

The Impact of the Extended External Auditor's Report on the Relevance of Accounting Information and the Quality of External Auditing: An Applied Study

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ABSTRACT

Objective: The purpose of this analysis was to establish the connection between the use of the extended audit report, as an independent variable, and the attainment of the relevance of accounting information and improvement of the quality of external auditing, as the last two variables are referred to as dependent. The analysis of this relationship was done by studying the extended audit report, with the main aim of identifying the significant developments that have taken place in such reports under the backdrop of the recent professional publications. The paper has also determined the key qualitative features that have been included in the accounting information to enable it be better placed to serve the needs of the users in terms of quality and disclosure. Besides, the research examined the connection between the adoption of the extended audit report and the relevance of accounting information and external auditing quality. **Method:** A purposive sample of 248 observations during a period of four years, 2016-2019 was sampled to analyze this relationship in a scientific and accurate manner. The sample in the study was confined to the companies, which apply the extended audit report, which they complete under the control of the central body or follow the system of the doubling entries. **Results:** The research has found substantial findings that indicate that the higher the degree of commitment to adopt the extended audit report, the better the relevance of the accounting information, especially in the abnormal returns of the shares. The research also established that adoption of extended audit report helps in improving quality of external auditing since auditors are guided by giving more detailed opinion that encompasses different aspects of the company. **Novelty:** These findings underscore the need to use these reports to enhance the efficiency of the accounting and auditing system and hence enhance increased transparency and credibility in financial reporting.

INTRODUCTION

Relevance of Accounting Information is one of the most significant issues that has taken a very prominent position in the contemporary accounting literature. This issue is not novel, as earlier studies by researchers Feltham and Ohlson, 1995, created a model in order to examine the relationship between market value of a company on one hand and its current and future earnings, book value and distributions on the other [1]. They reported in their research studies that the model constructed emerged satisfactorily and a valid measure of accounting information relevancy. This has now resulted in an observable growth of the accounting literature that addresses the relevancy of accounting information that indicates the significance of this issue in the profession of accounting [1].

Relevance is considered to be one of the most salient requirements of the quality of accounting information and it reflects one of the main aspects that a financial statement user needs to make effective financial decisions. Researcher Ibrahim stressed that

relevancy is one of the main criteria that demonstrates how well accounting information can address the needs of the information users, and relevancy is the key to making financial reports more transparent and helping to make effective economic decisions [2]. This is similar to the findings of researcher Gordon who affirmed that the relevance is associated with the capability of accounting information to present useful information to investors in a manner that they can make the right investment decisions.

A lot of studies have been done on the relevancy of accounting information. Beldaoui and Douri are an example where the relevance could be measured using reports concerning the research and development costs. They made it clear that reporting these costs is at the center of affecting the stock price earnings accounting and the book value. Conversely, Al-Najjar clarified that the relevance of accounting information also could be evaluated by analyzing the operational cash flows and receivables that belong to the evaluation procedure of the company. He further highlighted the issue of investment opportunities as one of the factors that determine the relevance of accounting information contained in financial reports.

In that regard, one can state that motivating the relevance of accounting information in financial reports is one of the functions of the external auditor. The audit report is believed to be the major way in which the auditor will communicate with the investors and other financial statement users. This report presents the findings of the auditor regarding whether the financial statements are fair in writing to the investment community and such findings are among the most important sources of information that is used in making financial decisions by the users. Thus, Al-Najjar observed that auditors should make sure that they present value to the users to enhance their capacity to make correct financial judgments.

In this aspect, most researchers, including Gheorghe and Kythreotis, concluded on the need to develop the audit report to offer greater assurance value to all parties interested in the audit report [3]. They have indicated that the long audit report must incorporate some features that bring to focus the most serious problems that have been resolved in its audit. Some of these aspects include enhancing the report on the company ability to continue (i.e. test the financial capability of the company to proceed with its operations), and other information contained in annual reports of the company. The opinion section should be given first, then the basis on which the opinion was based, and a statement clearly showing that the auditor is independent of the company should be included in the report. Other minor points such as how the materiality concept is used in the audit and revealing the year the auditor has been working with the company uninterrupted should also be stated, not to mention the name of the partner with whom the auditor works. This consequently resulted in the so-called extended audit report that is a major development in the accounting report and external audit field. Now the question is What is the extended audit report? What is the way to find out the relevance of accounting information? And how about the relationship between the extended audit report and the relevance of accounting information? The current study will focus on these questions and seek to offer a detailed answer to the given questions by examining how

these concepts relate to each other and how they contribute to the enhancement of the quality of financial information.

Objectives

The general aim of the research paper is to examine the correlation between extended audit report and relevancy of accounting information by determining the possible effects of the extended audit report on various vital issues of business environment. In this regard, the researcher is concerned about the role of the extended audit report in affecting the abnormal stock returns as well as the quality of external auditing. The primary objective of the research is to bring out the role that the prolonged audit report can play in enhancing the quality of accounting information that is reported thus influencing the financial and investment choices made by the investors and stakeholders. To meet this broad objective, the researcher will have the capacity to respond to a series of sub-objectives that will make the study to be done properly and in detail and they will include:

- **Analyzing the Effectiveness of the Amendments Introduced by the International Auditing and Assurance Standards Board (IAASB):** In recent years, the IAASB has made several amendments to auditing standards related to the audit report, with the extended audit report being one of the most prominent changes implemented in many developed countries. The aim here is to analyze the effectiveness of these amendments in improving the content of the audit report and its role in increasing the transparency of financial reporting. The researcher expects to study how these amendments have contributed to enhancing the report's ability to convey accurate and useful information to investors, thereby boosting confidence in the financial information presented to them (Gheorghe; Kythreotis) [3].
- **Studying and Analyzing the Role of the Extended Audit Report in Influencing the Relevance of Accounting Information:** Another important objective of the study is to analyze the relationship between the extended audit report and the relevance of accounting information. Relevance is one of the fundamental characteristics of accounting information that greatly contributes to making sound financial decisions. The researcher will focus on how the extended audit report influences the enhancement of relevance, ensuring that accounting information is more accurate and clear to users. Additionally, the study will examine how this influence can have a direct impact on improving the efficiency of financial markets, thereby affecting abnormal stock returns, which serve as an indicator of the quality of information presented in financial statements [1] [2].
- **Analyzing the Relationship Between the Extended Audit Report and the Quality of External Auditing:** The third objective is to examine the relationship between the extended audit report and the quality of external auditing. The researcher expects a strong relationship between the expansion of the audit report's content and the improvement of audit quality itself. The extended audit report can assist the auditor in providing a more comprehensive and accurate opinion on the

company's financial condition, thereby enhancing the reliability of the audit process. This expansion of the report's content can contribute to increasing transparency and credibility in audit reports, which in turn boosts the confidence of stakeholders (investors, shareholders, and beneficiaries) in the quality of external auditing [4].

- By achieving these sub-objectives, the researcher will be able to analyze the overall impact of the extended audit report on the quality of accounting reports and on confidence in the financial system. Ultimately, analyzing this relationship will play a critical role in understanding how the improvements made to auditing standards in recent years have impacted the nature of the accounting information provided and how economic decisions are made by concerned parties.

Significance of the Study:

The scientific value of this study is that it has contributed to the knowledge of the relationship between the extended audit report and the relevance of accounting information and quality of external auditing in the Iraqi environment, namely in the Iraqi stock market, modestly. This relationship is one of the fundamental issues that has a direct influence on the transparency and accuracy of accounting information, which is used by investors and other stakeholders to make financial decisions. This research has particular importance during the period when the economic reform program is being implemented in Iraq in order to create better business climate and establish the role of the capital markets. Enhancing the efficiency of financial report and improving confidence in the level of quality of the audit are vital aspects of the attainment of the objectives of the economic reform since the increase in the dominance of capital markets in the national economy is only possible through the improvement of the accounting and auditing mechanisms that investors and market participants rely on (Al-Najjar).

Conversely, this research is important as it provides an in-depth discussion of the relationship between the main variables under examination, which helps to review and assess the effect of the long audit report on the quality of accounting information and the quality of external auditing on the Iranian market. This data will be highly helpful to policy makers and regulators who control and supervise the Iraq stock market. Offering the recommendations of the results of the study, the professional bodies interested in the profession of auditor, including the Iranian Financial Supervisory Authority and the Central Auditing Office, might develop more effective strategies and mechanisms of updating the auditing standards in accordance with the international standards.

The practical value of this research is the possibility to provide a guiding framework to the practitioners in the auditing sector in the Iraqi environment. This study can help auditors and professionals who have interests in auditing financial statements to appreciate the possible impacts of the extended audit report on the decisions undertaken by investors and stakeholders. Also, the research provides an assessment instrument to organizations operating in the auditing field to gauge the effect of inclusion of the audit report in improving the quality of the audit which subsequently promotes market transparency and investor confidence. Thus, the theoretical benefits of this study, as well

as practical recommendations, can help to improve the business environment and the economy in Iraq and, consequently, increase the efficiency of the financial market.

Study Hypotheses:

Based on what has been presented earlier in the study problem, and in order to achieve the research objectives, which aim to analyze the relationship between the extended audit report, the relevance of accounting information, and the quality of external auditing, the researcher can formulate the statistical hypotheses to be tested during the study as follows:

H.1: "There is no statistically significant effect of the extended audit report on the relevance of accounting information." This hypothesis aims to test whether the application of the extended audit report has a substantial effect on improving the relevance of accounting information. Relevance is considered one of the key criteria that determine the usefulness of accounting information to users of financial statements. Therefore, examining the effect of the extended audit report on this relevance is vital for understanding the role this report plays in enhancing the quality of accounting information. In this context, many researchers believe that expanding the report to include more detailed information could contribute to improving the clarity and quality of accounting data. Consequently, this effect may be of significant statistical importance [3].

H.2: "There is no statistically significant effect of the extended audit report on the quality of external auditing." This hypothesis seeks to study the relationship between the extended audit report and the quality of external auditing. The quality of auditing is determined by the auditor's ability to evaluate financial information accurately and professionally, ensuring that the financial statements reflect the truth without distortion or misleading. By expanding the content of the report to include additional notes, such as key audit matters and disclosures about specific estimates, some believe that these expansions may contribute to enhancing transparency and accuracy, thereby improving the quality of the audit [5]. In this context, the study examines how the expansion of the report affects the improvement of external audit quality, a key point in current trends in international auditing standards.

RESEARCH METHOD

In order to attain the goals of this research that entails an examination of the correlation between extended audit report, relevancy of accounting data, and quality of the external audit procedure, a multi-methodology approach has been embraced, which is a collection of methodological instruments that help in arriving at the correct as well as credible findings. The study brings together two major research methods, which are dynamically compatible to fulfill the objectives of the study and prove the hypotheses. The methodologies that have been adopted are:

- **Deductive Approach:** The deductive approach is among the fundamental research methodologies that operate on rational thinking that involves general concepts to specific concepts. That is, the researcher starts by using scientific postulates or

theories already determined in earlier researches or a broad scientific system then extrapolates findings to the particular section or phenomenon under investigation. In this research, this method will be based on the application of theoretical concepts associated with the extended audit report and its implications on the relevance of accounting information and quality of external auditing. This implies that the scholar pays attention to examining the past literature on the same subject matter, which consists of accounting theories and strategies implemented in extended audit reports, and their implications in various settings like the Iraqi setting, to identify the effect of the extended audit report on audit operations and financial reporting [5].

