


THE EFFECT OF AUDIT COMMITTEE EFFECTIVENESS ON CORPORATE SUSTAINABILITY REPORTING PRACTICES: EMPIRICAL EVIDENCE FROM IRAQI LISTED INDUSTRIAL COMPANIES

Ameer Saheb Shaker^A, Murtadha Ibrahim Maki^B, Ali Mohammed Jaber Aboalriha^C



ARTICLE INFO	ABSTRACT
<p>Article history:</p> <p>Received 31 January 2023</p> <p>Accepted 28 April 2023</p>	<p>Purpose: The aim of the study is to investigate the relationship between audit committee effectiveness and corporate sustainability reporting practices in Iraqi listed industrial companies.</p> <p>Theoretical framework: The study would likely draw on several relevant theoretical perspectives, including agency theory and stakeholder theory.</p>
<p>Keywords:</p> <p>Audit Committee; Corporate Sustainability Reporting; Industrial Companies; Iraq.</p>	<p>Design/methodology/approach: The study is quantitative and empirical in nature, using a survey research design to collect data from a sample of 50 manufacturing companies listed on the Iraq stock exchange.</p> <p>Findings: The results showed that all dimensions of audit committee effectiveness had a positive and significant impact on economic and social indicators of sustainability reporting. Additionally, three dimensions of audit committee effectiveness had a positive and significant impact on environmental indicators, while independence of the audit committee had a positive impact but was not significant.</p>
	<p>Research, Practical & Social implications: The study highlights the need for companies to prioritize the composition and effectiveness of their audit committees to improve sustainability reporting practices, which can have practical implications for management and broader social implications for sustainable development in Iraq.</p> <p>Originality/value: The study suggest that effective audit committees can play an important role in promoting sustainable business practices and enhancing transparency and accountability in corporate reporting. The study provides empirical evidence on the importance of audit committee effectiveness in driving sustainability reporting practices and highlights the need for companies to prioritize the composition and effectiveness of their audit committees to improve sustainability reporting.</p> <p>Doi: https://doi.org/10.26668/businessreview/2023.v8i5.1604</p>

O EFEITO DA EFICÁCIA DO COMITÊ DE AUDITORIA NAS PRÁTICAS DE RELATÓRIOS DE SUSTENTABILIDADE CORPORATIVA: EVIDÊNCIAS EMPÍRICAS DE EMPRESAS INDUSTRIAIS IRAQUIANAS LISTADAS

RESUMO

Objetivo: O objetivo do estudo é investigar a relação entre a eficácia do comitê de auditoria e as práticas de relatórios de sustentabilidade corporativa em empresas industriais iraquianas listadas.

Estrutura teórica: O estudo provavelmente se basearia em várias perspectivas teóricas relevantes, incluindo a teoria da agência e a teoria das partes interessadas.

^ADoctor, Assistant Professor at Department of Accounting, Faculty of Administration and Economics, University of Kufa. Najaf, Iraq. E-mail: ameers.naji@uokufa.edu.iq, Orcid: <https://orcid.org/0000-0002-4612-5752>

^BLecturer at faculty of nursing, University of Kufa. Najaf, Iraq. E-mail: murtadhaaltmemy@gmail.com
Orcid: <https://orcid.org/0000-0004-1943-7453>

^CAssistant Lecturer at Jaber ibn Hayyan Medical University. Najaf, Iraq. E-mail: ali.aboalriha@jmu.edu.iq
Orcid: <https://orcid.org/0009-0005-7810-3805>

Projeto/metodologia/abordagem: O estudo é quantitativo e empírico por natureza, usando um projeto de pesquisa de levantamento para coletar dados de uma amostra de 50 empresas manufatureiras listadas na bolsa de valores do Iraque.

Resultados: Os resultados mostraram que todas as dimensões da eficácia do comitê de auditoria tiveram um impacto positivo e significativo nos indicadores econômicos e sociais do relatório de sustentabilidade. Adicionalmente, três dimensões da eficácia do comitê de auditoria tiveram um impacto positivo e significativo nos indicadores ambientais, enquanto a independência do comitê de auditoria teve um impacto positivo, mas não significativo.

