition between companies. All of this has led the company management to develop their methods and strategies to ensure adapting to these accelerated variables. The credibility of financial reports has raised important questions after the global financial crisis in 2008, which led to the collapse of major companies and their bankruptcy due to their commission of administrative and financial fraud and manipulation in order to show financial statements other than their nature, which led to a decrease in the confidence of users of accounting information in financial reports.

Also, the usual reaction of organizations and bodies was to increase their search for innovative methods in order to increase transparency in financial reporting. Therefore, the need arose for other reports that support and improve the quality of financial reports and contain financial and non-financial information due to the need of stakeholders for this type of reporting, which is called integrated reports. These reports are able to provide information related to strategy, risk, performance, governance and future expectations in one report. They also seek to reduce the asymmetry of information between investors through the disclosure of financial and non-financial information, the disclosure of this type of reports can increase the confidence of stakeholders in financial reports and support them and thus make sound decisions for investment. The integrated reports provide reports on the six capitals, the main objective of these reports is to improve the quality of the information that is provided by the authority, whether financial or non-financial.

Through the above, the research problem can be formulated with the main question: - What impact can have integrated reports have on the quality of the financial report of companies listed on the Iraq Stock Exchange measured by the accounting options gap?

The null hypothesis / There is no statistically significant effect of integrated reporting disclosure on financial reporting quality as measured by accounting options gap. The Alternative hypothesis / There is a statistically significant effect of disclosure according to integrated reports on the quality of financial reporting as measured by the accounting options gap.

The objectives of the study are: The study shows the impact that integrated reports can have on the quality of the financial report of companies operating in the Iraq Stock Exchange. The study was divided into two parts: the theoretical framework of the study, and the applied study.

THEORETICAL FRAMEWORK

The nature of integrated reports: Company reports are an essential means through which decision-making information can be delivered to stakeholders. So corporate reports must keep pace with the expansion of commercial activities and the development of economic reality and meet the needs of stakeholders. So, it was necessary to search for new disclosure tools that can address the shortcomings of financial reports / sustainability reports, so integrated reports appeared as a new reporting tool that incorporates financial and non-financial information. This information represents a natural evolution of the corporate reporting movement, and this practice has received increasing attention in recent years, from both an academic and professional perspective. The authorities and bodies regulating the work of integrated reports have played a prominent role in clarifying the concept of integrated reporting and can be presented as follows: International Integrated Reporting Council (IIRC). Through the conceptual framework developed to organize the work of integrated reports, the integrated report was defined as a brief reporting of the way in which the company in accordance with its strategy, governance, performance and prospects in the context of its external environment creates value in the short, medium and long term (Burke and Clark, 2016). This framework also illustrates through this report the link between the strategy, governance and performance of the company, and the social path, environmental, and economic, in which the company carries out its activity (Pavlopoulos, Magnis, & Iatridis, 2019). The Integrated Reporting Committee of South Africa (IRCSA) explained that integrated reports are not limited to integrating financial statements and sustainability reports only, they should provide stakeholders with a brief overview of the company, and essential information about strategies, risks and opportunities should be standardized and linked to social, environmental, economic/financial information (Setia, Abhayawansa, Joshi, & Huynh, 2015).

The researchers concludes from the above that integrated reports are of great importance to the company and other stakeholders, as they collect financial / non-financial reports, and focus on the relevance and integration of different information (financial / environmental / social / governance). This is carried out by the company's business model and strategies, in order to generate value in the short term (short / medium / long). In light of this, stakeholders can assess the company's ability to survive in the future and continue its work.

Objectives of the integrated report:

The International Council for Integrated Reporting and academic studies showed a set of objectives of integrated reports, including (I. I. R. C. Council, 2021; Esch, Schnellbacher, & Wald, 2019; Oprisor, Tiron-Tudor, & Nistor, 2016):

- A- Improving the quality of information provided to financial capital providers to enable the allocation of the company's capital more efficiently and productively.
- B- Supporting a more robust and effective pattern of corporate reporting based on several different reports and transfer all factors that have a significant impact on the company's ability to generate value over time.
- C- Supporting accountability and supervision of the broad capital base: financial / manufacturing / intellectual / human / social and relations / and natural, and consolidating the awareness of interdependence between them.
- D- Promoting integrated thinking, decision-making and mechanisms that emphasize value generation in the short / medium / long term.
- E- Supporting managers in the decision-making process and achieving a stronger corporate culture. Integrated reporting aims to facilitate investment decision-making for capital providers. Provide information to all other categories of stakeholders.
- F- Explaining the company's performance through the six capitals.
- G- Demonstrating broader and long-term results of decision-making processes.
- H- Approximation between the reports published outside the company and the information used by the management of that company.
- I- Demonstrating the organization's ability to generate value for those investors.
- J- Satisfying the needs of stakeholders, promoting the issue and promoting the sustainability transition.
- K- Providing an overview of the company regarding its sustainability and economic performance in the same place that bridges the information gap between financial and non-financial information.

