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Investigating the Effect of Board Characteristics and CEO Tenure on Audit Quality in Companies Listed on the Iraq and Qatar Stock Exchanges: A Comparative Approach

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A B S T R A C T

Objective: This study aims to examine the impact of board characteristics and CEO tenure on audit quality in companies listed on the Iraq and Qatar stock exchanges, with a comparative analysis of these two emerging markets.

Methodology: The study employs a quantitative resesarch design using panel data regression analysis to assess the relationships between board size, board independence, CEO tenure, and institutional ownership with audit quality. The research sample consists of 232 firm-year observations from Iraq and 176 firm-year observations from Qatar, covering the period 2015 to 2022. Data were collected from financial statements and corporate reports of publicly listed companies. To ensure robustness, unit root tests, variance heterogeneity tests (White test), and multicollinearity diagnostics (VIF values) were conducted before hypothesis testing. The hypotheses were tested using regression models based on McFadden's logit estimation, and model fit was evaluated through Likelihood Ratio (LR) statistics and McFadden's R^2 values.

Findings: The results indicate a significant positive relationship between board size and audit quality in Iraq, whereas no significant relationship was found in Qatar. Board independence positively and significantly influences audit quality in both countries. CEO tenure is positively associated with higher audit quality, supporting the stewardship and resource dependence theories. However, institutional ownership has a significant negative effect on audit quality, suggesting that higher institutional investor influence may reduce auditor independence. The McFadden R^2 values range from 16% to 45%, demonstrating that corporate governance variables significantly explain variations in audit quality across firms in Iraq and Qatar.

Conclusion: The findings suggest that stronger governance regulations may be required to mitigate institutional investor influence and enhance audit transparency, particularly in emerging markets.

Keywords: *board characteristics, CEO tenure, audit quality, Iraq, Qatar*

1 Introduction

Accurate auditing, which detects misrepresentations in financial statements, is essential for stakeholders as it ensures the dissemination of reliable financial information (Al-Matari, 2020). Achieving this objective is influenced by various characteristics within auditing institutions, which may have either a positive or negative relationship with audit quality. From the auditor's perspective, the size of the auditing firm is a key determinant of audit quality. The likelihood of auditors detecting material misstatements is closely associated with their competence, while their willingness to report detected misstatements is an indicator of auditor independence (Boshnak, 2021).

Audit quality is characterized by an auditor's reputation and professional diligence. A reputable auditor enhances the credibility of financial statements, ensuring that financial reporting is conducted with due professional care (Hasan et al., 2020). Auditing plays a fundamental role in corporate governance, serving as a critical monitoring mechanism. High-quality audits can detect inaccuracies in financial statements, significantly influencing stakeholders by ensuring that financial reports are reliable (Kalita & Tiwari, 2023; Sadeghi Dehcheshmeh et al., 2024). The effectiveness of audits is largely dependent on the characteristics of auditing institutions, which can either enhance or undermine audit quality (Kateb et al., 2023).

Larger auditing firms tend to provide higher-quality audit services because they prioritize maintaining a strong reputation in the marketplace and are less dependent on retaining individual clients. These firms typically have greater resources and infrastructure to train auditors and conduct thorough examinations, thereby improving audit quality (Lutfi et al., 2022). The size of the board of directors is defined as the total number of executive and non-executive board members responsible for overseeing corporate management. Board independence, on the other hand, is measured by the proportion of non-executive members to total board members, with non-executive members being those who do not hold managerial roles within the company (Mardessi, 2021). CEO duality refers to a situation in which the CEO simultaneously serves as the chairman of the board, a structure that theoretically weakens the board's supervisory function (Mollik et al., 2020).

The composition of the board of directors is a crucial element of corporate governance. In an ideal governance framework, board members are responsible for overseeing corporate management and ensuring the accuracy of managerial decisions. This oversight function is reinforced when board members select reputable and high-quality auditors to enhance financial reporting integrity. However, when companies experience financial distress, such as declining sales, profitability, or liquidity, managers may have incentives to manipulate financial statements. In such scenarios, board members intensify efforts to appoint high-quality auditors to detect financial irregularities and improve transparency (Mohammadi et al., 2021; Schumann et al., 2024).

In recent years, institutional and major shareholders have delegated the responsibility of selecting auditors to the board of directors. Consequently, the size and composition of the board play a critical role in determining the quality of auditors. As a key corporate governance mechanism, the board structure is expected to enhance audit quality by ensuring the selection of high-quality auditors to mitigate managerial misconduct and improve financial reporting (Musallam, 2020; Nguyen, 2023).