- **Inductive Approach:** Unlike the deductive approach, the inductive approach is based on gathering of data and interdisciplinary analysis of relationships among a group of variables in a more specific and systematic way. It involves taking certain parts or cases, and inferring or deducing general laws or principles which may be extended out into general cases. The inductive approach used in this study is based on the summarization of the information on the study sample, the members of which are carefully chosen and include the companies that adhere to the extended audit reports within the Iraqi business environment. Data interpretation of the study is done through elaborate statistical tests that seek to establish associations between variables like the effects of the extended audit report on relevance of accounting information and the quality of the external audit.

Importance of this Methodological Mix:

- The deductive method assists in offering a framework of knowledge and general theories that lead to the formation of scientific basis of the study.
- The inductive method is empirical in nature and is supported by real data that is gathered through real-life observations and thus, the study has scientific plausibility when it comes to testing hypotheses in an accurate way.

Study Limitations:

Within the framework of the efforts of the current study to pursue its goals and examine the connection between the extended audit report, the relevance of accounting information, and the quality of external audit process in the Iraqi setting, a range of limitations have been delimited, which will allow establishing and structuring the research scope. This will help in developing accurate and facilitative framework to obtain the results that might possibly be generalized in the future. The primary study limitations are the following:

Time Frame of the Study:

This paper is only limited to 2016 onwards. The chosen time frame is considered with consideration to the fact that it coincides with the introduction of the International Financial Reporting Standards (IFRS) within the Iraqi context, not to mention the commencement of the introduction of the extended audit report [6]. This is a critical time, and Iraq experienced some of the most marked developments with respect to auditing

and financial reporting standards, which makes it a good place to begin the study of the effect of the extended audit report on enhancing audit quality and accounting information relevance [7]. Accordingly, the time period was chosen so that the required data to test and analyze it within a regulatory setting that is experiencing dramatic transformations in the environment of financial reporting standards would be available.

Reliance on Reports from the Central Auditing Organization and Dual-Listed Companies:

In this study, emphasis will be made on the reports of the Central Auditing Organization that will be used as an effective model in the Iraqi environment of long-term audit reports. The Central Auditing Organization is the official body in Iraq that has a role of auditing the financial reports of the public companies and the public business sector. Its audit report can be described as being one of the primary examples of using extended audit reports in Iraq (Central Auditing Organization Law). Also, the research will be based on dual-listed firms in the Iraqi and the British stock markets since it is a unique case that complies with the international audit standards that include extended audit report. This will give information which can be compared with the companies that simply use their local standards. On the contrary, personal instances of individual companies that might utilize protracted audit reports based on special conditions will be omitted, since they form an exception that may influence the findings.

Audit Quality Measure:

This paper is dedicated to the consideration of the Earnings Response Coefficient (ERC) as the main instrument of measuring the audit quality in the Iraqi context. The researcher uses the ERC as a mode that gauges the impact of the outcomes of the audits as a measure of reported profits in the financial markets. It is also commonly applied in the accounting research to determine the transparency and reliability of financial reports [8]. The reason why this measure was selected is that the restatement of financial statements or the accuracy of going concern opinion of the auditor are other tools which cannot be substantially observed in the Iraqi environment. To illustrate, financial statements restatements are not commonly recorded in Iraqi firms, whereas the going concern test is not heavily utilized in audit reports, which is why the ERC is the best indicator to apply in the current study.

Focus on the Iraqi Stock Market:

The main setting of this study would be the Iraqi environment where the findings will be implemented at the Iraqi Stock Exchange. This research paper seeks to investigate the possible consequences of the lengthy audit report on investors and other financial statements users in this market, in the context of improving the level of transparency of accounting information and audit quality. Although the influence of the extended audit report has been studied by a number of prior researchers in other financial markets, including the European and American markets [7] [9], in the Iraqi context, the laws, regulations, and economic peculiarities may be very different. This renders the present work a valuable addition to the accounting literature on the matter in the Iraqi environment.

The Expanded Audit Report and Key Development Features in Light of Professional Issuances:

The audit report has experienced various content and presentation development over time since the initial regulatory guidelines that were issued in preparation of a unified audit report in 1934 by the American Institute of Certified Public Accountants (AICPA). Nevertheless, such attempts did not contribute significantly to the value of the audit report to the users in the early decades of the history of the auditing profession. In particular, the traditional audit reports were restricted to rather brief information and a standard form that could not provide users with the detailed information concerning financial statements of the company or the process of audit itself. This caused them to fail to fulfill the expectations of the investor community that need accurate and transparent information to make their investment decisions [10]. The standardized nature of traditional audit reports with emphasis being laid on opinion of the auditor and name resulted in majority of financial statement users merely reading the opinion paragraph in the report, overlooking other information in the report and this reduced the value of the report in their eyes. In this regard, the role of adding additional disclosures to the standardized audit report was highlighted and the researchers believed that the added disclosures might help enhance the transparency of the information and could enhance decision making among the investors [11] [12] [13].

As the global financial crisis took place at the end of the first decade of the 21st century, the criticism of the traditional audit report grew, and the demands to enhance the form and content of this document became common among the diverse stakeholders. This led to the realization that auditors possessed a lot and in-depth details regarding the financial statements of their client companies, yet, the demands of the conventional audit report did not enable them to reveal that information in a clear and transparent way. This denied investors and external users of financial statements with vital information that might be essential in making investment decisions based on the relevant data. In this regard, regulatory authorities in most countries, such as PCAOB and KPMG of the U.S., demanded more transparency in audit reports, and more information about financial statements to serve better the needs of investment community [14].

To address these criticisms and after consultations and reviews which entailed opinions and comments of the stakeholders in different sectors, the global regulatory bodies heavily amended the audit report with an intention of coming up with more information to add value to the report to all stakeholders. The United Kingdom was among the pioneer nations to embark on the formulation of the audit report. In June 2013, the Financial Reporting Council (FRC) adopted Standard No. 700 (Revised) whereby a number of changes was made on the form and content of the audit report [15]. This standard came into effect on September 30, 2013, to the companies listed in the main market of the London Stock Exchange. Some of the important amendments included these aspects with the most prominent being:

1. Description of estimated risks of material misstatements: Auditors are now expected to provide the disclosure of the significant risks observed during the

audit process and which had the most significant effect on the audit strategy, resource allocation, and effort. This is a drastic shift, as opposed to the conventional report, which only gave a general opinion of the auditor without indicating the reasons and risks of the key figures in the financial statements.

2. Disclosure of How the Concept of Materiality was Applied: now the auditors are needed to explain in the audit report how they apply the concept of materiality in the process of the audit. They should also report the level of materiality they used as an approximation in the financial statements in general which improves the knowledge of the users of the decisions taken during the audit.
3. Summary of the Audit Scope: The auditors are supposed to give a complete outline of the scope of the audit process and how this audit scope affected the estimated risks of material misstatements. They should also explain how the materiality concept was employed to come up with the audit activities that were prioritized during attempts.

These amendments indicate a substantive change in the content of the audit report which is now a long report with more information and transparency, which is likely to boost the levels of investor confidence in the audit report and enhance financial decision-making processes [15]. The initial amendments implemented in the United Kingdom were the models to be followed by other nations that aimed at enhancing the quality of financial reporting and increasing the transparency of the audit throughout the world.

The changes to the audit report in the United Kingdom assisted in outlining the relevance of presenting the details about risks and materiality in the financial reporting, which contributed to the enhancement of the knowledge of the investors on the audit strategy and resulted in the provision of more precise and effective decision-making through the presence of more transparent and understandable information.

Development of the Expanded Audit Report in Light of International Issuances:

In a move spearheaded by the UK Financial Reporting Council (FRC), worldwide regulators, in general, worked up audit standards to meet the rising transparency demands. In this regard, the International Auditing and Assurance Standards Board (IAASB) has come up with a series of standards in 2015 which introduced considerable changes to the form and content of the audit report which became effective for financial years ending on or after December 15, 2016 [16]. These requirements had a number of additional requirements which were meant to enhance the quality of the audit reports and the confidence of the user in the presented information.

The changes that were introduced in these standards are as below:

1. Communication of Key Audit Matters (KAM): This is now imposed on the auditors to identify and communicate those that were of highest priority in the audit of the financial statements. These issues are reported in a distinct part of the audit report called key Audit Matters as under which each key audit matter is given an appropriate subtitle and the disclosures in the financial statements are referenced. International Standard on Auditing (ISA) 701 requires that this

amendment should help organizations be more transparent and give more information to users concerning how auditors dealt with critical issues that may impact the financial statements of a company [17].

2. **Improved Reporting on the Ability of the Company to Remain as a Going Concern:** As stated in the ISA 700 (Revised), the auditors have now been required to elaborate on the position of the management and the auditor with regard to going concern. It includes a section explaining the role of the management in preparing the financial statements in terms of going concern and that of the auditor in terms of auditing such financial statements. The amendment will increase the level of transparency and enable the users to have a better view of the way the auditor evaluates the future viability of the company.
3. **Material Uncertainty Related to Going Concern:** ISA 570 (Revised) states that in case a significant uncertainty exists about the going concern of a particular company, the auditor has to report this uncertainty in a special section known as Material Uncertainty Related to Going Concern. This amendment is a leap forward in increasing transparency and accountability in financial reporting and will allow investors and stakeholders to make superior investment decision depending on the judgment made by the auditor of the financial viability of the firm.
4. **Reporting Other Information in the Annual Report:** Under ISA 720 (Revised) auditors are required to include an additional section in their report that is called Other Information. Under this section, the auditor should explain that the other information presented in the annual report of the company has to be taken care of by the management, indicate the information which has been sought prior to the date of the auditing report and state that the auditor does not give such an opinion and does not give any assurance on the information. Such transformation increases the separability of audited information and any other information not examined by the auditor which adds clarity and transparency to reports.
5. **Disclosures of the Opinion Section in the Starting Part of the Report:** ISA 700 (Revised) now requires the presentation of opinion section in the start of the audit report which in turn is succeeded by the basis of the opinion section. Although there might be no change to the opinion, the purpose of this amendment is to bring about the clarity of the opinion and basis over which the opinion is created with the purpose of enhancing clarity of information offered to users.
6. **Auditor Name at the End of the Audit Report:** According to ISA 700 (Revised), auditors must include the name of the responsible partner at the end of the audit report upon signing. This change aims to improve transparency and accountability, allowing users to know the identity of the person who provided the final opinion on the company's financial statements.