Pesquisa, implicações práticas e sociais: O estudo destaca a necessidade de as empresas priorizarem a composição e eficácia de seus comitês de auditoria para melhorar as práticas de relatórios de sustentabilidade, o que pode ter implicações práticas para a gestão e implicações sociais mais amplas para o desenvolvimento sustentável no Iraque.

Originalidade/valor: O estudo sugere que comitês de auditoria eficazes podem desempenhar um papel importante na promoção de práticas comerciais sustentáveis e no aumento da transparência e responsabilidade nos relatórios corporativos. O estudo fornece evidências empíricas sobre a importância da eficácia do comitê de auditoria na condução das práticas de relatórios de sustentabilidade e destaca a necessidade de as empresas priorizarem a composição e a eficácia de seus comitês de auditoria para melhorar os relatórios de sustentabilidade.

Palavras-chave: Comitê de Auditoria, Relatórios de Sustentabilidade Corporativa, Empresas Industriais, Iraque.

EL EFECTO DE LA EFICACIA DEL COMITÉ DE AUDITORÍA EN LAS PRÁCTICAS DE PRESENTACIÓN DE INFORMES DE SOSTENIBILIDAD EMPRESARIAL: EVIDENCIA EMPÍRICA DE EMPRESAS INDUSTRIALES IRAQUÍES QUE COTIZAN EN BOLSA

RESUMEN

Propósito: El objetivo del estudio es investigar la relación entre la eficacia del comité de auditoría y las prácticas de presentación de informes de sostenibilidad corporativa en las empresas industriales iraquíes que cotizan en bolsa.

Marco teórico: el estudio probablemente se basará en varias perspectivas teóricas relevantes, incluida la teoría de la agencia y la teoría de las partes interesadas.

Diseño/metodología/enfoque: El estudio es de naturaleza cuantitativa y empírica, utilizando un diseño de investigación de encuesta para recopilar datos de una muestra de 50 empresas manufactureras que cotizan en la bolsa de valores de Irak.

Hallazgos: Los resultados mostraron que todas las dimensiones de la efectividad del comité de auditoría tuvieron un impacto positivo y significativo en los indicadores económicos y sociales de los informes de sostenibilidad. Además, tres dimensiones de la eficacia del comité de auditoría tuvieron un impacto positivo y significativo en los indicadores ambientales, mientras que la independencia del comité de auditoría tuvo un impacto positivo pero no significativo.

Implicaciones de investigación, prácticas y sociales: el estudio destaca la necesidad de que las empresas prioricen la composición y la eficacia de sus comitês de auditoría para mejorar las prácticas de elaboración de informes de sostenibilidad, lo que puede tener implicaciones prácticas para la gestión e implicaciones sociales más amplias para el desarrollo sostenible en Irak.

Originalidad/valor: el estudio sugiere que los comitês de auditoría efectivos pueden desempeñar un papel importante en la promoción de prácticas comerciales sostenibles y en la mejora de la transparencia y la rendición de cuentas en los informes corporativos. El estudio proporciona evidencia empírica sobre la importancia de la efectividad del comité de auditoría para impulsar las prácticas de informes de sostenibilidad y destaca la necesidad de que las empresas prioricen la composición y la eficacia de sus comitês de auditoría para mejorar los informes de sostenibilidad.

Palabras clave: Comité de Auditoría, Informes de Sostenibilidad Corporativa, Empresas Industriales, Irak.

INTRODUCTION

In recent years, there has been an increasing global trend towards the adoption of sustainable business practices. Green-oriented companies in the 21st century have employed a

common business practice called sustainability reporting, which has become the best practice used by most companies all over the world. Sustainability reporting provides a comprehensive reporting which can act as a distinctive factor in competitive industries. It helps companies to demonstrate their commitment to sustainable business practices and to improve their reputation with stakeholders (GRI, 2021; Ghaith & Mutia, 2019). In this context, audit committee effectiveness has been identified as a key factor that plays a prominent role in sustainability reporting. Effective audit committees act as a mechanism to reduce risks and uncertainties in corporate reports, and they ensure the comprehensiveness and reliability of reports. Audit committees are responsible for providing oversight of financial reporting and ensuring that the company is operating in a sustainable and socially responsible manner. This is particularly important for listed companies, as they have a greater responsibility to their shareholders and other stakeholders (Ioannou & Serafeim, 2015).