Pros and cons of integrated reports: These reports have several pros and cons resulting from previous studies in this aspect and can be referred to as follows:

Advantages of integrated reports: The International Council for Integrated Reporting (IIRC) explained a set of advantages of these reports represented in the following: The information is most in line with the needs of the investor. There is more accuracy in non-financial information made available to information providers. The confidence rate is high for

key users. There are better decisions on resource allocation, including cost reduction or improved risk management; Better identification of opportunities. They have greater commitment to investors and owners. There are other interests, including current and future workers, making it easier to attract and retain skills; improving the public image; lowering capital costs, and improving access to it. All these benefits arise from increasing disclosure to the public, developing a common language and increasing participation between different functions (Frias-Aceituno, Rodríguez-Ariza, & Garcia-Sánchez, 2014).

Disadvantages of integrated reports: These reports face many disadvantages that lead to deficiencies in their work, which at the same time represent challenges in the application of these reports, which resulted from a set of previous studies:

Vena, Sciascia, and Cortesi (2020) pointed to a set of drawbacks. Integrated reporting is too focused on the investor and ignores other stakeholders. Companies fail in the integrated reporting process due to a lack of contact information, poor materiality assignment, and a lack of reliability and completeness of those reports. There is a bias when writing pleasant information in order to make unpleasant information less clear. The companies to adopt this report to make unsustainable practices appear sustainable.

Reasons for the need for integrated reports: The need for integrated reports resulted from several criticisms of those current reports used by companies that do not meet the needs of stakeholders for information.

Among those criticisms of the current system of reporting were raised (Lemma, Khan, Muttakin, & Mihret, 2019; Steenkamp, 2018), which included:

- 1- Current reports, which rely largely on financial information, do not provide sufficient visibility to enable stakeholders to form a comprehensive picture of the organization's performance and its ability to create and retain value, especially in light of the increasing factors related to and affecting aspects of the environment, society and economy.
- 2- It does not effectively include all capital and value which are the motivating factors not the performance of that company.
- 3- These reports are seen as retail reports, as they do not merge financial and non-financial information into one report.
- 4- Narrow focus on reporting traditional financial business
- 5- Failure to combine company strategy, financial, environmental, social, and governance performance.

Components of the integrated report: IIRC identified in the discussion paper for the year 2011 the reports constituting the integrated reporting, which are financial statement - management suspension - social and environmental report - governance report - intellectual capital report(Committee, 2011). The following is an explanation of each part of the integrated report:

Financial Statement: It is a mandatory report issued by the company on an annual basis that aims to provide financial information about the notified entity that is useful to current and potential investors, and other creditor lenders in making decisions about providing resources to the entity(Busco, Frigo, Riccaboni, & Quattrone, 2013). The financial statement according to the IRFS standards related to the financial reports include: the statement of financial position, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows, a summary of significant accounting policies, in addition to comparative information for the previous reporting period(Rensburg & Botha, 2014).

Management comment: Management comment is known as management discussion and analysis, business review or narrative statement, through which a platform is presented that explains the financial position, financial performance and cash flows of the entity. It also provides management with an opportunity to explain its objectives and strategies to achieve those goals(IIRC, 2013). This report is a supplement to the financial statement that provides a quantity of information on several content elements identified in the International Integrated Reporting Framework (IIRC)(I. Council, 2013).

Social and Environmental Report: The social and environmental report is referred to as the sustainability report, and sustainability reporting is one of the basics in the integrated reporting process. In other words, it can be considered as part of integrated reporting.

The GRI reporting framework defines "sustainability reporting as the practice of measuring and disclosing performance and accountability to internal and external stakeholders for organizational performance aimed at promoting sustainable development"(Hoque, 2017).

