

Role External Auditing and Corporate Governance Practices in Combating Corruption in The Financial Sector: An Exploratory Study of Islamic Banks in Kurdistan

Bayar Ali Ismael

accounting Dep., College of business and administration, Erbil polytechnic University, Arbil City, Kurdistan Region – Iraq
Email: bayar.ismail@epu.edu.iq

Azhy Akram Aziz

media Dep., College of business and administration, Erbil polytechnic University, Arbil City, Kurdistan Region – Iraq
Email: azhy.aziz@epu.edu.iq

Bawan Yassin sabir

department of accounting, Kurdistan technical institute, sulaymaniya ,KRG,Iraq
Email: bawan.sabir@kti.edu.krd

Raqeeb Abdulla Omar

Business Administration Dep., College of business and administration, Erbil polytechnic University, Arbil City, Kurdistan Region – Iraq
Email: raqeeb.omer@epu.edu.iq

Karkhi khalid

business management Dep., College of Administration & Economics, Lebanese French university, Erbil, Kurdistan Region – Iraq
Email: karkhi.khalid@lfu.edu.krd

Barzan Omar Ali

Accounting Dep. Aynda Institute, Erbil, KRG, Iraq
Email: barzan3626@yahoo.com

Bayar Gardi

Department of Accounting, College of Administration and Financial Sciences, Knowledge University, Kirkuk Road, 44001 Erbil, Kurdistan Region, Iraq
Email: bayar.gardi@knu.edu.iq

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ABSTRACT

The main objective of the study is to the role of external auditing initiatives and corporate governance practices in dealing with incidences of corruption observed in the financial sector. A structural equation model was estimated using data collected from 200 Islamic bank managers, auditors, accountants and other employees in Erbil, Kurdistan using Smart PLS. The findings revealed that auditing financial statements acts as a disciplining device for curbing bribery in environments that encourage corruption. It was concluded that external auditing fosters acceptable ethical conduct essential for fostering good corporate governance practices in financial institutions. The study interestingly concludes that the effectiveness of corporate governance practices to warrant a reduction in corrupt practices is conceivable in an environment with solid external auditing initiatives as evidenced by the moderating analysis results.

1. Introduction

Over the past few decades, several scandals have occurred where auditors have been accused of not revealing corruption or, worse than that, being involved in corruption. In 2007, KPMG, one of the Big 4 accounting firms, was accused of not noticing bribes of 1.5 billion Euros paid by its German client Siemens between 1995 and 2006 (Independent, 2007). It is no doubt that such forms of corruption are undesirable and some studies went on to describe it as cancer affecting people's well-being (Anaedozie, 2016; Bhargava, 2005; Bukkuri & Adler, 2021). The undesirability of corruption is further linked to poor foreign direct investment, and social and economic development (Anoruo & Braha, 2005; Farooq & Shehata, 2018). The World Bank identified it as a major obstacle hindering the development of the Middle East and African countries gobbling 5% of the gross domestic product in controlling costs (World Bank, 1997).

Concerning the study problem, some Middle Eastern countries like Kurdistan have been striving hard to promote financial and economic development, the prevalence of corruption places such goals beyond reach. Severe consequences are highly observable when such corruption penetrates the financial sector as its ability to

fund both production and consumption activities will be compromised (Svilokos, Vojinić & Šuman Tolić, 2019; Zhuang et al., 2009). Hence, a call for measures to combat corruption has long been desired in Kurdistan and other countries such as Zimbabwe (Jenjekwa, 2016), Libya (Kamba & Sakdan, 2012), and Sri Lanka (Lindberg & Herath, 2014). Secondly, calls to ascertain whether external auditing coupled with solid corporate governance practices can eradicate corruption problems in the financial sector are still yet to be tested in the context of Islamic banks. Hence, the validity and significance of proposed external auditing and corporate governance practices lack empirical verification, which this study seeks to establish for the first time using insights from Kurdistan's Islamic banks. To make matter worse, the interactive connections between external auditing and corporate governance practices have been established in non-financial institutions with limited application in the financial sector (AlQadasi & Abidin, 2018; Ferreira, 2018; Manita et al., 2020). This obscures ideas about the underlying connections at a time when some studies considered external auditing and corporate governance practices as insignificantly connected (Khanifah et al., 2020; Velte, 2018), especially when Holm and Laursen (2007) contend that there are risk and control developments in corporate governance changing the role of external auditors. Concerns can easily be raised as to whether external auditing and corporate governance practices initiatives will work towards eradicating corruption as suggested in non-financial institutions (Ferreira, 2018; Manita et al., 2020) and conventional banks (Baldavoo & Nomlala, 2019).