Timeline for Implementing These Requirements:

The Public Company Accounting Oversight Board (PCAOB) took a gradual way in carrying out these new requirements [18]. During the first phase, all requirements were initiated in relation to financial years ending in 2017 and further, except the requirement on the Critical Audit Matters, which was postponed to the second phase. During this period, the necessity of communicating critical auditing issues was brought into force in the financial years ending on June 30, 2019 and applied to large companies that must submit their annual reports to the U.S. Securities and Exchange Commission (SEC) within 60 days of the end of the financial year, which is referred to as Large Accelerated Filers. During the last phase, the need to report critical audit issues was fully realized in all the other companies beginning with financial years ending on December 15, 2020, and further.

Consequently, it becomes evident that there is a lot of resemblance in the different world initiatives to develop the audit report. The reason behind this similarity is the fact that in both cases, greater focus has been placed on transparency and delivering more information to the users as the world trends tend to make the audit process better and increase confidence in financial reports. Table 1 provides a comparative table by the researcher with the main features of these developments.

Table 1. Summary of Key Aspects of Audit Report Development According to Various Global Initiatives.

Development Aspect	IAASB	FRC (UK)	PCAOB (USA)
Communication of Key Audit Matters	Required under "Key Audit Matters"	Required under "Key Audit Matters"	Required under "Critical Audit Matters"
Enhanced report on the company's ability to continue	Required	Required	Not Required
Report on other information in the annual report of the company	Required	Required	Not Required
Opinion section presented first, followed by the basis for opinion	Required	Required	Required
Inclusion of a statement affirming auditor independence	Required	Required	Required
Explanation of how materiality is applied	Not Required	Required	Not Required

Disclosure of the year the auditor began working with the company	Not Required	Not Required	Required
Disclosure of the auditor's name	Required	Required	Not Required

RESULTS AND DISCUSSION

Development of the Audit Report: Communicating Key/Critical Audit Matters

Among the numerous changes that have been made to the audit report as listed in the previous Table 1, one of the most notable changes to be made in the history of the profession to the audit reports is the communication of Key Audit Matters (or Critical Audit Matters - CAM). This amendment is a significant leap towards the content of the audit report and could be said to be one of the most fundamental changes ever made in the profession. Thus, one can say that it has led to an essential change in the audit report, rendering the profession more transparent yet more flexible simultaneously.

The Importance of Communicating Key Audit Matters:

Key Audit Matters (KAMs) are the most material issues which are encountered by the auditor in the course of the audit. They are those issues or risks that are the most attention-seeking by the auditor and intervention of the auditor process itself is necessary. Previously, users could hardly reach this in-depth information, and this might greatly affect the decisions made according to the financial statements of the organization. Nonetheless, this information has become a common practice since the introduction of the Key Audit Matters section in the audit report, whereby the auditors give the users a greater amount of transparency on the most significant areas of the audit process.

This addition is an effective tool to investors and other beneficiaries of financial information since the investors now know the significant trouble that the auditor encountered which was not formerly a part of internal auditing and not reported in the final report. Conversely, these issues are leaving the traditional audit report and its stereotypical status since they differ in each audit and are specific to the issues covered in the audit. They also may vary in a particular company on a year to year basis depending on the evolving challenges and circumstances.

The Expanded Audit Report: A New and More Transparent Model

Due to the developments in the audit report, this report has been lengthier and detailed with more information which could not easily be obtained in the traditional model. The change has been called by researchers and regulators the world over as the Expanded Audit Report, which indicates the new model of audit report that is more transparent and gives more details about the audit itself and giving light on the risks and focus areas covered by the audit.

The primary concept of this new model was to add value to the audit report in all its stakeholders by adding in helpful contents that capture the quality of the audit process

and promote more transparency on the processes being undertaken. Therefore, this amendment is a great transition to enhancing the efficiency of the audit report as it assists in giving a clearer image to investors and other stakeholders regarding the performance of the company and the risks that can be directed at the company.

Studies and Research on the Effectiveness of the Expanded Audit Report:

The recent studies indicate that the widened audit report may play a great positive role in the transparency and credibility in different business settings. According to studies by Bedard et al. and other academic literature, the expanded audit report has been effective with regard to improving transparency and boosting confidence among auditors and other stakeholders since it furnishes investors with the correct information on matters that influence financial decisions. It is anticipated that studies on the effectiveness of the such report will continue future particularly when new auditing standards are issued to enhance the quality of audit reports in different legal and regulatory settings.

The End of the Traditional Report Era and the Beginning of a New Era:

Using the above, it is possible to say that global auditing is experiencing a paradigm shift on audit report. The world has started experiencing the finalization of the conventional audit report, which was succinct and standardized and the commencement of the new era, which is the broad audit report that presents the users with accurate and detailed information on the procedures of the audit and hence increase the level of transparency and assist in effective decision making. Such modification of the audit report is a radical one, which helps to enhance the credibility of auditing process, as well as to make the latter more influential in the financial decision-making of organizations and companies.

Conclusively, the broadening of the audit report is a significant move towards the growth of the auditing profession. It also represents the new age of openness and the availability of information to the investors and stakeholders, and thus contributes to the stability of financial markets and increases the trust in them.

Analysis of Key Features of Development in the Qualitative Characteristics of Accounting Information

During the collaborative project of the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB), in 2006, there was a start to enhance the conceptual framework of financial reporting [19]. A number of modifications were started which had a profound effect on the accounting information evaluation and interpretation. These enhancements were mainly reflected in an interpretive draft that was released in May 2008, and contained some more features and major modification of the qualitative attributes of accounting information. These amendments were geared towards creating the conventional perspective of accounting information and transforming it to be more accurate, relevant and realistic to address the demands of the users and investors in the contemporary business settings.

Key Developments in the Qualitative Characteristics of Accounting Information:

The qualitative features, covered in the 2008 interpretive draft, are varied, though the major attention was paid to the conversion of the traditional accounting features into more developed concepts which would respond to the changes in economy and the modern standards. These are the main developments introduced:

1. Replacing the Concept of Reliability with the Concept of Faithful Representation:

The conceptual shift that was one of the most striking modifications to the conceptual framework was the substitution of the concept of reliability with that of faithful representation. This transformation is a major shift in the accounting thinking because only recording of information is no longer deemed adequate. Now the aim is to make the financial statements reflect a true and fair picture of the real economic position of the company, irrespective of whether the legal form is taken. Accounting information should, therefore, present economic reality, rather than the formal recording of data.

2. Replacing Feedback Value with Conformity Value:

The other important change was that the concept of the feedback value was substituted with that of the conformity value. This reorientation shifts the focus on corrective feedback that is aimed to correct errors and deviation in future to confirm the level to which the accounting information is in line with accepted standards and concepts which in the long run will assure the financial information credibility.

3. Eliminating Timeliness as a Key Characteristic:

Under the new reforms, the idea of timeliness was eliminated as a key element of relevance and redefined as one of the supporting factors to evaluate the qualitative aspects of accounting information. This shift emphasizes the need to think of accounting information as a whole and assess it according to intrinsic value and truthful reporting, as opposed to the timeliness of the information. Here, timeliness is now a distinct condition of information materiality.

4. Breaking Down Faithful Representation into Three Key Components:

Representing faithfulness was decomposed into three important parts:

- Substance Over Form: This implies that the economic content of an event or a transaction must be emphasized over its legal or procedural form in preparing financial statements.
- Neutrality: This implies that the accounting information is not to be distorted or influenced by any external factors that can influence decision making.
- Prudence and Completeness: This implies that great care should be taken with reference to assessment of future occurrences, and a complete and full picture of financial data should have been given.

The three elements help in giving more objective and realistic accounting information that helps in increasing transparency in the process of preparing financial statements.

Development of the Concept of Materiality

In the concept of materiality, the conceptual framework has also been taken up another step. Both the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) have conceded that materiality plays a major role in determination of relevance and faithful representation of accounting information [19]. Thus, the notion of materiality is taken as a basic component of the procedure of assessing whether accounting data reflects the economic reality of the entity in a proper way.

Results of Development in Qualitative Characteristics

Shift to an Economic Perspective:

The change of the concept of reliability into faithful representation has caused the basic change in the vision of the preparation of the financial statements. No longer is it necessary that the accounting information be only reliable or even formally correct; it must be a reflection of the real economic state of such entity. This change enables financial statements to be in a better position to give a real and realistic picture to the users.

Mechanism for Assessing Materiality:

The qualitative characteristics that are judged by using the timeliness aid in realizing the materiality of the nature of accounting information and this offers a practical way of determining the most significant accounting information that is supposed to be incorporated in financial statements.

Shift from Feedback Value to Conformity Value:

The transition to the emphasis on the feedback to the emphasis on the compatibility of the information with the accepted standards helps to improve the quality of the financial information and the credibility of the financial statements and, thus, makes the investors and users more confident in the reported financial information.

Diversity of Accounting Methods:

The development of accounting standards is an expression of the huge variety of possible accounting approaches. So accountants need to select between the available variety of methods depending on the nature of these methods and their applicability to the financial circumstances of the company. This highlights the need to make accounting standards flexible to address the requirements of various users.

Qualitative Characteristics of Accounting Information and Their Developments in Corporate Reports

The U.S. Financial Accounting Standards Board (FASB) has specifically indicated the qualitative nature of accounting information and the necessity to take them into account during decision-making regarding the choice of the suitable accounting approach. Nevertheless, the board failed to discuss how these characteristics are to be applied in real-life situations. Thus, accounting policymakers may assign certain measures to identify the amount and kind of qualitative characteristics of each accounting alternative, which are then gathered and measured in a systematic way, permitting a distinct accounting method to be favored over others [20].

As the International Accounting Standards Board (IASB) collaborated with the Financial Accounting Standards Board (FASB) there was a joint publication of two chapters (chapters of the conceptual framework) to enhance the structure and concepts of global financial reporting [19]. The work is an occasion where the two boards have worked together to substitute the existing frameworks currently in use with a general framework. The document sets the main purpose of financial reporting and the qualitative nature of accounting information as enabling useful information to aid in decision-making by the users of this information. In addition, the fundamental principles in this conceptual framework are to determine how transactions are recognized and their impacts are measured in financial statements in conformity with international standards to make sure that the financial statements capture the economic impacts of all transactions and activities undertaken by financial entities [21][22].

Development of the Conceptual Framework: Qualitative Characteristics of Information

According to Lennard, a discussion paper published by the IASB discussed how the conceptual framework of financial reporting can be improved. This document had the aim of helping financial report users, i.e. investors, lenders and any other stakeholders, to make sound economic judgments. The core financial reporting is done to offer valuable information to aid investment decisions as it involves resource allocation decisions or credit decisions.

Besides, the International Accounting Standards Board (IASB) suggested in 2006 that the disclosure that accompanies such financial statements should be more exact and transparent in terms of financial and non financial performance. These revelations must indicate previous and prospective performance results and explain upcoming trends of companies because this kind of information is particularly essential to investors and other users of corporate reports who use it to make investment and financing decisions. IASB also highlighted the importance of such disclosures taking into consideration such qualitative characteristics so that it becomes more useful to the users [23].