Governance Report: Recently, due to the emergence of cases of accounting fraud insome large companies, companies have been forced to publish a report on corporate governance so that users can determine their level of "good governance"(Frias-Aceituno et al., 2014). Good corporate governance refers to the push for stakeholders to support organizations in the long term, so that those organizations often benefit from the presence of stakeholders who have long-term benefit. Strong corporate governance enhances the quality of reporting processes resulting in reliable and relevant information. Describing these corporate governance

processes can increase the reliance of report users on the information received by integrated reporting (Mio, 2016).

Intellectual Capital Report: Intellectual capital is considered an intangible asset and these assets have become as important as tangible assets in many industries. However, these intangible assets are not comprehensively valued in financial reporting at present although they often represent a significant portion of market capitalization (EY, 2014). According to the accounting literature, intellectual capital is defined as an accounting, reporting and management mechanism related to organizations to understand and manage knowledge resources. It can calculate and report on the volume and development of knowledge resources such as employee competencies, customer relations, financial relations, and information and communication technology (IIRC, 2013).

Analysis of the relationship between integrated reports and the quality of financial reporting from the perspective of the external user:

Information asymmetry stems from the management's desire not to disclose all the information available to it, which leads to low levels of quality of the financial report submitted to the external user of the financial statements. Also, a variety of methods are used, including the complete withholding of that information from the public, or manipulation of published accounting figures, or delaying the disclosure of information. Therefore, it can be said that this phenomenon is related to the efficiency of the disclosure and transparency system, as decision-making in the stock market is affected by the quantity and quality of information. Hence, the expansion of accounting disclosure is one of the most important means proposed to reduce or reduce information asymmetries for the purpose of raising the quality of financial reporting (Dai, Kong, & Wang, 2013; Voinea & Dimitriu, 2014).

From this standpoint, the external user became concerned about the quality of the financial report submitted to him through the company's ability to hide many information about it or through the manipulation of accounting policies that affect the reported profit figures. Therefore, it has become important to analyze the relationship between the expansion of the level of accounting disclosure using integrated reports and the quality of financial reporting from the perspective of the external user of the financial statements, as follows:

First: Expanding the accounting disclosure and its impact on the quality of the financial report:

Accounting disclosure contributes to a change or modification in the distribution of information, which leads to bridging the gap between insiders and non-insiders of information,

by increasing the amount of information available to the public, increasing the quality and reliability of that information. It also convertes private information into general information available to all dealers in a timely manner, which leads to a high quality of financial reporting in general(Bahmani, 2014; Watrin & Ullmann, 2012).

The expansion of accounting disclosure is not limited to financial information only, but must include both financial and non-financial information with a focus on mandatory disclosure, as concealment of the elements of mandatory disclosure has significant negative effects on investors and stakeholders (ABD Al-Halim, 2019). In addition, through the legislative requirements for disclosure, capital market supervisory bodies are able to oblige companies to publish some detailed information related to stock returns and risks, which results in reducing the level of asymmetry information, hence the high quality of the financial report(Ali & Abdelfettah, 2016).

In light of the above, it can be said that the expansion of accounting disclosure in terms of the quantity of disclosures, and the quality and timeliness of information dissemination, can contribute to reducing the level of information asymmetry among all dealers in the stock market.

Many studies make it clear that there are many means that can reduce the asymmetry of accounting information, whether between management and investors or between investors themselves. Yet, the most important of these means is the expansion of accounting disclosure by increasing the quantity and quality of information disclosed in financial reports in their current form, because this information has become insufficient to support decision-making(Nabi, 2012), which prompted attention to initiatives for disclosure of environmental and social responsibilities for the needs of owners' Interests. It also work to modify and develop the traditional model of financial reporting to reflect both financial and non-financial information necessary for its users, including the descriptive and quantitative aspect of that information, in order to measure the company's success in achieving its economic goals and thus assess its ability to achieve sustainability(Saad, 2004).

As a result of these initiatives, proposals for financial and non-financial disclosure include the dimensions (economic, environmental, social, governance, ethical and risk) through a new approach to disclosure called integrated reports as one of the means that increase the quality of financial reporting.