Companies with boards that include a high proportion of executive directors or members with close financial and organizational ties to the CEO are more likely to seek auditors who provide favorable assessments of their financial performance. As a result, such companies tend to engage lower-quality auditing firms (Paolone et al., 2023).

Shareholders, particularly institutional investors, are central to the corporate governance framework, as they provide financial capital to companies and expect transparency in financial reporting (Phuong & Hung, 2020). Institutional and major shareholders monitor corporate performance in two primary ways: first, by directly overseeing operations through the appointment of independent auditors, and second, by influencing corporate decision-making through board member selection. By appointing board members, institutional shareholders can reduce agency costs and improve governance efficiency. In an ideal governance structure, managers are accountable to the board, and the board, in turn, is accountable to shareholders and other stakeholders. As institutional shareholders have increasingly transferred their auditor selection responsibilities to boards of directors, the influence of board structure on auditor selection has grown significantly (Rahaman & Karim, 2023).

The size of the board of directors has a substantial impact on corporate governance effectiveness. Larger boards may experience inefficiencies, as an excessive number of members can hinder decision-making, coordination, and supervisory effectiveness. Representation costs may also

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increase, leading to disengagement among certain board members (Sadeghi Dehcheshmeh et al., 2024). Additionally, large boards may struggle to exercise sufficient oversight over the CEO, thereby compromising governance effectiveness (Saleh et al., 2023). Conversely, small boards may lack diversity, expertise, and the necessary range of perspectives for sound decision-making. While larger boards can offer diverse skills and experience, they may also reduce operational efficiency, whereas smaller boards may lack sufficient independent oversight (Ngo & Nguyen, 2022). Importantly, larger boards can mitigate the risk of collusion between the CEO and board members, thereby strengthening financial oversight and increasing the likelihood of engaging high-quality auditors (Rijal & Bakri, 2023).

The lack of separation between the roles of CEO and chairman of the board weakens the board's supervisory function, thereby increasing the risk of stakeholder rights violations (Jadiyappa et al., 2021). According to agency theory, the roles of CEO and board chairman should be distinct to strengthen board independence and improve oversight functions (Afenya et al., 2022; Al-hadal & Hashim, 2022). CEO duality increases managerial power, leading to higher agency costs, greater information asymmetry, and a higher likelihood of earnings manipulation. To preserve their authority, CEOs may engage in actions that obscure financial misconduct, including the selection of low-quality auditors to limit external scrutiny (Islam et al., 2023).

Furthermore, when the CEO also serves as board chairman, their hierarchical power increases, limiting board oversight of their performance and tenure. In cases of poor corporate performance, an entrenched CEO may manipulate financial reports to obscure unfavorable results, creating concerns for shareholders and creditors regarding the board's ability to fulfill its supervisory responsibilities. This scenario can result in long-serving CEOs and restricted access to external financing (Alawaqleh et al., 2021).

Given these factors, prolonged CEO tenure may negatively impact audit quality, as entrenched CEOs may influence auditor selection to protect their own interests (Almomani et al., 2023). To effectively perform its duties, the board of directors must possess adequate expertise in finance, accounting, and management. A board that includes members with advanced financial expertise can enhance the overall financial oversight function. The presence of highly educated board members, such as those with doctoral degrees, strengthens financial reporting quality by increasing oversight rigor and ensuring management accountability. Such members can contribute to strategic decision-making and enhance investor confidence in financial reporting processes. Additionally, a highly experienced board can elevate financial reporting standards, ensuring improved audit quality and corporate transparency.

Institutional investors, including banks, insurance companies, pension funds, and investment firms, play a significant role in corporate governance due to their substantial investments in publicly traded firms (Borgi et al., 2021). These investors, by exercising voting rights in shareholder meetings, directly influence managerial decisions, including the selection of auditors. As institutional ownership increases, the demand for high-quality audits also rises. Companies with greater institutional ownership are more likely to engage large, reputable auditing firms that provide high-quality audit services (Dakhli & Mtiraoui, 2023).

In light of these considerations, this study aims to examine whether board characteristics and CEO tenure have a significant impact on audit quality.

2 Methods and Materials

The statistical population of this study comprises banks listed on the Iraq and Qatar stock exchanges between 2015 and 2022. A purposive sampling method was employed, selecting companies based on specific criteria:

1. Companies that were listed on the Iraq and Qatar stock exchanges before 2015 and remained listed continuously until the end of 2022.
2. Companies that maintained consistent fiscal year periods throughout the study duration.
3. Companies for which the requisite data necessary for the research was available.