Amid such problems, the main aim of this study is to document the importance of integrating external auditing initiatives with corporate governance practices in dealing with incidences of corruption observed in the financial sector. The objective is to assess the significance of interactive connections linking external auditing and corporate governance with Islamic banks' corruption deterrence success at a time when insignificant interactions have been observed.

2. Literature review

Given that the study seeks to analyse how external auditing and corporate governance practices will assist in dealing with corruption, the principle-agent theory was applied in this study. This is because the principle-agent theory provides insights on how to regulate managers' actions and align the organisation's activities with the shareholders' interest in a manner that prevents corporate misconduct such as fraud and other corporate governance practices. Hence, by including the principle-agent theory, the study was able to gain insights into notable practical measures required to enhance possible corporate governance practices.

2.1 The principle-agent theory and its relevance to auditing and corporate governance

The study draws reference from the principal-agent theory which is a theory that asserts that managers as the agent of the business do not always act in the best interests of the principals (Caers et al., 2006). The prevalence of corruption in both financial and non-financial institutions mirrors such propositions. As a result, the principal-agent theory argues that managers must be controlled because they are bound to act in a manner that compromises the value of the business (Wright, Mukherji & Kroll, 2001). It is important to establish that the control aspect demanded by the principal-agent theory portrays auditing initiatives placed on monitoring and controlling managers' activities so that they maximise the shareholders' interests. With the advent of corruption acting as cancer that affects financial institutions' reputation, image, performance and survival prospects (Anaedozie, 2016; Bhargava, 2005; Bukkuri & Adler, 2021), one can contend that not only auditing is required but also reinforcing mechanisms in the form of acceptable corporate governance will act to solidify such initiatives. This is because corporate governance fosters good ethics, accountability and responsibility, which are key factors instrumental in preventing corrupt activities (Baldavoo & Nomlala, 2019; Ferreira, 2018; Khanifah et al., 2020; Manita et al., 2020). On the other hand, external auditing aims to identify both errors and fraudulent activities as well as corrupt activities (Ferreira, 2018). The effective ability of financial institutions to combat corrupt activities and promote solid growth and improved financial performance are conceivable when external auditing initiatives are harnessed

together with acceptable corporate governance practices. But the challenge is that these established ideas are mere theoretical precepts that are still yet to be tested, especially in the context of Islamic banks and require empirical examinations. In that regard, the next section explores the underlying empirical studies linked to external auditing, corporate governance and corruption.

2.2 Empirical literature review

The analyzed data were collected from the 4th of May to the 3rd of July using questionnaires that were randomly distributed to 11 Islamic banks in Erbil, Kurdistan (Credit bank of Iraq, Emerald Bank, Harem Bank, Alarabiya Islamic Bank, Kurdistan International Bank, Cihan Islamic Bank, Al Bilad Islamic Bank, Al Qurtas Islamic Bank – Erbil, Abu Dhabi Islamic Bank (ADIB), International Kurdistan Bank and Iraqi Islamic Bank). The banks were selected based on their reach, willingness and ability to participate in the research. The external auditing and financial performance variable constructs were adapted from auditing books and a review of previous related examinations done by the author and measured using a five point-Likert scale from one (strongly disagree) to five (strongly agree). The questionnaire comprised 8 technological risks, 6 organizational funding, 10 audit infrastructure and technical expertise, 8 ethical conduct, and 14 financial performance constructs. The questionnaire was pretested using three Islamic bank managers and subsequently distributed to other managers, auditors, accountants and employees upon successful completion of the focus group tests.