In this regard, integrated reporting becomes a means of combining financial and sustainability reports, clarifying the links between financial and non-financial performance

represented by dimensions (economic, environmental, social, governance and risk), with the aim of building a sustainable society more clearly about the company's ability to create value over time. It is also not a formal consolidation of those independent reports issued by the company, but also a reflection integration(Sharaf, 2015). As a result, the dimensions of integrated reports can be divided from several angles:

- In terms of disclosure of sustainability information, it can be divided into several dimensions: the economic dimension, the social dimension, the environmental dimension, the governance dimension, and the risk dimension, as integrated reports provide information on non-financial performance represented in the previous dimensions.
- In terms of the nature of the information disclosed, it can be divided into two dimensions: the quantitative dimension and the qualitative dimension, as integrated reports are considered as a broad and comprehensive perspective of information, as they are useful as an alternative to the sustainability report, which is primarily concerned with providing descriptive information related to the company's performance in the environmental and societal aspects. Integrated reports aim to improve the quality of Financial information and reporting, by reducing descriptive information and expanding quantitative information that can be measured and verified as much as possible, in order to increase the efficiency and effectiveness of the resource allocation process by improving the ability of investors and others to predict the company's performance in future periods.

Second: Accounting implications of integrated reports and its effects on the quality of the financial report:

There is no doubt that the expansion of the disclosure of non-financial information, in addition to traditional financial statements, in the form of integrated reports will achieve many benefits at the level of the company, at the level of stakeholders and at the level of society as a whole. These benefits are either internal through improved resource allocation decisions and reduced reputational risk, or external or market through improving the quality of financial information, and thus improving the quality of financial reporting(Ruiz-Lozano & Tirado-Valencia, 2016).

The expansion of accounting disclosure and increasing its effectiveness is one of the most important tools proposed to overcome the problems and risks of the phenomenon of information asymmetry, by increasing the quantity and quality of information disclosed, the

variation in information available to dealers in the stock market can be reduced (Nabi, 2012). Due to the benefits of adopting the disclosure of integrated reports, they can help reduce information asymmetry, as these reports provide information on the company's value drivers in one report and moisten them with value creation activities, and therefore integrated reports not only save the costs of users searching for information and thus help to increase liquidity. However, more generally, they create new information content that is not contained in the current set of corporate reports, such as the company's strategy and business model, in addition to forward-oriented information. It also highlights the links and relationships between all value drivers, which in turn reduces information asymmetries and uncertainty about the long-term performance of the company and thus the quality of the financial report (Kaddoura, 2020).

Accordingly, integrated reports achieve many benefits at the company level, the first of which is to contribute to reducing the cost of financing, as it enables the provision of many of the most appropriate information that leads to increasing the level of transparency in the company. It reduces the level of risks surrounding its internal and external performance, according to the signal theory, integrated reports convey a positive image of the company to stakeholders, especially investors, which leads to increasing the company's ability to attract capital (Vogt, Hein, Silva-da Rosa, & Degenhart, 2017).

Integrated reports also contribute to mitigating the risk of reputational collapse. This is because the integrated reports and the financial and non-financial information contain on the company's performance giving credibility to the financial reports submitted to the external user of the financial statements, thus improving the company's reputation by raising the quality of the financial report submitted to the third parties in general (Steyn, 2014).

Moreover, integrated reporting reduces profit management practices, as it leads to more comprehensive information. This leads to placing the true picture of the essence of the company's economic activity in front of the external user of the financial statements. Thus, it increases the quality of profits and reducing the ability of management to manipulate accounting policies and raise the quality of financial reporting (Pavlopoulos et al., 2019).

At the level of investors, the information available in the report, especially non-financial information, gives a comprehensive overview of the company and its strategic direction. Accordingly, this report can be relied upon as a source of information to make new investment decisions for investors. Because this information gives a historical view of financial statements and does not show the company's future ability to make new investment decisions or not and the company management of its strategy, The integrated report increases the effectiveness of

information disclosure, how the company manages its strategy, the effectiveness of governance and the company's performance in line with its external environment and contributes to creating value for it in the short, medium and long term. (Abdo, 2019).

The researchers concludes from the above that integrated reports are the best mechanism for communication and disclosure through which companies seek to explain their strategy to maximize value in the short, medium and long term. It enables investors to assess the extent to which the company is able to create and maintain value, as it shows them the relationship between the company's strategy and financial, environmental, social and governance performance, and helps reduce the degree of information asymmetry, increases transparency and improves the accountability of stakeholders, in addition to helping them assess the material risks that the company faces and how to manage it to enable them to make sound decisions. This consequently affects the stability of the market as a result of the high quality of the financial report that contains the information that is provided to external parties with interest in the facility.