Table 1 presents the sample size determination for Iraq. Initially, the population consisted of 130 companies. After excluding financial intermediaries, holding companies, insurance firms, and banks (82 companies) and eliminating firms lacking the necessary information for this research (19 companies), the final sample for Iraq included 29 companies.

Table 1

Determination of Sample Size in Iraq

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Number	Description	Number of Companies
1	Population at the time of data collection	130
2	Financial intermediaries, holdings, insurance, and banks	(82)
3	Companies with available research data	(19)
Population under study		29

Similarly, Table 2 presents the sample size determination for Qatar. The initial population consisted of 46 companies. After excluding financial intermediaries, holdings, and insurance firms (19 companies) and eliminating firms lacking the necessary research data (5 companies), the final sample for Qatar included 22 companies.

Table 2

Determination of Sample Size in Qatar

Number	Description	Number of Companies
1	Population at the time of data collection	46
2	Financial intermediaries, holdings, and insurance	(19)
3	Companies with available research data	(5)
Population under study		22

This study is classified as applied research due to its practical implications for investors, managers, and researchers. Additionally, it can be categorized as normative research as it describes current conditions based on empirical evidence derived from financial statements and accompanying notes. The study spans an eight-year period from 2015 to 2022. Given its methodological design, it is considered a quantitative study, employing measurable numerical variables and hypothesis testing.

To examine the research hypotheses, the following econometric models are utilized:

$$AUD(i,t) = \beta(0) + \beta(1)\ BS(i,t) + \beta(2)\ SIZE(i,t) + \beta(3)\ Age(i,t) + \beta(4)\ LEV(i,t) + \beta(5)\ Quick(i,t) + \beta(6)\ Prof(i,t) + \beta(7)\ (M/B)(i,t) + \varepsilon$$

$$AUD(i,t) = \beta(0) + \beta(1)\ BI(i,t) + \beta(2)\ SIZE(i,t) + \beta(3)\ Age(i,t) + \beta(4)\ LEV(i,t) + \beta(5)\ Quick(i,t) + \beta(6)\ Prof(i,t) + \beta(7)\ (M/B)(i,t) + \varepsilon$$

$$AUD(i,t) = \beta(0) + \beta(1)\ CEO(i,t) + \beta(2)\ SIZE(i,t) + \beta(3)\ Age(i,t) + \beta(4)\ LEV(i,t) + \beta(5)\ Quick(i,t) + \beta(6)\ Prof(i,t) + \beta(7)\ (M/B)(i,t) + \varepsilon$$

$$AUD(i,t) = \beta(0) + \beta(1)\ INS(i,t) + \beta(2)\ SIZE(i,t) + \beta(3)\ Age(i,t) + \beta(4)\ LEV(i,t) + \beta(5)\ Quick(i,t) + \beta(6)\ Prof(i,t) + \beta(7)\ (M/B)(i,t) + \varepsilon$$

Independent Variables

The independent variables in this study include board size, board independence, CEO tenure, and institutional ownership.

- **Board Size (BS):** The natural logarithm of board size is used to evaluate the relative size of the board of directors.
- **Board Independence (BI):** Board independence is measured as the ratio of non-executive board members to the total number of board members. Non-executive board members are those who do not hold executive positions within the company (Baghbani et al., 2013).
- **CEO Tenure:** The length of time, in years, that a CEO has served in their current position at the company.
- **Institutional Ownership (INS):** The proportion of shares held by governmental and public entities relative to the total outstanding shares of the company.

Dependent Variable

The dependent variable in this study is Audit Quality (AUDQUAL).

Audit quality is assigned a binary value based on the characteristics of the auditing firm. If the auditing firm is large, reputable, and well-established, it is assigned a value of 1. Conversely, if the auditing firm is smaller, less reputable, and considered to have lower credibility, it is assigned a value of 0. For auditing firms in Iraq and Qatar, a government auditing firm is assigned a value of 1, while non-government auditing firms are assigned a value of 0.

Control Variables

Several control variables are included to account for potential confounding factors that may influence audit quality:

- **Company Size:** The natural logarithm of total assets.

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- **Company Age:** The natural logarithm of company age, calculated as the difference between the founding year of the company and the year under investigation.
- **Market-to-Book Ratio (M/B):** The market value of the company divided by the book value of its ordinary shares.
- **Financial Leverage (LEV):** The ratio of total debt to total book assets.
- **Current Ratio (Quick):** The ratio of current assets to current liabilities.
- **Profitability (Prof):** Operating income divided by total assets.

By incorporating these variables, the study aims to provide a comprehensive analysis of the impact of board characteristics and CEO tenure on audit quality in the financial markets of Iraq and Qatar.