Given that the study is Islamic banking institution orientated, only Islamic banks were examined and this is also because of a lack of initiatives analyzing the effects of external auditing on Islamic banks' financial performance as a core number of studies limit their focus to conventional banks in countries such as the United States of America (Sun, Alles & Vasarhelyi, 2015), Turkey (Kaban, 2020) and South Africa (Charlton & Marx, 2009). Additionally, the importance of testing the significance attached to the influence of external auditing determinants on financial performance continuously evolves with changes in organizational, industry and country-specific factors. Hence, introducing external auditing and financial performance concepts in the context of Islamic banks becomes of huge importance,

especially in Kurdistan which has been overshadowed by countries such as the United States of America (Sun, Alles & Vasarhelyi, 2015), Turkey (Kaban, 2020) and South Africa (Charlton & Marx, 2009). Additionally, there is a need to ascertain whether the stability and improved financial performance levels enjoyed by Islamic banks compared to conventional banks (Samad, 2004; Siraj & Pillai, 2012) is partly linked to external auditing.

2.3 The impact of external auditing on corporate governance and corruption

Stretching from the reviewed studies, the interactive connections linking external auditing to corporate governance and corruption eradication initiatives are significantly evident. With corruption standing as a major obstacle to the growth, development and success of an institution, propositions have always been suggested that auditing, specifically external auditing stands to eradicate such problems (Farooq & Shehata, 2018). Such is in the height of observations made denoting that external auditing and corporate governance share similar attributes concerning responsibility, accountability and acceptable ethical behaviour that are cornerstones of dealing with corrupt practices (Carr & Outhwaite, 2011; Fu, 2019; Wijayati, Hermes & Holz hacker, 2016). In some instances, external auditing is viewed as promoting acceptable corporate governance practices (Manita et al., 2020; Velte, 2018). Besides, Ferreira (2018) holds that external auditing is inherently designed to enhance corporate governance in organisations. But this does not negate the fact that both external auditing and corporate governance can work together to ease corrupt activities though their combined examinations had not been made, especially in the area of Islamic banking. Given such observations, it, therefore, entails that huge successful efforts in eradicating corrupt activities in financial institutions are conceivable using external auditing and corporate governance. Therefore, the following hypotheses were formulated;

- **H₁**: External auditing has a significant positive effect on corporate governance.
- **H₂**: External auditing has a significant positive effect on corruption.

2.4 The impact of corporate governance practices on corruption

Studies have long hinted at and advocated that solid corporate governance practices be utilized in eradicating corruption in organizations (Farooq & Shehata, 2018; Watson & Hirsch, 2010). Several reasons have been suggested to reinforce such arguments and recommendations. For instance, Fu (2019) calls for the adoption of solid corporate governance practices citing that they deal with any factor or incidence stirring the emergence and prevalence of corrupt practices. In another incidence, Bukovansky (2005) cites regulatory countermeasures, like existing corporate governance principles and guidelines and international conventions as key corporate governance tools capable of eradicating corruption. Another substantial form of evidence linking corporate governance's role in reducing corruption highlights the benefits of establishing a moral awareness in terms of the harms resulting from corrupt behavior through the enforcement of responsibilities and transparency. Such benefits are substantial and can solid corruption-reducing initiatives when implemented in an environment with effective external auditing practices (Ferreira, 2018; Manita et al., 2020). Given the such overwhelming evidence, the study, therefore, proposes the following hypotheses.

- **H₃**: Corporate governance significantly reduces corruption in organizations.
- **H₄**: Corporate governance has significantly positive effects on external auditing's ability to reduce corruption in organizations.

Using the formulated hypotheses, the study, therefore, models the structural connections linking external auditing and corporate governance to corruption using the conceptual model shown in Figure 1. The conceptual model forms a good base upon which the structural equation model will be applied to ascertain the nature and strength of such connections (Sarstedt et al., 2022; Sarstedt, Ringle & Hair, 2021).