METHODOLOGY

Applied Study

Through the current study, the researchers aimed to analyze the relationship between integrated financial reports and the quality of the financial report, considering that integrated reports represent the independent variable of the study and the quality of the financial report of the study. The practical aspect included the following:

1/1/ Methodology of the applied study.

1/2/ Results of the applied study.

1/1/ Methodology of the applied study

The methodology of the study is represented by the following points:

1.1.1 Analysis of the nature of the study variables and measurement tools.

1/1/2: Study sample.

1.1.3 Statistical methods used.

1/1/4: Statistical hypothesis test form for the study.

1/1/5/: Factor analysis of the trade-off between tools to measure the quality of the financial report.

The researchers can analyze these previous points on the following survival:

1.1.1 Analysis of the nature of study variables and measurement tools:

1.1.1.1: The independent variable of the study:

The independent variable of the study is the integrated reports, which express the accounting disclosure of all environmental, social, financial and governance aspects, as well as the disclosure of the level of risk surrounding the company.

As a result, the researchers can rely on measuring the level of disclosure of integrated reports by relying on the Standard & Poor's index included in the hundreds of International and Arabic markets. This index aims to measure the first four aspects (environmental, social, governance and financial) and then develops this indicator with a set of items that express the accounting disclosure of risks through examining studies related to the subject of the study, which include 23 items as follows:

- 1 Disclosure of optional reserves.
- 2 Disclosure of contingent liabilities.
- 3 Disclosure of cash flows to finance long-term future investments.
- 4 Disclosure of the method of asset acquisition.
- 5 Disclosure of the reasons for unusual losses.
- 6 Disclosure of risk management strategies and mechanisms for implementing hedging activities.
- 7 Disclosure of foreign currency translation method.
- 8 Disclosure of foreign currency translation gains or losses.
- 9 Disclosure of extraordinary losses on foreign exchange exchange.
- 10 Disclosure of the valuation method and assumptions on which the fair value of the entity is based.
- 11 Qualitative disclosures of value at risk in financial instruments.
- 12 Disclosure of the nature of risk management practices
- 13 Disclosure of Hedging Description
- 14 Cash Flow Hedging Disclosure
- 15 Pricing Risk Disclosure
- 16 Liquidity Risk Disclosure
- 17 Credit Risk Disclosure
- 18 Capital adequacy level disclosure

- 19 Disclosure of the value exposed to credit loss
- 20 Operational and Insurance Risk Disclosure
- 21 Disclosure of sensitivity analysis for the company's perceived future conditions
- 22 Disclosure of natural disasters
- 23 Disclosure of Coronavirus Impacts on Business Results

1.1.1.2: The variable of the study:

For the purpose of measuring the quality of financial reports using the accrual gap, the researchers can use the performance-denominated Jones model developed by Kothari et al. (2005). So the absolute value of estimated receivables extracted from that model represents an inverse measure of the quality of accounting earnings (hence the quality of financial reporting). The model takes the following form:

$$TACC/LagTA = \alpha_0 + \alpha_1(1/LagTA) + \alpha_2(\Delta REV - \Delta REC)/LagTA + \alpha_3(LagROA) + \alpha_4(PPE/LagTA) + \varepsilon \quad (1)$$

For each company each year:

TACC = Total receivables, equal to the difference between net income from the statement of cash flows and net cash flows from operating activities;

ΔREV = change in net sales;

ΔREC = change in net customers and receivables;

LagROA = return on assets for the previous year, equal to the net income for the previous year based on the statement of cash flows divided by the total assets of the previous year;

PPE=Total fixed assets (before depreciation pool discount);

LagTA = Total assets in the previous year.

This model No. (1) will be operated using cross-sectional analysis, i.e. for each year separately. So, the number of views is not less than 8 per year, provided that the absolute value of the rest of the model is used as a measure of optional benefits, the higher the value of those benefits, regardless of their indication. This indicates the possibility of errors, manipulation or fraud in the earnings figure, and then indicates a decrease in the quality of earnings. Then we multiply the absolute value by (-1) to use it as a measure of quality instead of accruals.

1/1/1/3: Variables governing the relationship:

The researchers can list the most important variables to control at the company level, which may significantly affect the variables of the study on the company's financial performance indicators, which are as follows:

Regulatory variables	
Size	The size of the company, measured in the normal logarithm of total assets.
LEV	The leverage of the company, measured by total obligations divided by total equity.
CASH	The ratio of cash and its equivalent to total assets.
CA_CL	It is the ratio of current assets to the ratio of current liabilities.