3 Findings and Results

In this study, the Levin-Lin-Chu Unit Root Test was employed to assess the stationarity of the research variables. According to this test, if the significance level of the test statistic is less than 0.05, the variables are considered stationary over the research period. This implies that their means, variances, and covariances remain constant across different years. Consequently, incorporating these variables into the model does not lead to spurious regression. The results of this test are presented in Table 3.

Table 3

Levin-Lin-Chu Test Results

Variable	Test	t-Test Statistic	Probability (p-value)	Stationarity Status
Audit Quality	Augmented Dickey-Fuller Test	-8.90	0.0000	Stationary
CEO Tenure	Augmented Dickey-Fuller Test	-10.10	0.0000	Stationary
Board Independence	Augmented Dickey-Fuller Test	-4.80	0.0000	Stationary
Board Size	Augmented Dickey-Fuller Test	-7.76	0.0252	Stationary
Institutional Ownership	Augmented Dickey-Fuller Test	-8.18	0.0000	Stationary
Company Size	Augmented Dickey-Fuller Test	-9.67	0.0000	Stationary
Current Ratio	Augmented Dickey-Fuller Test	-8.21	0.0000	Stationary
Profitability	Augmented Dickey-Fuller Test	-16.69	0.0000	Stationary
Market-to-Book Value	Augmented Dickey-Fuller Test	-7.32	0.0020	Stationary
Financial Leverage	Augmented Dickey-Fuller Test	-11.16	0.0000	Stationary
Company Age	Augmented Dickey-Fuller Test	-17.20	0.0000	Stationary

As observed, the significance levels of the Levin-Lin-Chu test statistics for all research variables are below 0.05, confirming that these variables exhibit stationarity.

Data Analysis - Descriptive Statistics of Research Variables

The first step in analyzing statistical data involves classifying, describing, and summarizing the dataset to extract underlying patterns and insights. The descriptive statistics for the research variables, including the mean, median, standard deviation, maximum, and minimum values, are presented in the following tables.

The dependent variable, audit quality, suggests that, on average, audit quality in Iraqi companies is slightly higher than in Qatari companies. This finding indicates that Iraqi companies are subjected to more frequent audits by the Iraqi Audit Bureau compared to their Qatari counterparts.

The study's independent variables—CEO tenure, board size, and board independence—reveal notable trends. CEO tenure in companies has been slightly longer than in banks over the research period, while the tenure of auditors in banks has been slightly longer than in companies. Additionally, the average board size, which serves as a moderating variable, is higher in banks than in companies.

Among the control variables, the comparison of return on assets across the two financial markets yields significant insights. First, asset returns in both Iraq and Qatar have been suboptimal during the research period. Second, asset returns in Iraqi companies are slightly higher than those in banks.

The variable representing company age indicates that Iraqi companies tend to be significantly older than banks. Some banks entered the stock market in 2014, the first year of the study period, as indicated by their natural logarithm equating to zero, signifying their initial year of stock market listing in this study.

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Regarding the qualitative loss variable, banks report lower losses compared to companies, which experience higher financial losses.

Table 4

Descriptive Statistics of Research Variables

Type of Variable	Variable	Iraq				Qatar			
		Mean	Median	Minimum	Maximum	Mean	Median	Minimum	Maximum
Independent	CEO Tenure	2.64	2	1	7	3.30	3	1	8
	Board Size	6.58	7	5	9	6.68	7	5	9
	Institutional Ownership	0.39	0.48	0.001	1.75	0.27	0.20	0.000	0.79
	Board Independence	0.69	0.80	0.14	1.00	0.36	0.42	0.000	0.66
Control	Company Size	22.61	22.57	19.25	27.04	23.42	23.56	17.52	25.26
	Financial Leverage	0.32	0.19	0.001	3.43	0.47	0.47	0.03	0.916
	Current Ratio	1.89	1.95	0.00	8.98	2.10	1.51	0.061	18.25
	Profitability	0.09	0.03	-0.69	0.91	0.07	0.04	-0.03	0.46
	Company Age	3.52	3.43	2.63	4.33	2.74	2.77	0.00	3.00
	Market-to-Book Ratio	3.05	2.41	0.07	14.56	3.54	2.64	0.34	10.93
	Number of Observations	232 firm-years				176 firm-years			

Table 5

Descriptive Statistics of Categorical Variables

	Iraq				Qatar			
Variable	Number of Zeros	Number of Ones	Percentage of Zeros (%)	Percentage of Ones (%)	Number of Zeros	Number of Ones	Percentage of Zeros (%)	Percentage of Ones (%)
Audit Quality	96	136	42	58	96	80	55	45
Number of Observations	232 firm-years				176 firm-years			

These findings provide valuable insights into the comparative corporate governance and audit practices in Iraq and Qatar. The results suggest that Iraqi companies undergo more frequent government audits than Qatari companies. Additionally, CEO tenure and board size exhibit variations across the two markets, potentially influencing audit quality. Furthermore, financial performance indicators, such as asset returns and profitability, show differences between the two regions, contributing to a broader understanding of corporate governance dynamics in emerging markets.