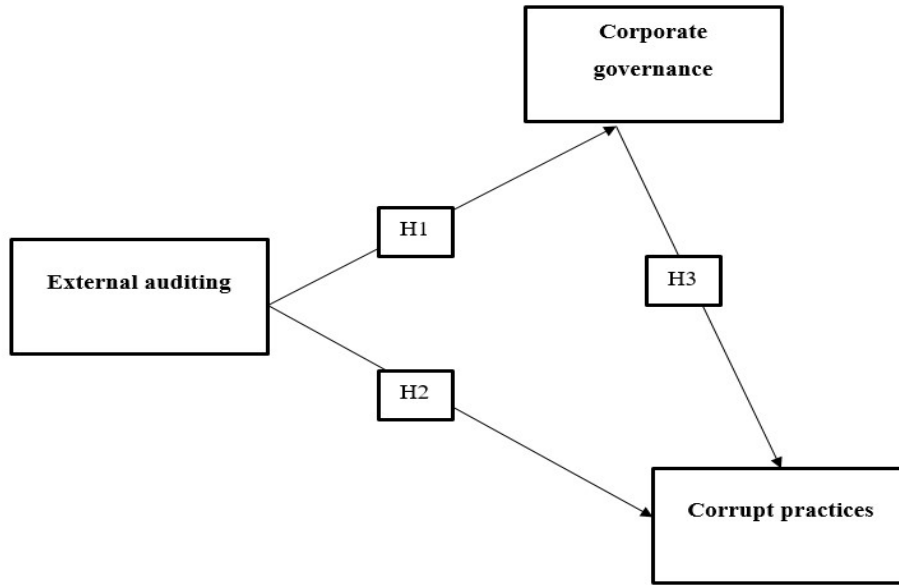


Figure 1. Conceptual model

3. Methodology

3.1 Data collection

A questionnaire was used to collect data on external auditing and corporate governance practices (routine internal audits, risk management, documented policy management system, and integrated business management system) and corruption from 11 Islamic banks (Credit bank of Iraq, Emerald Bank, Harem Bank, Alarabiya Islamic Bank, Kurdistan International Bank, Cihan Islamic Bank, Al Bilad Islamic Bank, Al Qurtas Islamic Bank – Erbil, Abu Dhabi Islamic Bank (ADIB), International Kurdistan Bank and Iraqi Islamic Bank) in Erbil, Kurdistan. The questionnaires were randomly distributed and collected from 4 May to 3 July 2022. The study used a unique combination of experts' perceptions and understanding of the reviewed studies to develop thirteen corruption variable items. The variable external auditing was modelled using 15 variable items adapted from a study by Almasria (2018), while 12 corporate governance variable constructs were adapted from a study by

Ibrahimpaić (2012). All the variable items were measured using a five point-Likert scale from one (strongly disagree) to five (strongly agree). The questionnaire was pretested using three Islamic bank managers and subsequently distributed to other managers, auditors, accountants and employees upon successful completion of the focus group tests.

Due to rising corporate governance issues and concerns about inept corrupt activities in some of the banking institutions in Kurdistan, the researcher found it academically interesting and novel to extend external auditing and corporate governance precepts to Islamic banks. Besides, there is a lack of related studies addressing corruption in Islamic banks as studies are confined to non-financial institutions (AlQadasi & Abidin, 2018; Ferreira, 2018; Manita et al., 2020). Additionally, the focus has been given to countries such as the USA (Ferreira, 2018), Saudi Arabia (Khanifah et al., 2020), Malaysia (AlQadasi & Abidin, 2018) and Nigeria (Anaedozie, 2016), auditing and corporate governance initiatives capable of addressing corruption concerns in Kurdistan have been neglected. Additionally, there is a need to ascertain whether the stability and improved corporate governance practices in some Islamic banks compared to other conventional banks are attributed to sound external auditing practices (Al-Chahadah, Soda & Al Omari, 2018; Cinaj et al., 2020; Nguyen, 2019).

3.2 Sampling method

Due to the efforts required to collect research data from a conveniently available pool of respondents of interest, convenience sampling was applied in determining the study's sample size (Etikan & Bala, 2017). According to Etikan and Bala (2017), convenience sampling is the most commonly used sampling technique as it is incredibly prompt, uncomplicated, and economical. With such in mind, a convenience sample comprising only managers, auditors, accountants and employees fitting the external auditing and corporate governance criteria were included in the sample. Thus, a convenience sample of 200 participants from 11 Islamic Banks in Erbil, Kurdistan was used to ensure that the study directly targets the population of interest (Etikan & Bala, 2017).

Table 1. Sample description

Gender			Respondent's positions			Years of experience		
Category	Frequency	%	Category	Frequency	%	Category	Frequency	%
Male	136	68%	Managers	11	5.5%	> 1 year	12	6%
Female	64	32%	Accountants	22	11%	1-5 years	120	60%
			Auditors	4	2%	6-10 years	65	32.5%
			Others	163	81.5%	11 years +	3	1.5%
Total	200	100	Total	200	100	Total	200	100

Based on Table 1, the 200 respondents comprised 136 male employees and 64 female employees with 5.5% of the participants occupying managerial positions, 11% in accounting positions, 2% in auditing positions and 81.5% occupying other positions. Table 1 also shows that 6% of the participants have been working for the banks for less than one year, 60% for 1-5 years, 32.5% for 6-10 years and 1.5% for at least 11 years.