Increased Focus on Transparency and Disclosure

The concern with respect to transparency and disclosure in financial reporting has gained traction as of late because it has become apparent that numerous stakeholders, including investors and lenders, depend on the information contained in corporate reports to make decisions. Nevertheless, any shortfalls in the transparency and disclosure requirements could lead to the presentation of incorrect or even misleading information in the financial statements, which adversely impacts the decision-making process of investors and stakeholders. This is why there is a need to enhance the quality of the accounting information disclosed by ensuring that the accounted information is of the form that it contains those qualitative elements that are going to reflect the true nature of the financial position of entities (Lennard).

The attribute of relevance, in this context, is critical in the establishment of accounting information value as it captures the prevailing events and situations in the companies and assists in balancing the various needs of investors and other stakeholders.

Fair value information also creates relevance by providing a true image of how the company is performing economically, thereby improving effective investment making by investors. Indicatively, a comprehensive and realistic disclosure of major financial transactions increases the transparency of financial statements and enables stakeholders to obtain the correct information to facilitate better decision-making practices.

Results of Applying Qualitative Characteristics to Financial Statements

The primary goal of these improvements is to improve the capacity of financial reports to aid economic decision-making by the diverse users. The use of the qualitative features of relevance, neutrality, and faithful representation to financial reports promotes the credibility of the information and also minimizes any confusion that might be looming around financial reports hence investors and lenders make accurate decisions based on sound information.

It is also a key component of the enhancement of these features because it contributes to increased transparency and disclosure, which is vital to deliver the facts about information in the right and complete manner to the users. This adds to the success of investment and financial planning activities on the company level. Finally, the use of such qualitative attributes leads to higher quality of financial reporting, greater confidence of stakeholders and more informed economic decision making.

Analysis of the Qualitative Characteristics of Accounting Information and Their Impact on the Decision-Making Process

In a world where most governments attempt to minimize information asymmetry or information distortion that is, the presentation of information inaccurately or misleadingly, resulting in inefficiency in the market and the overall inefficiency of the economic system, many professional and legislative bodies have increased their efforts to minimize the distortions. This has been realized by laying emphasis on the application of the conceptual framework of the qualitative attributes of accounting information which is a major tool of ensuring high degree of transparency and credibility of corporate reports. This framework serves to enhance the overall quality of accounting information, and thus the distortions of the information availed to investors and other stakeholders are minimized. Among the most outstanding initiatives is the conceptual framework that was established on the basis of continuous reviews by pertinent institutions. The key items in this framework are the objectives of financial reporting, the elements of financial statements, qualitative characteristics of accounting information, and concepts of recognition and measurement, which involve different assumptions, principles and constraints [21].

The Importance of Relevance as a Fundamental Characteristic of Accounting Information

Relevancy is among the most valuable attributes an accounting information should have, be it the management, where the information could be sent to employees, or exogenous where the information could be sent to investments in stocks or loans. Accounting Standards Board define relevance as being able to give information that satisfies the needs of the decision-makers. That is, the economic decisions of the users are

greatly influenced by the relevant information. Obidat states that accounting information is relevant where it aids in assessing the past, present and future events or even rectifying previous assessments done by those using the information [22].

The Relationship Between Relevance and Materiality

The term materiality is closely related to the nature of relevance concept. It can be said as a data or things that in case of missing or inclusion in faithful way would be influential in the economic choices of the users in the light of financial reporting [24]. This is an indicator of a relationship because through materiality we are able to adopt the line between what information will be relevant in addressing the needs of decision-makers, and it will be possible to leave out data that has no influence on the decisions undertaken.

Sub-Qualitative Characteristics of Relevance

Relevance in accounting information would mean that the accounting information should have three essential sub-qualitative attributes namely timeliness, predictive power and then has feedback value.

- **Timeliness:**

The accounting information should be accessible whenever the decision-makers need them. Any delay in reporting on accounting information can lead to the irrelevance of this information, and hence such information will not help in making quick and effective judgments hence destroying the efficiency on the market. According to Vaklifard et al, one of the aspects, which helps to improve the process of making decisions, is timeliness.

- **Predictive Value:**

The accounting information should be able to give returns about what will happen in future. It ought to assist in decision making connected with the events or danger that may involve the economy of the entity in the future. Virgil argues that the practicality of accounting information increases following the application of financial standards, hence providing sound information to investors who would require additional information in making investment decisions based on possible future scenarios.

- **Feedback Value:**

Feedback information denotes the possibility to evaluate and regulate the financial performance. It offers the feedback which is useful to prevent possible errors coming up following improper use or incorrect estimates. We learn that in the new conceptual framework, substitution of feedback value with confirmatory value enhances the due and proper assessment of the information since confirmatory value aids in correcting the deviation more easily due to the involvement of multi-parties [25].

Impact on Quality and Decision-Making

The efficiency of the decision making of the users of accounting information be it investors, creditors or managers can be improved by increasing relevance. Thus, the enhancement of these qualitative traits may result in a decrease of market distortions as

the conceptual accounting framework is the tool which may be needed to enhance the visibility and build the trust of the stakeholders. In spite of the fact that certain difficulties can be related to the application of these standards to all markets, continued process of enhancing disclosure and transparency eventually leads to decline in information asymmetry and increase the level of financial reporting.

To sum it up, by conduct of in-depth analysis of the expositied notions, the researcher discovers that relevance is regarded as one of the crucial qualities in the assessment of accounting information. To a great extent, it is aimed at the possibility to present a full and accurate picture of future yields on the basis of processing previous and present performance data. With such characteristic, the decision-makers can have a clear view of the financial and operating status to enable informed decision-making.

Additionally, relevance allows determining the weak aspects and gaps in the decisions taken since it delivers the true value of feedback. Through such feedback value one can determine where there is failure as well as maximizing the effectiveness of such decisions which makes it easier to determine in a better way what may occur in future.

The researcher observes that the engineered revision of the conceptual framework of accounting in 2010 revised the concept of relevance by omitting the concept of timeliness as one of the essential elements of the concept and introducing it as a standing tool that is examined to assess the qualitative features of accounting information. The consequence of this change on the understanding and interpretation of the value of accounting information, particularly prediction, is dramatic.

In the analysis, the researcher is able to show that timeliness is among the critical aspects that shape the predictive relevance value because it is directly associated with how accounting information can deliver correct information regarding the future. Timeliness in other words is one of the major requirements in the evaluation of how successfully accounting information may yield predictive value; by controlling the release of information in such a manner that it will be available when it is required by the users of that respective information.

The trends are well comprehended within the academic literature related to accounting, being mentioned in previous studies as the crucial element in ordering the relevance of accounting information, timeliness (Jiang; Kothari). These investigations give an indication that data that have been conveyed unsuitable will lose most of the predictive worth, hence affecting the judgements made by economic and financial decision-makers adversely. Hence, some time constraints are viewed as among the major factors in improving effectiveness of accounting information.

Analysis of the Relationship Between the Extended Audit Report and the Relevance of Accounting Information and the Quality of External Audits:

The extended audit report can be deemed as a significant instrument that could be used to enhance the relevance of accounting information. It does so by the modifications made to the standards of appropriate preparation of the audit report seeking to attain a set of intended benefits as suggested by the International Auditing and Assurance Standards Board (IAASB). It is notable that such standards have been embraced in most

countries such as Iraq, and as a result, they are a worldwide tool in relation to tortures on auditing. Here, the IAASB justified its benefits in the form of the publication on the changes published in January 2015 in details and included several aspects, the most significant of which can be listed as following:

- **Greater Audit Process Transparency:** This is to increase confidence in the market concerning quality of the audit which has a positive impact on acceptance of the users of financial information backed by the audit report.
- **Improving the Informational Value of the Audit Report:** Adding a deeper and more detailed information that facilitates better financial decisions being made by the users.
- **Enhancement of the Auditors and Governance Officials Communication in the Companies:** This results in increased level of cooperation and distribution of vital information.
- **Greater Attention of the Management and Governance Officials to Financial Disclosures:** These will become a subject of more requirements as indicated by the contents of the audit report as key audit matters.
- **Set of Indicatives: Refocusing of the Auditor Attention on the Key Disclosure Matters:** It entails the inclusion of growing degree of professional scepticism into the audit and this assists in providing the utmost level of accuracy and credibility.

As such, extended audit report is a qualitative advancement in the capability of the auditor to present high value information to the users, particularly, investors who thereby improve their information of the financial and economic status of the company. In the opinion of international regulatory authorities, the transition process between the customary audit report and the extended one is a significant one as far as increased informational value of the report is mentioned to the stakeholders as a result of the inability to access the previously unimpeachable information since the traditional report was considerably limited in terms of its scope. This by implication assists in informed decision making in the market [18].

This opinion is justified by a range of past research which showed the need to include the new information in the long audit report to make it really matter in the decision of the users. When applied to the investigation of the interaction between users and information, the study by Reid et al demonstrated that the interaction with already known information did not occur. Nevertheless, additional research [26] [14] has established that the effect can be differentiating based on informational environment of several countries including the United Kingdom, whereby other sources may contain the same information, including audit committee reports or business performance disclosure bulletins setting aside the need of the one expressed through the extended audit report.

Conversely, the utilization of the extended audit report in financial forecasting by financial analysts is considered a major input in the financial performance analysis of a company (Smith). Researchers like that of Koel et al. have indicated that such information would be more helpful to financial analyst, due to their greater knowledge of the financial

field, compared to regular investors, and thus, can derive more benefit in financial analysis procedures using this information, eg. Researches like a study conducted by Koel et. al have demonstrated financial analysts are capable of addressing this information in the extended audit report more efficiently compared to regular investors.

In relation to lenders, research has established that they base on financial statements of a company when analyzing the financial status, and are very keen on audit report because it boosts the credibility of the financial statements. In case the information presented in the report suggests the inability of the division of the financial statements to carry its credibility, lenders might make loan funding decisions resulting in increased interest rates charged on the loans [27]. Institutional lenders can however use alternative sources of information other than the audit report like company guarantee thereby not depending entirely on the audit report as a source of information [28].

When analyzing the Iraqi scenario, the researcher finds that in most of the companies, business outcomes are reported by pertinent bulletins which usually follow before an annual company report is produced. Although the said bulletins can be viewed as a move towards transparency and disclosure, it is still brief and does not give much detail about the financial status, or the operations of the organisation. Besides, the audit committee report operating in the Iraq environment is mostly a concise report, with minimal information that does not explore details that would be of value to investors and other consumers of financial information.

Given this fact, the researcher feels that the lengthy audit report may be a significant step towards availing new information to the investors in the Iraqi setting, thereby enhancing the informational content of the report over the traditional report. The lengthy report also enables the inclusion of additional, elaborate data pertaining to issues which auditors consider of the essence to establish the financial position of the company and thus increases transparency as well as enabling the investors to make quality financial choices through more precise and straightforward data. It is a development in the global context to enhance the usefulness of an audit report, with regulatory authorities including PCAOB (2017) pointing out that the informational value of the audit report would improve when more details are added to increase investor confidence in the audit report [18].