Heteroscedasticity occurs when the error terms in a regression model exhibit unequal variances. The White test is a widely used method for detecting heteroscedasticity. In this test, the null hypothesis assumes the absence of heteroscedasticity, while the alternative hypothesis indicates its presence. If the significance level exceeds 0.05 at a 95% confidence level, it suggests that heteroscedasticity is not present in the model. The results of the White test are presented below:

Table 6

White Test Results

F Statistic	Significance Level	Result
0.381	0.421	Presence of variance heterogeneity
0.398	0.391	Presence of variance heterogeneity
0.546	0.221	Presence of variance heterogeneity
0.536	0.234	Presence of variance heterogeneity

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It is important to note that the significance level of the White test statistic exceeds 0.05, indicating that variance heterogeneity is not present in the model.

The results for the first hypothesis test in Iraq and Qatar are presented below. The findings indicate that board size (independent variable) exhibits a significant positive relationship with audit quality (dependent variable) in Iraq, whereas a negative relationship is observed in Qatar. In Iraq, the relationship is statistically significant at the 1% error level, with a coefficient of 2.761 and a significance level of 0.000. In contrast, in Qatar, the relationship is significant at the 10% error level, with a coefficient of -0.295 and a significance level of 0.167.

As a result, the first hypothesis is accepted in Iraq with 95% confidence but rejected in Qatar. The McFadden determination coefficient values indicate that 45% of the variance in the dependent variable is explained by the independent variables in Iraq, while in Qatar, this value is 16%. Furthermore, the variance inflation factor (VIF) values confirm that multicollinearity is not present among the independent variables.

Table 7

Results of the First Hypothesis Testing

Variable	Iraq				Qatar			
	Coefficient	Z-Score	P-Value	Heteroscedasticity	Coefficient	T-Score	P-Value	Heteroscedasticity
Intercept (β)	-0.256	-0.66	0.508	-	0.236	1.31	0.191	-
Board Size (BS)	2.761	4.56**	0.000	1.13	-0.295	-1.678*	0.094	1.11
Company Size (SIZE)	-0.187	-1.28	0.198	1.42	-0.158	-0.726	0.467	1.29
Current Ratio (Quick)	0.216	1.40	0.159	1.48	-0.957	-0.809	0.418	1.26
Profitability (Prof)	0.360	1.51	0.132	1.11	-0.050	-0.02	0.983	1.07
Market-to-Book Ratio (M/B)	0.245	2.09	0.036	1.02	-0.035	-0.513	0.607	1.22
Financial Leverage (LEV)	3.669	3.61	0.000	1.06	-3.798	-3.378	0.000	1.34
Company Age (Age)	2.855	3.542	0.000	1.11	-1.313	-3.312	0.000	1.54

$$AUD(i,t) = \beta(0) + \beta(1)\, BS(i,t) + \beta(2)\, SIZE(i,t) + \beta(3)\, Age(i,t) + \beta(4)\, LEV(i,t) + \beta(5)\, Quick(i,t) + \beta(6)\, Prof(i,t) + \beta(7)\, (M/B)(i,t) + \varepsilon$$

Table 8

First Model Fit Statistics

Statistic	Iraq	Qatar
Likelihood Ratio (LR)	145.62 (p = 0.000)	21.38 (p = 0.000)
McFadden R^2	0.45	0.16
Number of Observations	232	176

The results highlight a significant difference in the relationship between board size and audit quality across the two markets. While larger board size in Iraq is associated with improved audit quality, the reverse is observed in Qatar, where larger boards appear to reduce audit quality. The findings underscore the importance of contextual corporate governance factors in determining the effectiveness of board structures in ensuring high-quality audits.

Results of Hypothesis Test 2

The examination of the second hypothesis reveals that board independence (independent variable) has a significant relationship with audit quality (dependent variable) in both Iraq and Qatar. In Iraq, the coefficient and significance level are 5.276 and 0.000, respectively, while in Qatar, they are -3.783 and 0.000, respectively. These findings indicate that board independence has a significant positive relationship with audit quality in Iraq and a significant negative relationship in Qatar at the 1% error level.