3.3. Data analysis

Given that there are structural connections linking external auditing and corporate governance practices to corruption with the possibility of corporate governance mediating the interaction between external auditing initiatives with corruption deterrence, the importance of applying a Structural Equation Modelling approach (SEM) was found wanting. Thus, by applying an SEM approach, the study was able to test the feasibility of corporate governance moderating positively external auditing's potential capacity to reduce corruption in Islamic banks. Furthermore, SEM provides robust and reliable results whose validity and fitness can be verified using inherent program features embedded in the Smart PLS data analysis program (Hair et al., 2017; Sarstedt, Ringle & Hair, 2021). This is important, especially at a time when related studies have been confined to the use of interviews (Manita et al., 2020), the logistic regression method (Na, Kang & Kim, 2018), and descriptive analysis methods (Al-Sartawi & Sanad, 2019). For such reasons, SEM, a multivariate analysis method analysing the structural connections between the latent variables (external

auditing, corporate governance and corruption) was applied (Hair et al., 2017; Sarstedt, Ringle & Hair, 2021).

3.4 Validity, reliability and model tests

Efforts to test the model's validity were accomplished by applying the convergent validity test using the Average Variance Explained (AVE). The AVE commands that model variables surpass the prescribed 0.50 cutoff so as to establish convergent validity (Hair et al., 2017; Sarstedt et al., 2022; Sarstedt, Ringle & Hair, 2021). Composite reliability and Cronbach's alpha tests were used in assessing the variables' reliability following agreements that values of at least 0.70 warrants reliable explanations (Hair et al., 2017; Sarstedt, Ringle & Hair, 2021). The Fornell and Larcker criterion was applied as part of initiatives carried out to determine external auditing, corporate governance and corruption's discriminant validity (Sarstedt et al., 2022; Sarstedt, Ringle & Hair, 2021).

Model fitness tests in the form of a parsimony-adjusted index called the Root Mean Square Error of Approximation (RMSEA) that considers values less than 0.08 as representing a good fit (Sarstedt, Ringle & Hair, 2021), the chi-square test, and the Normed Fit Index (NFI) which set a minimum cutoff value of 0.90 to indicate an acceptable model fit (Fan, Thompson & Wang, 1999) were also applied in testing the model's fit.

4. Results

The factor analysis results shown in Table 2 denote that 6 external auditing, 8 corporate governance practices and 5 corruption variables were related to each other. This is because their factor loadings were above the minimum stipulated cut-off of 0.70 (Hair et al., 2017; Sarstedt et al., 2022; Sarstedt, Ringle & Hair, 2021). The study then proceeded to test the reliability and validity of the selected variable constructs.

Table 2. Factor loadings

No.	Selected constructs	Loadings
EA1	The bank’s external auditing initiatives are effective in identifying corrupt activities.	0.83
EA2	External auditing goals are mainly aimed at reducing errors and fraudulent activities.	0.84
EA3	External auditors are independent to audit any bank department and branch.	0.76
EA5	Externally audited financial statements are not scrutinized a lot compared to internally audited statements.	0.81
EA6	External auditing alone is ineffective in reducing corrupt activities.	0.83
EA8	External audit reports include details about any corrupt activity observed within the bank.	0.84
CG1	The bank takes its responsibility in pursuing acceptable corporate governance practices, seriously.	0.70
CG2	Good corporate governance practices tend to reduce corrupt practices in the bank.	0.80
CG3	Shareholders and directors play an important role in the fight against corruption.	0.89
CG4	Good corporate governance enhances the bank’s overall position and performance.	0.88
CG5	The bank’s corporate governance practices are well-placed to fight corruption.	0.75
CG6	Corporate governance compliance costs are a major challenge to the fight against corruption.	0.86
CG7	The bank’s corporate governance practices aimed at reducing corruption involve the participation of all employees.	0.88
CG8	Bank managers review the effectiveness of the bank’s corporate governance practices used to reduce corrupt activities.	0.82
CN2	The bank takes its responsibility in dealing with corrupt practices, seriously.	0.81
CN3	There are little or no incidences of corruption that have been reported over the past five years.	0.78
CN5	Corruption affects the bank’s image and reputation.	0.84
CN7	The observed incidences of corruption are a result of poor ethical conduct.	0.85
CN10	The banks’ culture does not promote corrupt activities.	0.86