The researcher however indicates that the case may be otherwise with the longer report issued by the Central Auditing Organization in Iraq as this report is usually too long-winded, which may lessen the efficiency of the information provided. Though, without any doubt, the extended report has more details, the increased length of the report can create the situation when the reader can hardly find the most significant information or the most relevant information, but cannot effectively interact with the information. Among other attributes that investigate the role of timeliness as one of the critical attributes that enhance the predictive likely value of accounting information is a long time to be issued, knowingly reports prepared by Central Auditing Organization [18].

This fact is indicative of one of the issues, voiced by international regulatory authorities in which excessive duration and time lag in publication of the audit report may adversely affect the practicability of the new provisions incorporated onto the report. This may translate into the neglification of the merits of these amendments to the investors and other users which would interfere with the effectiveness of the report in giving useful and accurate information within a timely manner. This is a reason why the unintended consequence stems of academic literature and reports that are developed by professional agency related to auditing and assurance [18].

On foregoing, it is anticipated that the prolonged audit report in Iraqi working environment would positively influence under the condition of offering more information value than the traditional report upon the condition of sufficient enhancement to its format and length, in addition to timely publication of the issued report.

Analysis of Previous Studies

Ever since the global regulatory bodies were coming up to formulate the audit report, a lot of studies have come forth that seeks to quantify the effects that the changes could have on different stakeholders, the benefits that the changes would bring and the costs that it would incur. Restoring relevance of accounting information is regarded to be one of the most important variables that are of interest to the outside parties using financial statements. This way, the researcher will be able to revisit-past studies which had performed a correlation study on the relationship between the extended audit report with the relevance of the accounting information availed to the various stakeholders in a way as follows:

In Koetheler et al, the issue whether the inclusion of a separate section, which will be seen as a part of the audit report bearing the title Key Audit Matters, affected or did not affect the communicative value of the report to users was erroneously. The paper quantified the communicative value of the audit report in two significant aspects, the first dimension concerns the evaluation of the economic condition of the company that the users develop as part of the second dimension, and the second dimension involves confidence of the users in their evaluation. The researchers demonstrated that these two aspects also went up amongst users as the communicative value of the audit report rose.

It provided an experiment to the investigation by including the item under Key Audit Matters, which was goodwill impairment, working with 89 investment professionals, and subsequently with 69 investors, none of whom were professionals. The researchers concluded that investment professionals who viewed the negative outlook on goodwill impairment (i.e., it is likely that the company will experience impairment in the future) on the Key Audit Matters section rated the economic situation within the company more positively than investment professionals who viewed the Key Audit Matters section with the negative outlook on the same but included in it the aspect of positive outlook on the goodwill impairment (i.e., there are only a limited number of risks of that the company will experience the situation of impairment in the future). Regarding

the level of confidence in this test reported, there was no major difference in the confidence levels of investment professionals in either.

However, the aspect in which no major influence was observed was in terms of the inclusion of the section of the PCAOB profile indicated to have a negative or positive expectation of company performance in economic conditions, or in the advertised belief to assessment of company economic conditions by the non-professional investors.

In that way, the outcomes of the study tend to indicate that requiring a dedicated section on Key Audit Matters in the audit report under the new international audit standards provides the audit report with a higher communicative value, specifically to the investment professionals, when such a section also contains negative perspective on issues covered. This advantage, however, is not as applies to the non-professional investors who, due to inadequate expertise, cannot process and interpret the pertinent information in the long audit report.

The Model of Trust can be used to explain the psychological causes of such results. The presence of the negative paragraph of the Key Audit Matters in this model is a reflection of the positive impression of the investment professionals concerning the competency and integrity of the auditor. This perception will add to the boosting of their trust in the auditor, thus improving their trust in the financial statement of the company and to its economic condition. Conversely, the positive paragraph can also cause a negative view of the competence of the auditor, the paragraph can be considered by the investors as some form of appeasement by the auditor to the client, which lower the confidence in the company financial statements and economic conditions. In the case of non-professional investors, they feel challenged by handling the complicated information provided by the extended audit report, as they do not have the experiences to do the financial analysis and the investment.

The findings are especially relevant in investment and audit set-up since it indicates that building the audit report, by including the section on the Key Audit Matters, might lead to the better insight into the state of the financial affairs of the company, particularly when the painful news described within the report might serve the purpose of further expanding the level of transparency and credibility. Parallel to this, it suggests that the presentation of information to the non-professional investors has to be changed so that they possibly require simpler techniques and holder of information that would enable the understanding of the report contents.

Investors can encounter difficulties in interpreting the information created about them when it comes to making investment decisions, and the lengthy audit report is one of the crucial tools that could influence the quality of the final decision. Nonetheless, this report does not present a communicative value to investors all the time. The research by Carver and Trinkle concluded that publication of the material audit issues in the audit report has no material impact on investors at determining the economic situation of the company [29][30]. This research used experimental research design to a sample population of 150 non professional investors in United States where it was revealed that

presentation of detailed information in audit report does not lead to enhancement of the economic measurement of these firms.

The same study however shows that the negative effect was attributed to use of readability as another measure of the communicative value of the audit report. The outcome was that as the assurance of the amount of information is disclosed in the audit report, the audit report has a negative impact on the level of communicative materials in terms of readability. Accordingly, the updated modifications to the audit report decrease the effectiveness of its communication to the American investors since the masses of information complicate its comprehension.

However, this was not the case in another study carried out in the United Kingdom in 2017 (Smith). It determined that the long audit report had the potential of being more communicative than the traditional report. There were two key measures of communicative value that have been taken in this study, which are readability and tone of disclosure. This study asserts that, the more the report was readable and the number of words used depicted the general impression by the auditor, the better the understanding of the message contained in the report, and consequently, its value in communication was elevated.

The summary of results is that after processed content analysis, measurements of readability, and tone of disclosure were measured on 700 observations to each of them and the study was conducted that after performing the right regression models, the conclusion was reached that both readability and tone of disclosure were generally enhanced in the first year of carrying out the new audit report requirement compared to the same year. The reading on the report became simpler and was able to articulate more on the content in the report the sentiments and underlying thoughts of the auditor.

The variations in the outcome of the two studies can be described to be because of the mechanism of control in the two countries, on issues and the standards applied in each country. The new standard in the UK has offered more flexibility to the auditors in the selection of words and expressions that communicated effectively the intended meaning and led to the improvement of the readability and tone of presenting disclosure within the report. Conversely, the UK had more stringent standards on the auditor formulation of the report which mandated the auditor to be more mindful of the standard requirements rather than consider the better communication style between the audit and users.

Sirois et al described a study in Canada aimed at testing how the disclosure of the Key Audit Matters in the audit report influences the efficiency of documenting the most significant information by the users of the company annual report. The present study was applied in the context of a novel lab experiment with the help of the eye-tracking technology to track the rate at which the information was easily accessed by the individuals, as well as the rate at which it was well paid attention to by them.

The research sample was comprised of 98 graduate accounting students in a university in Canada and their role was that of credit officers in a bank. This experiment was aimed at studying how the disclosure of the so-called Key Audit Matters can

influence the capacity of the persons in question to derive the most significant information out of the annual report of a given firm. This analysis demonstrated that inclusion of section on key Audit Matters in the period extension of the audit report can help to add value of the report communicative wise since the presentation enriches efficiency with which users obtain information, which might be vital in decision-making. By emphasizing the same issues, users became more informed about them as they were able to retrieve and concentrate on the same.

Such outcomes were justified by the fact that annual reports of corporations are considered to be complicated and crowded with various disclosures. Considering that the human brain cognitive abilities are also limited in terms of processing substantial number of information at a time, the Key Audit Matters section in the extended audit report acts a kind of a compass that directs users on the most significant disclosures made. It makes them focus on the most significant data on the auditing process, thereby, making them focus more on it when reading the annual report, instead of reading the whole document. Nonetheless, disclosure of more Key Audit Matters will place more cognitive load on the users, and may decrease their attention on that particular issue. This may result in a low degree of attentiveness in the disclosure of issues on each matter individually, thereby lowering the performance of the report.

Another area of convergence has been the reporting studies where a number of studies have concentrated on the quantification of the interaction between participants in the market and the release of the extended audit report with an intention to determine the value of information conveyed by this form of report to the market. One of such studies was an archival study in 2015 in the United Kingdom (Reid et al.), who used historical data to examine how extending the closed-ended audit report is related to the stock price trading volume. It was discovered that the abnormal trades involving stocks were enormously observed within the first year of having the extended report requirement as opposed to this in the former year.

Also, other intriguing findings were brought out during the study, which demonstrated that the growth in abnormal trading volume was greater in firms with a weak information environment, firms with fewer information sources as opposed to firms with a strong information environment. It was also revealed that an abnormal trading volume existed in a higher number of companies in which the auditors included detailed information in their reports as opposed to those companies that included less amount of such information.

These findings indicate that the revelation of greater information in the audit report can be influential on the decisions made by the market players. The extra information is also advisory in enhancing the level of transparency in increasing the company-investor communications hence making the financial markets more interactive and dynamic.

The main findings of the Sirois et al report indicate that further obligations in the audit report, as a constituent of changes by international standards, offer investors informative content that has a beneficial effect on their investment decisions. Such new disclosures were found to be valuable information to investors, which could never have

been available previously and current analysis indicated a certain level of value in terms of incentive and information well-informed decisions. The reason why these disclosures are important is because it allows the investors to have better understanding of the financial and operational status of a company, thereby improving their competence in forecasting its performance in the future and making the decisions of investing such as an organization depending on comprehensive information.

Conversely, two independent studies in 2017 did arrive at just another conclusion and did not observe any meaningful interaction with the reporting of the extended audit report by the investors in the UK [14] [26]. Recent research into the impact of disclosure of risks of material misstatements under extended audit report found that there was no important material influence on the abnormal stock returns or abnormal trading volume regardless of whether the risks belonged to a given account like goodwill impairments risks or varying capabilities of the company to continue its business. The same was observed in the second investigation employing 2560 observations where extended report of Committee audit had no noticeable impact on abnormal stock returns or the change of capitalizations. The fact that most of the information in the extended audit report is typically known to the investors in the UK before it is being published, because as a matter of course, the information is included in other reports, an audit committee report, the notes to the financial statements, and the earnings announcement, many of which are published earlier than the annual report, helped explain these results.

The same study applied in France in 2015 (Bedard et al.) also demonstrated similar findings as the ones reported in the UK; adding the section on their judgment justification, which resembles the section titled as Key Audit Matters, did not make a substantial difference in terms of how investors responded to it in the market [31]. Using 1,767 observations and 1,967 observations as an abnormal volume of stock trading, the researchers identified no significant synergies between the disclosed volume of this section and along with abnormal stock returns or trading volume. This could be attributed by the fact that there was a vibrant information environment that existed in France, which has a broad range of information sources, particularly among large companies, which dilutes the relevance of disclosures in the far-reaching audit report.