1/1/2: Study sample

In this study, 132 companies listed on the Iraq Stock Exchange in 2022 only are sampled in this work, because the aim of the study is to identify the most advanced levels of accounting disclosure. Therefore, the current study sample is a deliberate control sample representing 132 views in 2022 only, and the researchers chose the sample in a deliberate control method because the nature of the study is cross-sectional analysis. Hence, there will be no need to use the time series method and study the evolution of the relationship between the study variables.

The researchers relied on collecting the data of the applied study necessary for the variables of the study on a set of Internet sites that have financial reports of companies listed on the Iraqi Stock Exchange and data on shares, and these sites are:

- Iraqi Stock Exchange Website
- (<http://www.isx-iq.net/isxportal/portal/uploadedFilesList.html>)
- Direct Information Site:
- <https://www.mubasher.info/markets/ISX>

1.1.3 Statistical methods used:

For the purposes of data analysis, the researchers used the statistical program (SPSS & Amos) the twenty-fifth version, and for the purposes of testing the statistical hypotheses of the study. A number of statistical methods were relied on: descriptive statistics, Pearson's correlation coefficient, conducting confirmatory factor analysis, path analysis, and multiregression analysis in order to identify the best measures of the underlying variables of the study. It identifies the level of impact of integrated reports on all indicators of measuring the quality of the financial report. These methods can be explained in some detail as follows:

- Descriptive statistical methods: the arithmetic mean and standard deviation were relied on, to measure the extent of dispersion and difference between the sample items about the study variables.
- Inferential statistical methods: the researchers relied in testing the hypotheses of the study on a set of statistical methods that are:
 - correlation coefficients: to identify the extent to which there are relationships between the variables being tested.
 - regression coefficients: to identify the extent to which there is an effect between the variables tested.
- Factor analysis for affirmation to identify the best tools for measuring variables and consistent with the study sample.
- Track analysis: to measure the direct impact of the freelancer on the follower in the presence of the modified role of audit quality.

1/1/4: Formulation of the statistical hypothesis test model for the study:

For analyzing the relationship between the variables of the study, the researchers conducts statistical analysis. The study also examines the the relationship between the quality of integrated reports and the quality of the financial report depending on the accounting entitlements gap as a measure of the quality of the financial report. This relationship is the focus of attention of the first statistical hypothesis of the study in its branches. Thus, the researchers can formulate the first statistical hypothesis test form for the study as follows:

$$FRQ = \beta_0 + \beta_1 IR + \beta_2 Size + \beta_3 Lev + \beta_4 Cash + \beta_5 CA_CL + \varepsilon (1)$$

Whereas:

FRQ = quality of financial reporting measured by accrual gap extracted from the accrual model;

IR = level of accounting disclosure according to the previously presented integrated reports;

The rest of the variables have been defined above.

RESULTS AND DISCUSSION

The results of the applied study can be presented through the following points:

1.2.1 Descriptive statistics

1/2/2: Correlation matrix.

1/2/3: Results of statistical hypothesis tests.

The researchers can analyze these previous points on the following and below:

1.2.1 Descriptive Statistics:

Descriptive statistics are a set of methods concerned with presenting, summarizing and organizing the items of the statistical study in order to identify the nature of the research sample that has been studied and tested. They study how they are distributed, and to judge the extent to which the results of this study are comparable with other studies. The most important of these descriptive statistics are measures of central tendency and measures of dispersion.

The most important measures of central tendency are both the arithmetic mean and the median. The mean is the average value of observations in the sample, while the median is the central value of the data set when arranged ascending or descending. While the most important measure of dispersion is the standard deviation, which relies in its inferences on all the values of the sample data, specifically on the deviations of the observations from their arithmetic mean. Thus, the researchers can, in light of the results of the descriptive statistics of the study sample presented in the following table (1), shows set of observations.