Cronbach’s alpha values of 87% (external auditing), 84% (corporate governance) and 82% (corruption) exceeded the designated figure of 70% (Hair et al., 2017; Sarstedt, Ringle & Hair, 2021). This indicates a high level of internal consistency necessary for warranting reliable explanations about corporate governance practices and external auditing roles in combating corruption in the financial sector. Similarly, composite

reliability was achieved following the establishment of values of 82% (external auditing), 83% (corporate governance) and 80% (corruption) exceeded the designated figure of 70% (Hair et al., 2017; Sarstedt, Ringle & Hair, 2021). Furthermore, convergent validity was established as per Hair et al. (2017) guideline that the AVE values surpass 0.50, which is also documented and recommended by other related studies (Sarstedt et al., 2022; Sarstedt, Ringle & Hair, 2021). The results are presented in Table 3.

Table 3. Reliability and validity test results

Variable	Cronbach's alpha	Composite reliability	AVE
External auditing	0.87	0.82	0.60
Corporate governance	0.84	0.83	0.64
Corruption	0.82	0.80	0.58

Based on the Furnell and Larcker criterion results presented in Table 4, the diagonal correlation values exceed their respective underneath correlations coefficients values proving that discriminant validity existed

Table 4. The Furnell and Larcker discriminant validity test results

	External auditing	Corporate governance	Corruption
External auditing	0.760		
Corporate governance	0.610	0.740	
Corruption	0.714	0.650	0.771

Amid the estimated model meeting all the prescribed validity, reliability and model fitness requirements, the study proceeded in interpreting the established path analysis with a high level of providing reliable and valid explanations about the corporate governance practices and external auditing roles in combating corruption in the financial sector. Foremost, the results presented in Table 5 denote that there are significant positive effects spanning from external auditing to corporate governance of 0.327. Such results mirror related findings by Manita et al. (2020) considering that external auditing serves as a powerful tool for fostering acceptable

corporate governance practices in companies. Hence, propositions made using hypothesis one was accepted.

Table 5. Path analysis results

	Estimate	P Values	Impact	Hypothesis
EA -> CG	0.327	0.021	Significant	H1: Accepted
EA -> CN	-0.544	0.000	Significant	H2: Accepted
CG -> CN	0.632	0.001	Significant	H3: Accepted
EA -> CG -> CN	0.443	0.000	Significant	H4: Accepted

Where EA = external auditing; CG = corporate governance; CN = corruption

The findings uphold propositions suggesting that external auditing had direct significant negative effects on incidences of corruption (coefficient = -0.544; probability = 0.000) as suggested by hypothesis 2 in line with Farooq and Shehata's (2018) study findings. Similarly, hypotheses three (coefficient = 0.632; probability = 0.001) and four (coefficient = 0.443; probability = 0.000) were validated as per Farooq and Shehata's (2018) and, Ferreira (2018) and Manita et al.'s (2020) study findings, respectively.

5. Discussions

The results of the study revealed external auditing initiatives and the fight against corrupt practices are positively related. Amid such observations, auditors' ability to scrutinize all the financial statements for errors, corrupt or fraudulent activities reduces the extent to which managers hide their corrupt activities. In that regard, the auditing of financial statements acts as a disciplining device for curbing bribery in environments that encourage corruption. Practically, banks are required to harness a combination of internal auditing and external auditing practices so as to enhance the effectiveness of auditing in detecting and preventing corrupt practices in financial institutions. This aligns with the propositions laid by the principal-agent theory and hence, theoretical implications attached to this study demand broadening the assumptions put forward by such a theory to cater for institutional differences between companies like conventional and Islamic banks.

The significantly negative moderate interaction established by this study between external auditing and corruption of -0.544 is relatively higher than a margin of -0.025 established by Farooq and Shehata (2018). However, both findings indicate the vital role of auditing in minimizing corrupt activities. This can be supported by prior arguments made by Kimbro (2002) contending that auditing is an instrumental mechanism that contributes to the effective detection of corrupt activities. Furthermore, Watson and Hirsch (2010) assert that auditors are well posed to scrutinize all financial statements for errors, corrupt or fraudulent activities thereby reducing the extent to which managers hide their corrupt activities. Apart from this, Khalil et al. (2015) established along similar lines that audited companies are less likely to pay bribes to secure government contracts. Such overwhelming empirical evidence reiterates the vital role of auditing in eradicating corruption is significantly high in Islamic banks.