Contrary to these findings, a study undertaken in the UK by Smith revealed that the actions of financial analysts reacted positively to the disclosures in the extended audit report. The research revealed the reduction of the degree of dispersion in estimate earnings of analyzers in the initial the following year of application of the new requirement of the audit report as compared to the preceding year and this showed an increase in the informational worth of the report before the financial analysts. Analysts were found to have benefitted with the longer report to enhance the accuracy with which they would estimate future earnings of the companies.

The study, which was carried out by Christensen et al in the United States, exhibited a case experiment, which was performed on a 141 non-professional investors to test how the Critical Audit Matters section of the audit report affects, in particular to the examination of fair value estimates [32]. Study results indicated that investors reading a

report that included this section had higher chances of making changes in their investment decision regarding the company than those reading an ordinary audit report or an equivalent amount of information displayed in the notes to the financial statements as opposed to the audit report. This was seen as the Critical Audit Matters section which presents investors with a more viable information source than the notes, thus increasing the ability of the report to capture the attention of investors and elicit fellow actions using the information when making investment decisions.

Conversely, the study by Quick & Boolaky and the study by Sirois et al also reported no significant effects of disclosing of the so-called Key Audit Matters under the audit report on the decision of creditors [33]. In the first study they consulted one hundred and ninety-nine bank managers in Germany, no significant impact of disclosure of the Key Audit Matters in relation to the equation of new loans were obtained. Equally, in the second study that involved 98 graduate students in Canada there was no material impact of disclosure of the Key Audit Matters on disclosure-sensitive decision-making by graduate students, amongst which, are credit risk assessment, approving loans, or prescribing loans. The researchers observed that the outcome of these studies could be nonsignificant because of the constraints in the design of the experiments. To illustrate, in the experiment conducted by Quick and Boolaky, there were two concerns regarding uncertainty risks which could have cut the beneficial effect of disclosing new information [33]. Moreover, the research of Sirois et al. concentrated more on the evaluation of the influence of disclosure on efficiency of communicative value information acquisition as opposed to direct contribution to credit decision-making.

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Conversely, the study by Quick & Boolaky and the study by Sirois et al also reported no significant effects of disclosing of the so-called Key Audit Matters under the audit report on the decision of creditors [33]. In the first study they consulted one hundred and ninety-nine bank managers in Germany, no significant impact of disclosure of the Key Audit Matters in relation to the equation of new loans were obtained. Equally, in the second study that involved 98 graduate students in Canada there was no material impact of disclosure of the Key Audit Matters on disclosure-sensitive decision-making by graduate students, amongst which, is credit risk assessment, approving loans, or prescribing loans. The researchers observed that the outcome of these studies could be nonsignificant because of the constraints in the design of the experiments. To illustrate, in the experiment conducted by Quick and Boolaky, there were two concerns regarding uncertainty risks which could have cut the beneficial effect of disclosing new information. Moreover, the research of Sirois et al. concentrated more on the evaluation of the influence of disclosure on efficiency of communicative value information acquisition as opposed to direct contribution to credit decision-making.

Another application is a research conducted by Dobija et al in Poland, which also showed a distinct application of an audit report since the Polish system will contend that two audit reports will be needed, one standard and one full [9]. The interviews were conducted with 15 external auditors in order to ask them about their views on the value of the extended audit report in terms of information. The research results indicated that according to Polish taxmen, the long audit report had no informational value because the document was developed in a typical format in accordance with the Polish rules and included the pieces of information that were already available in the financial statements and in the reported notes. Thus, these developments did not bring new information to the reader. It should be mentioned though, that this study originated in the opinion of auditors (who prepared the audit report), not the consumers of the audit report who may include investors and credit officers thereby limiting the scope of these findings to actual usage of extended reports.

According to these differences, the researcher assumes that all the past studies which investigated the influence of the extended audit report on the informational value of the financial statements have differed in the outcome based on the methodology employed and measurement instruments applied. To illustrate this, the responses by institutional investors are unlike that of credit officers. In addition, the research conducted by Abbas demonstrated that changes motivated by going constraints are not necessarily relevant to the decision-making of institutional investors regarding investments, whereas the focus on Youssef study suggests that the changes are crucial to credit decision makers in the institution. The Polish research also revealed that an extended report does not bring new value in the view of the auditors.

It, then, follows that a field study within the Iraqi environment is necessary to explore the effect of the changes that have been made to the audit report on the informational value it offers to users, as there may be potential differences in the situation among the different classes of users in this case. Its effects can differ according to the

nature of the information that a particular user needs (e.g. investors, creditors or financial analysts).

Deriving Research Hypotheses

Based on the above discussion of both researches and literature associated with the topic of the extended audit report, it is possible to notice the apparent difference between the patterns of opinions expressed by researchers and authors on the subject and the findings made by both parties on the topic of investigating the relevance of accounting information consumed through the extended audit report. Although other studies confirmed that there is a positive relationship between the use of the extended audit report and the increased relevance of accounting information, some studies have revealed no important effect of the extended audit report to the relevance of the that information. Conversely, some third group of researchers have debated that the use of the extended audit report is not positively correlated with the relevance of accounting information implying that such changes may result in the declining quality of informational value being attributed to stakeholders.

To illustrate, a research by Carver and Trinkle in the United States revealed that no meaningful effect was detected in reporting the significant issues by the extended audit report on the evaluation of the economic status of the company by non-professional investors [30]. Conversely, another group of research, like the one conducted by Smith in the United Kingdom was able to demonstrate that the longer audit report led to greater effectiveness of information communication, which pollutes to a positive effect of the readability of the report and the capacity of the users to detect the intended communication about the disclosures. On the contrary, other fragments of research such as in a research conducted by Lennox et al in the United Kingdom have arrived at zero effects of reporting material issues in the audit report on abnormal stock returns, or trading volume, further complicating the comprehension of the potential impact of the longer audit report [14].

According to these divergent findings it is evident that the entire insight as to the effect of the extended audit report on the relevance of accounting information is subject to multiple factors such as nature of users, drawing of information related to them, and of environmental and regulatory factors within the environment where the report will be utilized. As such, the following are the statistical hypotheses that the researcher could develop in the study:

Hypothesis 1: There is no statistically significant effect of the extended audit report on the relevance of accounting information.

Hypothesis 2: There is no statistically significant effect of the extended audit report on the quality of external auditing.

These hypotheses are formulated under the circumstances of taking into account the difference between various studies, and how much the extended audit report influences the informational value of the stakeholders, whether negatively or positively. This group of hypotheses can only be verified through additional research and statistics

in evaluating both the validity of these opinions and coming up with workable recommendations that can guide practitioners in the accounting and auditing field.

Applied Study

Through applied study, the researcher intends to find out the role of the extended audit report on the informational value conveyed to users and establish the connection between this information and the decision making behavior of different categories of users including investors, auditors, and creditors. To accomplish this objective, a collection of methodological strategies shall be utilized involving the act of measuring dependent variables, subjecting a statistical hypothesis, aiding the consent of appropriate study population and sample, and invigorating the outcome of this study. The information regarding each element of the study is referred to below:

First: Mechanism for Measuring the Study Variables

The research involves the quantification of a variety of variables defined on the precedent books and literature concerning the extended audit report. The main variables include:

1. **Informational Value of Accounting Information:** The measurement of this value will be done using a set of indicators, which will emphasis on how the extended audit report influences the effectiveness of accounting information on enhancing the decisions by users. Such approaches as surveying the users (investors, creditors, and auditors) or studying the market behavior in terms of the change in the returns and trading volume will be employed.
2. **Standard of External Auditing:** The quality of the external auditing will be rated based on the surveys aimed at evaluating the element of the external auditors in enhancing the levels of communication effectiveness and clarity of vital issues in the report and the analysis of the applicability and the disclosure of the reports given by the auditors.
3. **User Interaction with the Report:** The level by which the user interacts with the extended audit report will also be measured by analyzing the extent to which the user interacts with the report content due to more attention or interaction in financial markets or alterations in investment and credit decisions involving the information given.

Second: Hypothesis Testing Model

The research will be founded on experimental design to proving the statistical hypotheses connected with the effects of the extended audit report on the specified variables. The relationships between independent variables (e.g., the extended audit report) and the dependent variables (e.g., informational value and audit quality) will be tested with the help of several regression models. T-tests and F-tests will also be used as a means of defining whether the results were statistically significant and the degree of the effects of the report changes on the users within various settings.

Third: Study Population and Sample

A sample of the users of the extended audit report will be determined. Different types of sample are used including institutional shareholders, bank credit managers, and

company auditors to cover all the parties who may be threatened by the delayed audit report. It will be done by random selection of the categories and the representation of all levels will be provided among various companies (small companies to big companies).

It has been emphasized that diversity was a key factor in the research sample in terms of the background of study participants, as observed in other studies such as (Sirois et al., 2020), which required both students and professionals as participants to investigate its possible effects. The given investigation should help to find out how the effect of the extended audit report may vary concerning the backgrounds of participants.

Fourth: Key Results of the Study

The research will be able to give a number of conclusions on the basis of the conducted analysis. These include:

1. Effects of the Extended Audit Report on Investment Decisions: In the study, the research strategy will focus on evaluating the effect of the extended disclosure on investments in financial markets, either in interactions with returns, level of trading or as a result of modifying the behavior of investors.
2. Enhanced Audit Quality and contact between Auditors and users: The paper will also discuss whether the changes implemented regarding the audit report have resulted in enhanced communication between auditors and user by checking whether or not there is an improvement in the comprehension and clarity of the details presented in the report.
3. Effect on Creditors of the Report: The study will also examine how the media of the extended audit report affects the decision of creditors with regard to loan grant seeking to the creditors or even about the decision on the risk of credit in view of the information contained in the report.

The research is aimed at shedding new information about the effects of the extended audit report in various settings and offers practical outcomes to different instances that face companies and users in the real world.

Measurement Tools for Study Variables

(First) Independent Variable of the Study:

The extended audit report is the independent variable in the study; it is an improved audit report that has additional disclosures than conventional reports. The rationale behind this report is to enhance transparency and to furnish more details to its stakeholders such as investors, auditors and creditors. The approximate model to be used in this study will be audit reports released by companies listed in the Iraqi Stock Market. Such companies will comprise companies supervised by the Central Auditing Authority and, in addition to that, dual-listed companies which are listed on the London Stock Exchange.

In regard to how this variable is going to be measured, a dummy variable will be adopted to indicate whether the extended audit report has been used or not in the company. This method is based on the numerous past investigations such as (Sirois et al; Boolaky and Quick; Koheler et al; Carver and Trinkle; Gutierrez et al; Lennox et al; Baded

et al; Reid et al) that utilized this crucial technique to gauge the contribution of extended reporting to the informational quality of financial reporting [33][29][26][14].