Table (1): Descriptive statistics of the study sample

	N	Min.	Max.	Mean	Std. Deviation
IR (Env.)	132	0.20	0.62	0.39	0.12
AND (Soc.)	132	0.20	0.73	0.31	0.09
IR (Gov.)	132	0.26	0.66	0.33	0.08
IR (End.)	132	0.24	0.62	0.29	0.13
AND (Ris.)	132	0.25	0.68	0.29	0.08
Total IR	132	0.28	0.79	0.41	0.15
FRQ	132	0.10	0.26	0.16	0.11
Size	132	5.30	11.83	8.73	0.81
Lev	132	-91.26	181.26	1.36	8.33
CASH	132	0.00	0.97	0.11	0.14
CA_CL	132	0.00	210.30	4.67	15.61
Valid N (listwise)	132				

First: The arithmetic mean of the variables for the levels of accounting disclosure according to the integrated reports IR (Env.), IR (Soc.), IR (Gov.), IR (Fin.), IR (Ris.) IR related to the aspects of environmental, social, governance, financial, risks are 39%, 31%, 33%, 29%, and 29% respectively. As for the overall level of disclosure according to the integrated reports, the mean is 41%. Through these results, the relative low levels of accounting disclosure according to the integrated reports in the Iraqi environment is clear to the researchers, but he

does not deny the existence of these practices in the Iraqi environment, which explains the importance of testing them.

Based on the results presented above related to the descriptive statistics of the study sample, the researchers found how similar they are with other studies, which indicates the possibility of comparing the results of the current study with previous studies.

1/2/2: Correlation Matrix:

In this part of the current study, the researchers tried to analyze the impact of integrated reports on the quality of the financial report by applying it to a sample of companies listed in the Iraqi stock market. This matrix aims to identify the nature of the relationship between the independent variables and each other by testing statistical hypotheses for the study, and to form a preliminary opinion on the problem of linear duality between these variables. In addition, the researchers measured the VIF coefficient to confirm that there are no Multicollinearity problems. The results of the statistical analysis resulted in the following table (2):

Table (2): Pearson's Correlation Matrix

	IR (Env.)	AND (Soc.)	IR (Gov.)	IR (End.)	AND (Ris.)	FRQ	Size	Lev	CASH	CA_CL
IR (Env.)	1									
AND (Soc.)	0.032	1								
IR (Gov.)	0.012	0.008	1							
IR (End.)	0.012	-0.009	0.002	1						
AND (Ris.)	-0.037	-0.012	.078*	0.052	1					
FRQ	0.044	0.053	-0.04	-0.038	0.047	1				
Size	0.067	-0.004	0.059	0.058	0.025	0.000	1			
Lev	0.004	-0.013	0.004	0.011	.082*	-0.014	0.027	1		
CASH	-0.031	-0.008	0.03	0.059	.090*	-0.021	-0.014	0.038	1	
CA_CL	-0.012	0.001	-0.012	-0.02	-.097*	0.011	-.220**	-0.034	-0.007	1

It is clear to the researchers from the correlation coefficients listed in Table (2) that there is no significant relationship between the independent variables of the study and each other, as there is no correlation coefficient higher than 0.8. So, the statistical hypotheses of the study are valid initially. It also indicates that there is multicollinearity problem.

In addition, there is a significant positive relationship between the integrated reporting quality measures and the financial reporting quality measures using accruals, which initially indicates that increasing disclosure according to integrated reports helps to increase the quality of the financial report. At the level of other measures from the perspective of the external user of the financial statements, the researchers found a significant negative relationship between

the measures of integrated reports and indicators of financial problems, asymmetry of information and volatility of extraordinary returns. This relationship indicates increasing the level of accounting disclosure in integrated reports decreased financial problems, asymmetry of information and the level of volatility in extraordinary returns, and thus increase the quality of the financial report.

1/1/3: Results of statistical hypothesis tests:

The aim of the researchers in this part of the study is to analyze the direct effects of the independent variables on the function by following the multiple regression method in order to test the statistical hypotheses of the study. The researchers relied in conducting the statistical analysis on the use firm fixed effects when conducting regression analysis. These are the effects related to the sector in which the establishment operates or the time period in which the establishment disclosed to avoid the expected correlation effects between different sectors. Static effects are used to avoid the effects of potential bias on the results as each view is recorded by one of the facilities. They have many characteristics that may or may not affect the independent variables of the model, which may contribute to creating a kind of bias in the output of the model's operation and the need to control these characteristics (Torres-Reyna, 2007). The researchers also conducted a regression analysis for all models in the study taking into account the clustered robust standard errors to avoid any pools, configure any facility-level pools. In addition, the researchers combined the method of multiple regression analysis with the method of path analysis using the AMOS program, as follows:

1.1.3.1 Relationship analysis based on accruals as a measure of the quality of the financial report:

- **The result of the statistical hypothesis test of the study:**

The first hypothesis of the study predicts the analysis of the impact of integrated reporting (as an independent variable on accruals as a measure of the quality of the financial report (as a dependent variable). Thus, to analyze this relationship, the researchers ran the statistical hypothesis test model No. (1). They determined the nature of the relationship through the level of significance of the relationship and the trends and values of the coefficients of the variables included in the statistical hypothesis test model. The results presented in Table (3) were:

Table (3): The result of the statistical hypothesis test of the study

Variable	Panel A: Dimensions			Panel B: Total integrated reports		
	Coef.	t-stat.	Itself.	Coef.	t-stat.	Itself.
Percentile	-0.146	-1.028	0.304	-0.046	-0.077	0.939
IR (Env.)	0.215	3.134	0.003	---	---	---
AND (Soc.)	0.043	1.362	0.125	---	---	---
IR (Gov.)	0.118	2.655	0.020	---	---	---
IR (End.)	0.202	2.696	0.021	---	---	---
AND (Ris.)	0.073	1.197	0.122	---	---	---
Total IR	---	---	---	0.149	2.751	0.000
Size	0.025	1.554	0.121	0.039	0.569	0.569
Lev	0.000	0.232	0.816	-0.092	-14.883	0.000
CASH	0.270	2.912	0.004	1.060	2.722	0.007
CA_CL	0.000	0.002	0.998	-0.003	-0.795	0.427
Firm Fixed Effects	<i>Included</i>			<i>Included</i>		
N	132			132		
Adj.R2	54.90%			57.40%		
VIF (Max)	1.322			1.322		

Table (3) shows the relative increase in the explanatory power of the model, reaching 54.9% and 57.4% respectively for disclosure according to integrated reports at the dimensional level, and disclosure according to integrated reports as a total level with the dependent variable. The quality of the financial report using the accounting options gap (accruals) is close to its counterpart in the previous relevant studies. This indicates that the independent and governing variables present in the first statistical hypothesis test model of the study can explain the overall variation in the quality of the financial report using the accounting options gap (accruals) by 54.9% and 57.4% respectively. Thus, the regression model of the first statistical hypothesis test of the study can efficiently illustrate the relationship between the variables involved in it, which shows the suitability of this model for the first statistical hypothesis test of the study.

By reviewing the significance of the coefficients included in the statistical hypothesis test model (Panel A), the researchers found the significance of the independent variables IR (Env.), IR (Gov.), IR (Fin.) for disclosure according to integrated reports from the environmental, governance and financial aspects, all of which carry a positive signal as:

(t-stat.= 3.134, 2.655, 2.696 > 2; Sig.= 0.003, 0.020, 0.021 < 0.05) respectively. Then, it turns out that there is a significant positive relationship between integrated reports and the quality of the financial report. So, the level of accounting disclosure according to integrated reports will lead to a higher level of quality of financial reporting. Thus, there is an increase in accounting disclosure in accordance with integrated reports to narrow the opportunities of management to exploit opportunistic practices in accounting options and manage profits through accruals and thus maintains the quality of the financial report. This finding is consistent with many previous relevant studies. In addition, the researchers did not

encounter any problems related to multicollinearity as the maximum value of the variance inflation factor is (VIF = 1). 322). Studies differed in determining the maximum value of the coefficient Bright Ferry. According to Gujarati (2003), it does not exceed 10. Yet Moody (2009) stated that It should not exceed 30. Anyway, it does not exceed these values of the current study.

Looking at the coefficients of the model in the second column (Panel B), the researchers found the significance of the independent variable Total IR of the total accounting disclosure according to the integrated reports and carries a positive sign as: (t-stat.= 2. 751 > 2; Sig.= 0.000 < 0.05). Then it turns out that there is a significant positive relationship between the total disclosure according to the integrated reports and the quality of the financial report measured by the accounting options gap. So, the level of total disclosure increased according to the integrated reports and will raise the level of quality of the financial report. Thus, the overall accounting disclosure will grow based on integrated reports narrows management's opportunities to exploit opportunistic practices in accounting choices. Also, the profits will be managed through accruals and thus maintain the quality of the financial report. This finding is consistent with many previous relevant studies. In addition, the researchers did not face any problems related to multicollinearity as the maximum value of the variance inflation factor is VIF = 1.322.

CONCLUSION

Based on these results, the researchers can reject the null hypothesis of the study and accept the alternative hypothesis as follows: there is a statistically significant effect of disclosure according to the integrated reports on the quality of the financial report as measured by the accounting option gap

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