The findings corroborate Farooq and Shehata's (2018) study findings citing that external auditing reduces loopholes and incentives for individuals to engage in corrupt practices. Lastly, the study validated corporate governance significantly contributes toward reducing corruption as evidenced by a significant coefficient of 0.632. This has been previously advocated by Watson and Hirsch (2010) highlighting that poor corporate governance practices may contribute to the susceptibility of corporations to corrupt behaviour. On a broader note, Fu (2019) argues that recommendations made by corporate governance principles and guidelines as well as international conventions create effective regulatory countermeasures capable of eradicating corruption within organizations and between organizations. Other studies also reinforce such a positive and coveted corporate governance role in minimizing corruption citing that eradicates corrupt behaviour among organizational members (Bukovansky, 2005; Carr & Outhwaite, 2011; Dela Rama, 2012; Watson & Hirsch, 2010). Amid such discussions, the study has successfully established the importance of corporate governance practices in eradicating corruption in Islamic banks.

6. Conclusions

The primary aim of this study was to document the importance of integrating external auditing initiatives with corporate governance practices in dealing with incidences of corruption observed in the financial sector. The results of the study revealed external auditing initiatives and the fight against corrupt practices are positively related. Amid such observations, auditors' ability to scrutinize all the financial statements for errors, and corrupt or fraudulent activities reduces the extent to which managers hide their corrupt activities. In that regard, this infers that auditing financial statements acts as a disciplining device for curbing bribery in environments that encourage corruption. Practically, banks are required to harness a combination of internal auditing and external auditing practices so as to enhance the effectiveness of auditing in detecting and preventing corrupt practices in financial institutions. This aligns with the propositions laid by the principle agent theory and hence, theoretical implications attached to this study demand broadening the assumptions put forward by such a theory to cater for institutional differences between companies like conventional and Islamic banks.

The study findings through hypothesis two reiterate and reinforce the effective role of external auditing in boosting the effectiveness of existing corporate governance practices. Therefore, increased and improved use of auditing practices such as external auditing and other reporting mechanisms like external business reporting language must be used to reinforce external auditing initiatives.

Nonetheless, the effectiveness of corporate governance practices to warrant a reduction in corrupt practices is conceivable in an environment with solid external auditing initiatives as evidenced by the moderating analysis results. As a result, the findings' practical implications action bank managers to establish moral awareness about the dangers of corrupt behaviour. Such should be supported by the enforcement of responsibilities and accountability as well as improvements in the composition of the corporate structure.

Understanding the role of external auditing and corporate governance practices in enhancing efforts aimed at preventing corruption in Islamic banks is vital for societies, governments and shareholders. Such is highly important in the Middle

East and African countries lacking enforcement mechanisms. Therefore, this study contributes to this policy-relevant issue by analysing data collected from 11 Islamic banks in Kurdistan.

Study limitations and suggestions for future studies

The major limitation is that the study is confined to the study of external auditing, corporate governance and corruption in Islamic banks in Erbil, Kurdistan. Therefore, the findings cannot be generalized to conventional banks as well as other companies in different regions and countries. Furthermore, the study only considers the role and impact of qualitative determinants of successful corruption eradication initiatives. Hence, its major limitation is neglecting other vital bank-specific variables like size and country-specific variables like GDP. Amid such observations, future studies must integrate the necessary bank and country-specific variables in ascertaining their role in enhancing the role of external auditing and corporate governance practices in eradicating corruption. Nonetheless, a detailed and novel analysis of corruption eradication initiatives involving external auditing, and corporate governance initiatives can provide a robust understanding of the significance of such initiatives in eradicating corruption when future studies compare Islamic banks and conventional banks.