Therefore, the second hypothesis is accepted in both Iraq and Qatar with 95% confidence. The McFadden determination coefficient values indicate that 37% of the variance in the dependent variable is explained by the independent variables in Iraq, while in Qatar, this value is 18%. Furthermore, the variance inflation factor (VIF) values confirm that multicollinearity is not present among the independent variables.

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Table 9

Results of the Second Hypothesis Testing

Variable	Iraq				Qatar			
	Coefficient	Z-Score	P-Value	Heteroscedasticity	Coefficient	T-Score	P-Value	Heteroscedasticity
Intercept (β)	-0.256	-0.66	0.508	-	0.236	1.31	0.191	-
Board Independence (BI)	5.276	5.030**	0.000	1.13	3.783	2.390**	0.000	1.11
Company Size (SIZE)	-0.240	-1.78	0.073	1.42	-0.141	-0.678	0.497	1.29
Current Ratio (Quick)	0.279	1.835	0.066	1.48	-0.175	-1.547	0.121	1.26
Profitability (Prof)	0.636	0.626	0.530	1.11	-0.398	-0.160	0.872	1.07
Market-to-Book Ratio (M/B)	-0.015	-0.186	0.852	1.02	-0.041	-0.601	0.547	1.22
Financial Leverage (LEV)	4.439	4.536	0.000	1.06	-4.168	-3.592	0.000	1.34
Company Age (Age)	0.888	1.732	0.082	1.11	-1.521	-3.860	0.000	1.54

$$AUD(i,t) = \beta(0) + \beta(1)\, BI(i,t) + \beta(2)\, SIZE(i,t) + \beta(3)\, Age(i,t) + \beta(4)\, LEV(i,t) + \beta(5)\, Quick(i,t) + \beta(6)\, Prof(i,t) + \beta(7)\, (M/B)(i,t) + \varepsilon$$

Table 10

Second Model Fit Statistics

Statistic	Iraq	Qatar
Likelihood Ratio (LR)	119.62 (p = 0.000)	43.90 (p = 0.000)
McFadden R^2	0.37	0.18
Number of Observations	232	176

The results of the third hypothesis test indicate that CEO tenure (independent variable) has a significant positive relationship with audit quality (dependent variable) in both Iraq and Qatar. In Iraq, the coefficient and significance level are 0.210 and p = 0.011, respectively, while in Qatar, they are 0.278 and p = 0.009, respectively. These findings suggest that CEO tenure is positively correlated with audit quality in both markets at the 1% error level.

Therefore, the third hypothesis is accepted in both Iraq and Qatar with 95% confidence. The McFadden determination coefficient values indicate that 28% of the variance in the dependent variable is explained by the independent variables in Iraq, while in Qatar, this value is 18%. Additionally, the VIF values suggest that multicollinearity is not present among the independent variables.

Table 11

Results of the Third Hypothesis Testing

Variable	Iraq				Qatar			
	Coefficient	Z-Score	P-Value	Heteroscedasticity	Coefficient	T-Score	P-Value	Heteroscedasticity
Intercept (β)	-0.256	-0.66	0.508	-	0.236	1.31	0.191	-
CEO Tenure (CEO)	0.210	2.521**	0.011	1.13	0.278	2.593**	0.009	1.11
Company Size (SIZE)	0.142	1.118	0.263	1.42	-0.134	-0.686	0.492	1.29
Current Ratio (Quick)	0.303	2.167	0.030	1.48	-0.124	-1.165	0.244	1.26
Profitability (Prof)	1.974	2.393	0.016	1.11	1.039	0.441	0.658	1.07
Market-to-Book Ratio (M/B)	0.020	0.272	0.785	1.02	-0.041	-0.605	0.545	1.22
Financial Leverage (LEV)	5.336	5.396	0.000	1.06	-4.401	-3.741	0.000	1.34
Company Age (Age)	0.752	1.536	0.124	1.11	-1.573	-3.813	0.000	1.54

$$AUD(i,t) = \beta(0) + \beta(1)\, CEO(i,t) + \beta(2)\, SIZE(i,t) + \beta(3)\, Age(i,t) + \beta(4)\, LEV(i,t) + \beta(5)\, Quick(i,t) + \beta(6)\, Prof(i,t) + \beta(7)\, (M/B)(i,t) + \varepsilon$$

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Table 12

Third Model Fit Statistics

Statistic	Iraq	Qatar
Likelihood Ratio (LR)	90.46 (p = 0.000)	44.89 (p = 0.000)
McFadden R^2	0.28	0.18
Number of Observations	232	176

These findings suggest that longer CEO tenure is associated with higher audit quality in both Iraq and Qatar. This relationship could indicate that experienced CEOs are more likely to engage in transparent financial reporting practices, thereby enhancing the credibility of audited financial statements. The findings contribute to the understanding of corporate governance mechanisms and their role in ensuring audit quality in emerging financial markets.