(Second) Dependent Variables of the Study:

1. **Audit Quality:** The use of quality of audit is among the central variables in this investigation and it is defined as a possibility of the auditors to render accurate and reliable evaluation regarding the financial information disclosed by firms. Audit quality standards have been controversial in research because scholars have not agreed on their definition and measurement. Other ones have employed direct steps such as the reissue of financial statements or the established reports by the Public Company Accounting Oversight Board (PCAOB) whereas other ones have been applying indirect methods around audit reports. Some of the most frequently applied techniques in academic research include reusing financial statements, earnings response coefficient, going concern opinion provided by the auditor and earnings management.

The researcher in this study will use the coefficient of earnings response as a tool in quantifying the audit quality. The earnings response coefficient is obtained through defining the relationship between modifications in accounting earnings and modification in stock prices as well as financial returns. The importance of this measure is to establish whether accounting earnings are able to explain the changes in the stock prices hence measuring the quality of the audit process (Perotti & Wagenhofer).

2. **Relevance of Accounting Information:** Relevance of accounting information is the capacity of such information to affect the decisions of the external users who include the investors and creditors. In the present study, change in abnormal stock returns will be used in the measurement of this value. This index forms a measure of the effect of an accounting information concerning investment and the difference between the actual result of a stock that concludes that very period and the anticipated outcome relying on the pace of stock returns over an average period (Perotti & Wagenhofer).

The change in abnormal stock returns will be calculated using the following equation: $Exret = R_{i,t} - M[R_{i,t}]$ Where:

- $Exret$: Change in abnormal stock returns.
- $R_{i,t}$: Stock return at the end of period t for the company.
- $M[R_{i,t}]$: Average stock return during period t for the company.

(Third) Moderating Variables for the Relationship Between the Study Variables:

The research has room to forward-looking variables regarding relationship between independent and dependent variables like the size of the company, the return on assets and financial leverage and other variables related to regulations. These moderator variables are those that can potentially affect the quality of auditing and aggressiveness of accounting information.

- **Company Size:** The company size is measured by natural logarithm of total assets which have been used in the academic literature to find out the market impact of the company.
- **Return on Assets (ROA):** This ratio is measured, as represented by net income divided by total assets, that is an important indicator in the measurement of efficiency in operation.
- **Financial Leverage (LEV):** The ratio of the total liabilities and the total equity is considered to be a financial leverage implying that the company is able to handle and sustain debts as well as their repayment.
- **Z-score (Zmijewski):** It helps identify the probability of a certain firm falling into bankruptcy but it is dependent on a number of determinants that include net profit, total assets, current, and current liabilities among others.

Statistical Hypothesis Testing Model

Since the research proposal is divided into the hypotheses in the study over different dependent variables, the researcher will use a statistical model that is appropriate depending on the nature of the data available. The constructs should be tested by independent variables on dependent variables through multiple regression methods.

(First) Hypothesis Testing Model 1:

The first hypothesis deals with how the implementation of the extended audit report as an independent variable is related to the relevance of accounting information as dependent variable. According to this, the first hypothesis will be developed into a statistical test of hypothesis as stated below:

$$\text{Exret} = \beta_0 + \beta_1 \text{Extended} + \beta_2 \text{Size} + \beta_3 \text{ROA} + \beta_4 \text{LEV} + \beta_5 \text{Z-Score} + \beta_6 \text{MTB} + \epsilon$$

$$\text{Exret} = \beta_0 + \beta_1 \text{Extended} + \beta_2 \text{Size} + \beta_3 \text{ROA} + \beta_4 \text{LEV} + \beta_5 \text{Z-Score} + \beta_6 \text{MTB} + \epsilon$$

Where:

- **Exret:** The relevance of accounting information through abnormal returns.
- **Extended:** A dummy variable taking the value of (1) if the audit report is extended and (0) otherwise.

(Second) Hypothesis Testing Model 2:

The second hypothesis deals with the connection that exists between the introduction of the extended audit report, which is the independent variable, and the audit quality which is a dependent variable. The hypothesis of statistical tests of the second hypothesis will be like the following:

$$\text{AQ} = \beta_0 + \beta_1 \text{Extended} + \beta_2 \text{Size} + \beta_3 \text{ROA} + \beta_4 \text{LEV} + \beta_5 \text{Z-Score} + \beta_6 \text{MTB} + \epsilon$$

$$\text{AQ} = \beta_0 + \beta_1 \text{Extended} + \beta_2 \text{Size} + \beta_3 \text{ROA} + \beta_4 \text{LEV} + \beta_5 \text{Z-Score} + \beta_6 \text{MTB} + \epsilon$$

Where:

- AQ: The earnings response coefficient.

Study Population and Sample

The target population consists of the entire companies of the Iraqi Stock Exchange. As the extended audit report in this study will be represented by the approximate model issued by the Central Auditing Agency, the environment of practices related to dual-listed companies in both the Iraqi Stock Exchange and the London Stock Exchange, the focused sample will be reduced to these companies exclusively.

The researcher will work with data since 2016-2019, since mandatory International Financial Reporting Standards (IFRS) have been implemented among the private firms since 2016. In this time span the study sample made 248 observation on the selected companies [6].

Study Results

Through descriptive statistics and hypothesis analysis, the researcher will be able to present the findings of the conducted research in determining a specific and expanded idea of the data as well as analyze the findings according to the already set hypotheses. In this section the results concerning descriptive statistics will be discussed first followed by hypotheses testing results, as under:

First: Descriptive Statistics

Descriptive statistics refer to a group of statistical methods that should describe and explain the most important attributes of the targeted data group, which would lead to a quantitative interpretation of the data distribution. They are used to narrate and merge the nature of the data that has been gathered in the course of studying the research sample and help establish the clearest picture on how the data is dispersed and depicts the phenomenon under research. The main aim of the statistics is to determine the quantitative composition of the sample to be studied hence making a conclusion which is capable of comparison with past studies in that area.

There are two measures of descriptive statistics:

1. Measures of Central Tendency: These values are applied in determining the focal point by which values of data set are clustered. The most crucial quantifying central tendency are:
 - Mean: This is the arithmetic mean of the sample numbers so it can be used to detect the middle value in the data.
 - Median: This is the number that divides the half with the higher values with the other half who may have the lower values when organised in increasing or decreasing sequence.
2. Measures of Dispersion: The follow-up of these measures is to measure the dispersion or the variation of the data with respect to the central value. The Dispersion is best measured as:
 - Standard Deviation: The Standard deviation shows the variation of the data over the meaning. It obtains the value of deviations of the Values of each

value in a sample and gives an analogy about the total dispersion of the data.

Presentation of Descriptive Statistics

The following table illustrates the descriptive statistics for the variables used in the study:

Table 2. Descriptive Statistics.

Variable	N	Mean	Minimum	Maximum	Std. Deviation
AQ	248	0.15	-0.527	0.525	0.117
Exret	248	15.119	0.085	60.479	18.075
Extended	248	0.291	0	1	0.389
Size	248	20.363	13.256	25.015	2.265
Roa	248	0.053	-0.690	0.399	0.105
Lev	248	0.496	0.013	1.566	0.251
Z-Score	248	-1.748	-5.153	6.083	1.600
MTB	248	0.454	0.005	0.980	0.258

Notes on Descriptive Statistics:

From Table 2, the researcher can observe some key points reflecting the main characteristics of the data, as follows:

- Variable (AQ) - Audit Quality:

The average of this variable is 0.15, which is acceptable as it represents a satisfactory quality of audits. This observation is in line with other previous researches like Kohler et al., 2016, and Carver and Trinkle, 2017, that indicated that average AQ was between 10 % and 12 %. Such a percentage is an indication of significant improvement in the audit quality processes.

- Variable (Exret) - Abnormal Stock Returns:

The average abnormal stock returns is 15.119. Such value is quite near the 16.27 in the Abnormal returns in the Perotti and Wagenhofer, 2014 study implying that the outcome of the Iraqi financial environment is close to other contexts where the same analysis can be applied.

- Variable (Extended) - Extended Audit Report:

The average of this variable is 29.1 in percent, which is actually good percentage implying that approximately 29.1 percent of companies in the sample use the extended audit report. The findings correspond to other articles like Sirois et al., 2020 and Gutierrez et al., 2017, the percentages of which were 25 % to 35 %.

Comparison with Previous Studies:

The descriptive statistics determined in this paper indicate that there is some significant meeting point with regard to the findings of other studies that relate to this study. As an example, a research by Kohler et al., 2016 revealed that audit quality (AQ) ranged between 10% which is similar to the outcome we obtained in this study (15%). On the same note, the percent of extended audit report (29.1%) is commensurable to prior research which indicated percentages of 25-35 including Sirois et al., 2020 [26]. This reinforced the validity of employing descriptive statistics in analysing the data and comparing the findings within the current research study.

Second: Pearson Correlation Matrix

Pearson correlation matrix is one of the tools that are significant in statistic study to determine the relationship between the combinations of a set of variables in either a positive, negative, or even absent relationship. The Pearson correlation description is important in this study to gain a knowledge about the possible relationships of independent and dependent variables. The presentation of the matrix in Table 3 below comprises the correlation of various variables.

Table 3. Pearson Correlation Matrix.

Variables	AQ	Exret	Extended	Size	Roa	Lev	Z-Score	MTB
AQ	1	0.419**	0.367**	-0.006	0.337**	0.252*	-0.035866	0.231462
Exret	0.419**	1	0.054	-0.08604	0.298*	0.048	0.734**	-0.175
Extended	0.367**	0.054	1	-0.003641	-0.225292	0.038	0.185	-0.194
Size	-0.006	-0.08604	-0.003641	1	0.161974	-0.148	0.044	0.0699349
Roa	0.337**	0.298*	-0.225292	0.1619746	1	0.062	0.214	-0.042177
Lev	0.252*	0.048	0.038	-0.148	0.062	1	-0.23198	-0.415**
Z-Score	-0.035866	0.734**	0.185	0.044	0.214	-0.23198	1	0.025
MTB	0.231462	-0.175	-0.194	0.0699349	-0.042177	-0.415**	0.025	1

Notes on Pearson Correlation Matrix:

As one can see by considering Table 3, the correlation coefficients involving the independent and dependent variables offer important information about the type of relationships between the independent and dependent variable and help to investigate the existence of the problem of multicollinearity.

1. Relationship between Independent Variables (Extended) and Dependent Variables:

The relationship between the extended audit report (Extended) and the relevance of accounting information (AQ) as well as audit quality (Exret) is positive. It is found to have a great relationship with AQ (0.419) and Exret (0.367). It means that the more extended audit reports are implemented, the greater the quality of the audit and relevance of accounting information. These findings are in line with the idea that the extended report positively influenced these variables though this is only conclusively realized through hypothesis testing.

2. Multicollinearity:

Through comparison of the correlation coefficients, it is observed that the maximum correlation between variables could not go beyond 0.734 (between Exret and Z-Score) that is lower than the standard range of 0.8 to indicate multicollinearity problems. This implies that no severe multicollinearity issues between the independent or dependent variables and this enhances the validity of the statistical models employed in this study.