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أثر محددات التدقيق الإلكتروني على الأداء المالي للبنوك الإسلامية في كردستان نهج النمذجة الهيكلية

الملخص:

تهدف الدراسة إلى تطوير نموذج يمكنه أن يرصد بشكل فعال تأثير محددات التدقيق الإلكتروني على الأداء المالي للمصارف الإسلامية. على وجه التحديد، كانت الأهداف هي (1) تحديد تأثير المخاطر التكنولوجية والتمويل التنظيمي والبنية التحتية للتدقيق والخبرة الفنية والسلوك الأخلاقي على الأداء المالي للبنوك الإسلامية و (2) التأكد من صحة المقترحات التي تؤدي إلى تعديل السلوك الأخلاقي. الروابط التي تربط المخاطر التكنولوجية والتمويل التنظيمي والبنية التحتية للتدقيق والخبرة الفنية بالأداء المالي. وبالتالي، طبقت الدراسة نهج نمذجة المعادلة الهيكلية في تحليل 250 إجابة على الاستبيان تم جمعها من المديرين والمراجعين والمحاسبين وغيرهم من موظفي 11 مصرفاً إسلامياً في أربيل كردستان. وكشفت نتائج الدراسة أن كافة محددات التدقيق الإلكتروني المتميزة تساهم بشكل إيجابي في تحسين الأداء المالي، لكن مدى التأثير يختلف من عنصر رقابة داخلي إلى آخر. تقدم الدراسة الأدبيات المتعلقة بالتدقيق الإلكتروني كأداة لحوكمة الشركات وتحسين الأداء والإطار المفاهيمي للتدقيق الإلكتروني للأداء المالي. بالإضافة إلى ذلك، تقدم الدراسة أيضاً تطوير البناء والبند بما في ذلك محددات التدقيق الإلكتروني والأداء المالي أثناء اختبار العلاقات للكشف عن أهمية تأثيرها على الأداء المالي.

پوخته:

ئامانجی توژیژینه وه که پهره پیدانی مۆدیلێکه که بتوانیت به شیوهیه کی چالاک چاودیژی کاریگه ریبی دیاریکه ره کانی وردبینی ئەلیکترۆنی له سهر ئەدای دارایی بانکه ئیسلامیه کان بکات. ئامانجه کان بریتی بوون له (1) دیاریکردنی کاریگه ری مه ترسیه ته کنه لۆژییه کان، دارایی ریکخراوه بی، ژیرخانی وردبینی، شاره زایی ته کنیکی و ره فتاری ئەخلاقی له سهر ئەدای دارایی بانکه ئیسلامیه کان و (2) دلنیا بوون له ره وایه تی ئەو پیشنیارانە هی که ده بنه هۆی ده ستکاریکردنی ره فتاری ئەخلاقی . ئەو په یوه ندیانه ی که مه ترسی ته کنه لۆژی، دارایی ریکخراوه بی، ژیرخانی وردبینی، و شاره زایی ته کنیکی به ئەدای داراییه وه ده به ستنه وه. به م شیوه یه توژیژینه وه که ریبازی مۆدیلکردنی هاوکیشه پیکهاته ییه کان له شیکردنه وه ی 250 وه لآمی ئەو پرسیارنامه یه کی که له به رپوه به ران، وردبینه کهران، ژمیریاران و کارمەندانێ دیکه ی 11 بانکی ئیسلامی له هه ولیر- کوردستان کۆراونه ته وه، به کاره یناوه. ئەنجامی توژیژینه وه که ده ریخستوو هه که هه موو دیاریکه ره جیاوازه کانی وردبینی ئەلیکترۆنی به شداریه کی ئەرپنی ده که ن له باشتکردنی ئەدای دارایی، به لآم راده ی کاریگه ریه کان له پیکهاته یه کی کۆنترۆلکردنی ناوخییه وه بۆ پیکهاته یه کی دیکه ده گۆرپیت. توژیژینه وه که ئەده بیات له سهر وردبینی ئەلیکترۆنی وه ک ئامرازیک بۆ حوکمرانی کۆمپانیاکان و باشتکردنی ئەدای کارکردن و چوارچیوه ی چه مکی بۆ وردبینی ئەلیکترۆنی ئەدای دارایی ده خاته روو. جگه له وه ش، توژیژینه وه که بیناسازی و پهره پیدانی بابه ته کان ده خاته روو له وانەش دیاریکه ره کانی وردبینی ئەلیکترۆنی و ئەدای دارایی له کاتیکدا په یوه ندییه کان تاقیده کاته وه بۆ ئاشکراکردنی گرنگی کاریگه ریه کانیا ن له سهر ئەدای دارایی.