The results of testing the fourth hypothesis in Iraq and Qatar are presented below. The findings indicate that institutional ownership (independent variable) exhibits a significant negative relationship with audit quality (dependent variable) in both Iraq and Qatar. In Iraq, the coefficient and significance level are -2.538 and p = 0.011, respectively, while in Qatar, they are -4.253 and p = 0.000, respectively. These results confirm that institutional ownership negatively impacts audit quality at the 1% error level.

Therefore, the fourth hypothesis is accepted in both Iraq and Qatar with 95% confidence. The McFadden determination coefficient values indicate that 30% of the variance in the dependent variable is explained by the independent variables in Iraq, while in Qatar, this value is 29%. Additionally, the VIF values confirm that multicollinearity is not present among the independent variables.

Table 13

Results of the Fourth Hypothesis Testing

Variable	Iraq				Qatar			
	Coefficient	Z-Score	P-Value	Heteroscedasticity	Coefficient	T-Score	P-Value	Heteroscedasticity
Intercept (β)	-0.256	-0.66	0.508	-	0.236	1.31	0.191	-
Institutional Ownership (INS)	-2.538	-3.404**	0.000	1.13	-4.253	-4.883**	0.000	1.11
Company Size (SIZE)	0.021	0.157	0.874	1.42	-0.031	-0.143	0.886	1.29
Current Ratio (Quick)	0.300	2.073	0.038	1.48	-0.104	-0.997	0.318	1.26
Profitability (Prof)	1.603	1.881	0.059	1.11	1.559	0.557	0.577	1.07
Market-to-Book Ratio (M/B)	-0.029	-0.378	0.705	1.02	-0.041	-0.562	0.573	1.22
Financial Leverage (LEV)	5.073	5.207	0.000	1.06	-3.950	-3.321	0.000	1.34
Company Age (Age)	1.141	2.238	0.025	1.11	-1.180	-2.924	0.003	1.54

$$AUD(i,t) = \beta(0) + \beta(1)\ INS(i,t) + \beta(2)\ SIZE(i,t) + \beta(3)\ Age(i,t) + \beta(4)\ LEV(i,t) + \beta(5)\ Quick(i,t) + \beta(6)\ Prof(i,t) + \beta(7)\ (M/B)(i,t) + \varepsilon$$

Table 14

Fourth Model Fit Statistics

Statistic	Iraq	Qatar
Likelihood Ratio (LR)	96.46 (p = 0.000)	96.18 (p = 0.000)
McFadden R^2	0.30	0.29
Number of Observations	232	176

These findings suggest that higher levels of institutional ownership are associated with lower audit quality in both Iraq and Qatar. This negative relationship may indicate that institutions with significant ownership stakes exert influence over financial reporting and auditing processes in ways that reduce audit quality. The findings contribute to a deeper understanding of the corporate governance landscape in emerging financial markets, emphasizing the role of institutional investors in shaping audit practices.

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4 Discussion and Conclusion

The findings of this study provide significant insights into the relationship between corporate governance characteristics and audit quality in companies listed on the Iraq and Qatar stock exchanges. The results indicate that board size, board independence, CEO tenure, and institutional ownership each play distinct roles in shaping audit quality, though with varying effects across the two countries. These findings contribute to the broader literature on corporate governance and auditing in emerging markets and align with several previous studies.

The results of the first hypothesis indicate a significant relationship between board size and audit quality. Specifically, in Iraq, a positive and significant coefficient suggests that larger board sizes contribute to improved audit quality. This finding is in line with the study conducted by Mardnly et al. (2021), who reported that larger boards enhance governance structures, leading to higher levels of audit quality (Mardnly et al., 2021). Similarly, the resource dependence theory, as highlighted by Afenya et al. (2022), suggests that a larger board can provide more oversight and access to expertise, thereby improving financial reporting and audit quality (Afenya et al., 2022). However, in Qatar, the findings do not establish a significant association between board size and audit quality, corroborating the findings of Alexeyeva (2023). This lack of significance may be attributed to structural differences in corporate governance between the two countries (Alexeyeva, 2023). Conversely, studies on Iranian firms, such as that by Safari Gerayli et al. (2021), indicate a negative relationship between board size and audit quality, suggesting that overly large boards may reduce decision-making efficiency and increase agency conflicts (Safari Gerayli et al., 2021).