3. Negative Correlations:

There are also negative correlations among variables including the correlation between Z-Score and Lev that had recorded -0.415. This implies that financial leverage has an inverse correlation to the Z-Score.

Preliminary Analysis of Results:

Based on the analysis of Pearson correlation matrix, some important observations can be made about quantitative nature of relationships between the variables. As an example, the positive relationships between the extended audit report and the dependent variables including AQ and Exret indicate that the increased scope of the audit report may help to enhance the audit quality and make accounting information more relevant. These findings are consistent with other research, including Smith and Lennox et al., 2016, that also found that the positive correlation between long audit reports and the quality of the audit exists.

Conversely, there are some negative associations between variables indicating that following analysis using hypothesis testing is necessary so as to ascertain that these associations are not just coincidences and the findings are the actual correlations of the data.

What is the meaningfulness of Statistical Hypothesis Testing:

Although some of the major correlations between variables are present, it is necessary to confirm such relationships with the help of statistical hypothesis tests. This testing can enable the researcher to be sure that data analysis has not been biased or just a random association. The hypotheses will be tested in the following part of the study to establish the presence of strong and significant relationships between the independent and dependent variables.

Second: Statistical Hypothesis Test Results.

Statistical hypothesis tests are an essential instrument in the study of the relationship between variables in a scientific study. Through the hypotheses, researchers can be able to test whether the relationship between the variables is statistically significant as well as what the relationships imply in real world. In this regard, this paper will report the findings of the hypothesis test of the first hypothesis that will examine how the usage of the expanded audit report affects relevancy of accounting information.

Conclusions of the First Statistical Hypothesis Test of the Study:

The initial hypothesis of the present research is as follows: The Expanded Audit Report(as independent variable)does have an effect on the relevancy of the accounting information(as dependent variable). To test this hypothesis, the researcher used Hypothesis Test Model No. (2), which is based on the analysis of correlation among variables, test significance (Sig), and estimates of values and coefficients associated with independent and dependent variables. According to this model, the obtained results were presented in Table 4.

Table 4. Results of the First Statistical Hypothesis Test of the Study.

Variable	B. Coef.	t-stat.	Sig.	VIF
Constant	-0.615	-0.397	0.693	-
Extended	14.931	2.927	0.005	1.955
Size	8.359	0.377	0.707	1.879
Roa	19.251	1.826	0.073	3.981
Lev	6.268	0.652	0.517	1.291
Z-Score	-8.101	-1.703	0.094	1.734
MTB	8.319	1.555	0.126	2.360
Firm Fixed Effects	Included	-	-	-
F-value	4.44	-	-	-
N	248	-	-	-
Adj. R ²	49.70%	-	-	-

Analysis of Results:

Through the results that have been obtained, it is evident that the explanatory power of the statistical model is 49.7, which implies that the independent variables included in the model can explain about 49.7 percent of the total difference in the relevance of accounting information. It means that the practices related to the expanded audit report have a significant effect on the relevance of the accounting information, and

it is a logical conclusion based on the results of the previous research works on the topic. To illustrate, Sirois et al discovered that the extended audit report is being used to add the transparency of accounting information, thereby improving its worth. Also, Gutierrez et al discovered that there is a correlation between financial leverage (Lev) and the way companies interpret the accounting information they provided in their reports.

Physical Impact of Variables:

As indicated in the table, the independent variable Extended which is the level of implementation of the expanded audit report has a t-stat of 2.927 which means that the level of implementation of the expanded audit report Extended significantly impacts on the relevance of accounting information with a positive correlation coefficient between the extended audit report (Extended) and the relevance of accounting information (Exret).

Additionally, the research also discovered that the level of significance that the variable Extended has (Sig) equals to less than 0.05 (to be more exact, to 0.005) meaning that the correlation between the expanded audit report and the relevance of the accounting information is not accidental but rather a statistically significant relationship.

Also, it was observed that the Variance Inflation Factor (VIF) of all variables is less than 3.981, hence no problem with multicollinearity of variables. Normally when the VIF is larger than 10 it indicates that there is multicollinearity, which may interfere with the outcome of the statistical model, though, in this instance, the values of the VIF are much lower than that, which promotes the validity of the model and the credibility of its results.

Final Prediction Model:

According to the test results, the researcher can form the prediction model of the influence of the increased audit report on the relevance of accounting information through the following equation:

$$\text{Exret} = -0.615 + 14.931 \cdot \text{Extended} + 8.359 \cdot \text{Size} + 19.251 \cdot \text{Roa} + 6.268 \cdot \text{Lev} - 8.101 \cdot \text{Z-Score} + 8.319 \cdot \text{MTB}$$

Final Conclusions:

Judging by the findings of the initial test of the statistical hypothesis, the researcher may reject the null hypothesis (which presupposes that there is no influence of the expanded audit report on the relevance of accounting information), and therefore accept the alternative hypothesis, which is that there exists a significant positive impact of the expanded audit report on the relevance of accounting information. This implies that the greater the degree of expanded audit report practices, the higher the relevance of the accounting information to the requirements of the investors and other stakeholders. The results complement a number of other literature experiments, including Reid et al. (2015) and Lennox et al, indicating the effect of the expanded report on the accounting information quality and reliability.

Findings of the Second Statistical Hypothesis Test of the Study:

One of the essential tools that can be employed by the researchers to analyze and interpret data are statistical hypothesis tests. The second hypothesis test under consideration in this research is the attempt to test the effect of the use of the expanded audit report (as independent variable) on the audit quality (as dependent variable). The purpose of this relationship is to investigate the impact of the expanded report on the quality of external audit and whether this is a significant relationship.

To test this relationship, the researcher implemented Hypothesis Test Model No. (3), which is based on multiple regression analysis of the independent and dependent variables, checking the level of significance of the relationship, direction and value of the coefficients of the variables within the model. According to the obtained results, the data in Table 5 was achieved, indicating the results of the second statistical hypothesis test as follows:

Table 5. Results of the Second Statistical Hypothesis Test of the Study.

Variable	B. Coef.	t-stat.	Sig.	VIF
Constant	-1.138	-1.762	0.083	-
Extended	0.089	3.416	0.001	1.447
Size	12.722	3.228	0.002	1.229
Roa	0.306	0.187	0.852	1.261
Lev	2.013	1.073	0.288	1.498
Z-Score	-3.544	-1.816	0.075	1.654
MTB	6.539	2.156	0.035	1.866
Firm Fixed Effects	Included	-	-	-
F-value	17.5	-	-	-
N	248	-	-	-
Adj. R ²	75.80%	-	-	-

Analysis of Results:

Through an analysis of the findings presented in the table, one can notice that the statistical model has a great level of explanatory power; the Adjusted R² is equal to 75.80. This shows that the independent variables included in the model can lead to explain both about 75.8 percent of the variation in the audit quality, and its results are consistent with those of numerous previous studies that revealed positive and diverse effects of the

expanded audit report on the improvement of financial reporting and audit quality Sirois et al., 2020 [26][14].

Significance of the Effect of Variables in the Model:

As it can be seen, the correlation coefficient (B. Coeff.) demonstrates that the considerable positive influence on the audit quality is produced by the second variable, Extended (is connected to the extended audit report). The t-statistic = 3.416 value means the presence of a strong positive connection between the extended audit report and the audit quality. This implies that, the more the application of an extended audit report the more the quality of audit that is carried out.

Moreover, Sig. = 0.001 also shows that the two variables have a statistically significant relationship at the significance level of below 0.05 that allows relationship to strengthen the significance of 0.001 which one can observe and conclude that long audit report is statistically significant in relation to the quality of audit process.

All the independent variables in the model do not have a variance inflation factor greater than 1.866 implying that, multicollinearity does not represent an issue in the given model. This will guarantee that the outcomes are sound and have not been influenced by multicollinearity of the variables.

Other Influential Factors in the Model:

Some of the other variables incorporated in the model have positive connotations like firm size (Size) and market-to-book ratio (MTB). This implies that there is a positive strong correlation between the size of firm and quality of the audit implying that the larger the firm, the higher the audit will be of quality. The MTB ratio would also show that other firms whose market, as opposed to the book, values are higher can result in instant quality of the audit process since more audits and financial declarations are seen.

Final Predictive Model for Audit Quality:

Based on the results of the statistical analysis, the researcher can construct a predictive model for audit quality using the following equation:

$$AQ = -1.138 + 0.089 \cdot \text{Extended} + 12.722 \cdot \text{Size} + 0.306 \cdot \text{Roa} + 2.013 \cdot \text{Lev} - 3.544 \cdot \text{Z-Score} + 6.539 \cdot \text{MTB}$$

CONCLUSION

Fundamental Finding : Regarding the findings of the second hypothesis test, the researcher is able to reject the null hypothesis (H0, no effect of the extended audit report on external audit quality) and accept an alternative hypothesis, which will prove that the extended audit report showed significant positive effect on audit quality. The above finding validates the hypothesis that the extended audit report improves audit quality by giving more information and details, which lead to supporting the occurrence of the external audit process. **Implication :** Resting on these findings, the researcher will be able to make some valuable recommendations which can be useful to the stakeholders.

Embarking on the Practice of Extended Audit Reporting: Iraqi securities Exchange needs to spur the use of extended audit reporting of all companies rather than only large and government-owned companies. This will go to assist in enhancing transparency and quality of financial reports made by businesses. Favoring Future Research: Researchers are advised to find out the effects that may come up with in case Extended Audit Report is incorporated in the financial markets like whether it will affect the borrowing costs or whether it will influence the investment decisions. Long reports could enhance trustworthiness of financial statements by the investors. Compiling Audit Standards: The professional bodies that provide the standards of auditing must continue developing these standards in accordance with the international trends of providing long-term audit reports so that the local audit standards are in accordance with the worldwide trends of best practices. **Limitation:** Although the study successfully establishes a significant positive relationship between extended audit reports and audit quality, it is limited to a specific context – focusing on companies within Iraqi securities exchange and relying on purposive sampling of 248 observations during 2016–2019. Therefore, the results may not comprehensively represent the global diversity of accounting and auditing practices, and further comparative testing is needed across different regulatory environments. **Future Research:** Following the study results, the researcher feels that further accounting research should consider a multitude of techniques which seek to broaden our perception on the effects of lengthening of audit reports on the accounting and auditing procedures in different aspects. These areas are some of the areas that should be paid more attention; they include: examining the supposed revelations of lengthy audit report on all-inclusive audit market concentration, the role of extended audit reports in activating mandatory auditor rotation, and the role of extended audit reports in increasing the efficiency of capital markets. It is important to note that future research should be done to investigate the economic consequences of adopting extended audit reports on market concentration including the way this would affect audit costs and comparative power of big companies with small companies. Further studies can offset the real implications of the given phenomenon to the sphere of the future by engaging in comparative research between countries or markets with mandatory rotation and those without it. Also, further studies are needed to determine the implications of the prolonged reports on risk evaluation and the accessibility of financing to companies in financial markets.

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