The second hypothesis examined the relationship between board independence and audit quality. The results indicate a positive and significant relationship, confirming that greater board independence is associated with improved audit quality in both Iraq and Qatar. These findings align with the study by Kalia (2023), which identified a direct and significant relationship between board independence and audit quality in similar markets (Kalia et al., 2023). This outcome is supported by representation theory, which posits that independent board members enhance oversight mechanisms, leading to higher-quality financial reporting (Alia et al., 2020). Additionally, the findings are consistent with the study by Mahmoodi (2023), which found that independent boards play a crucial role in maintaining auditor objectivity and ensuring financial transparency (Mahmoodi et al., 2023). This evidence reinforces the argument that enhancing board independence can strengthen governance structures, ultimately leading to improved audit practices.

The third hypothesis explored the relationship between CEO tenure and audit quality, revealing a positive and significant relationship in both Iraq and Qatar. The findings indicate that longer CEO tenure corresponds to higher audit quality, supporting the stewardship and resource dependence theories. These theories suggest that experienced CEOs develop a deeper commitment to organizational transparency and financial integrity, reducing the likelihood of financial misstatements (Mardnly et al., 2021). These results align with the study by Nguyen (2023), which found that CEO tenure positively influences corporate governance and audit quality by fostering stability and long-term strategic planning (Nguyen, 2023). The findings further support the view that experienced CEOs are more likely to ensure high-quality audits, as they have a greater stake in maintaining the company's credibility. This study contributes to the limited body of literature on CEO tenure and audit quality by providing empirical evidence of their positive association in Middle Eastern economies.

The fourth hypothesis investigated the relationship between institutional ownership and audit quality, demonstrating a significant and negative relationship in both Iraq and Qatar. This suggests that higher institutional ownership is associated with lower audit quality, implying that institutional investors may exert pressure on auditors to issue favorable reports rather than uphold audit independence. These results are consistent with the findings of Payne and Williamson (2021), who documented similar negative effects of institutional ownership on audit quality (Payne & Williamson, 2021). Theoretically, this aligns with agency theory, which argues that concentrated ownership structures can lead to conflicts of interest, where institutional investors prioritize short-term gains over transparent financial reporting.

The primary limitation of this study arises from the differences in the size and structure of the stock markets in Iraq and Qatar. The Iraqi stock market has a significantly higher number of listed companies than the Qatar Stock Exchange, which may impact the generalizability of the findings. Additionally, the relatively larger size of firms in both markets, particularly those representing economic stability in Iraq and Qatar, may influence the results. The sample is limited to publicly listed companies, which may not fully capture the corporate governance dynamics of

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privately held firms. Finally, this study does not account for potential moderating factors, such as industry-specific effects or regulatory changes, which could influence the relationship between governance characteristics and audit quality.

Future research should explore the role of ownership structure and ownership concentration in shaping audit quality in Iraq and Qatar. Examining how different ownership types—such as government ownership versus foreign institutional ownership—affect audit outcomes could provide deeper insights. Additionally, given the prevalence of state-owned enterprises in Middle Eastern economies, future studies should analyze the impact of government ownership on audit quality and corporate performance. Another promising avenue for research is the influence of audit fee stickiness on audit quality, as fee dependence may impact auditor independence. Moreover, researchers could incorporate longitudinal data analysis to examine whether corporate governance reforms over time have altered the relationship between board characteristics and audit quality.

Given that Iraqi companies frequently have CEOs serving as board members, increasing the minimum number of independent board members could enhance oversight and reduce agency costs. Strengthening corporate governance regulations—such as mandating a higher proportion of non-executive directors—may improve audit quality. Policymakers should take corporate governance practices more seriously, ensuring that institutional investors do not unduly influence audit processes. Additionally, companies in Iraq and Qatar should consider implementing more rigorous external audit mechanisms to prevent potential conflicts of interest. Finally, regulatory authorities should enhance audit quality standards by enforcing stricter disclosure requirements and increasing auditor accountability in corporate governance frameworks.

Authors' Contributions

All authors have contributed significantly to the research process and the development of the manuscript.

Declaration

In order to correct and improve the academic writing of our paper, we have used the language model ChatGPT.

Transparency Statement

Data are available for research purposes upon reasonable request to the corresponding author.

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Declaration of Interest

The authors report no conflict of interest.

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Ethical Considerations

In this research, ethical standards including obtaining informed consent, ensuring privacy and confidentiality were observed.

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