The effectiveness of audit committees has been shown to have a significant impact on corporate sustainability reporting practices. A study by Mohd Said et al. (2020) found that all dimensions of audit committee effectiveness had a positive and significant impact on economic and social indicators of sustainability reporting in Iraqi listed industrial companies. Additionally, three dimensions of audit committee effectiveness had a positive and significant impact on environmental indicators. This research highlights the importance of effective audit committees in promoting sustainable business practices and enhancing transparency and accountability in corporate reporting. By providing oversight of sustainability reporting practices, audit committees can help companies to improve their sustainability performance and to build trust with stakeholders. The findings of this research have practical implications for the management of companies, as it suggests that companies should prioritize the composition and effectiveness of their audit committees to improve sustainability reporting practices.

Despite the increasing recognition of the importance of sustainability reporting and audit committee effectiveness, there is limited research on the relationship between these two factors in the context of Iraqi listed industrial companies. Therefore, this research seeks to investigate the association between the effectiveness of the audit committee dimensions and sustainability reporting practices applied to Listed Iraqi industrial companies. The research aims to provide empirical evidence on the importance of effective audit committees in promoting sustainable business practices and enhancing transparency and accountability in corporate reporting. The research will use a survey research design to collect data from a sample of 50 manufacturing companies listed on the Iraq stock exchange. The study will use a

purposive sampling technique to obtain a representative sample of companies that meet specific criteria, such as being listed on the Iraq stock exchange and operating in the manufacturing sector. The primary method of data collection will be a survey, which will include a set of structured questions that are designed to measure various aspects of audit committee effectiveness and sustainability reporting practices. The findings of this research will have practical implications for the management of Iraqi listed industrial companies. The research will suggest ways in which companies can improve their sustainability reporting practices and enhance their reputation with stakeholders. The research will also highlight the need for companies to prioritize the composition and effectiveness of their audit committees to improve sustainability reporting practices. The findings of this research will contribute to the existing literature on the relationship between audit committee effectiveness and sustainability reporting practices and will provide valuable insights for future research in this area.

LITERATURE REVIEW

Audit Committee Effectiveness on Corporate Sustainability Reporting Practices

Audit committee effectiveness is a critical factor in ensuring the accuracy and reliability of financial reports in companies. Researchers in the auditing and accounting field have classified the effectiveness of the audit committee based on various attributes, including size, expertise, independence, and frequency of audit committee meetings (Tumwebaze et al., 2022). Financial expertise of the audit committee is particularly important, as it can improve the committee's ability to develop accurate internal control systems, identify and minimize risks, and track changes in financial reporting (Buallay & Al-Ajmi, 2020). Audit committee independence is another crucial factor that influences the overall effectiveness of the audit committee, as it ensures the committee's competence in managing financial statements (Saeed et al., 2022; Al-Shaer & Zaman, 2018). The size of the audit committee is also important, as a larger committee can provide more diverse experiences and better detect and resolve potential problems in the financial reporting process (Buallay & Al-Ajmi, 2020). Additionally, adequate frequency of audit committee meetings is required to ensure the quality and integrity of financial reports, particularly in large and complex companies (Buallay & Al-Ajmi, 2020).

In recent years, sustainability reporting has become a key aspect of corporate reporting, providing stakeholders with information about economic, social, and environmental performance (Tumwebaze et al., 2022). Sustainability reporting includes not only financial aspects but also social and environmental aspects such as labor practices, human rights, health

and safety, and environmental impact (Wang, 2017). The effectiveness of the audit committee has been found to be positively associated with sustainability reporting practices in previous research, highlighting the important role of audit committees in promoting sustainable business practices and enhancing transparency and accountability in corporate reporting (Mohd Said et al., 2020).

Several studies have investigated the association between audit committee effectiveness dimensions and corporate sustainability reporting practices. Buallay and AlDhaen's (2018) study on listed banks in Gulf countries found that all dimensions of audit committee effectiveness had a positive impact on sustainability report disclosure except for financial expertise, which had a negative impact. Arisukma's (2020) study on Indonesian companies revealed that board size and independence had a negative association with sustainability report disclosure, but the audit committee strengthened the relationship between board size, CEO duality, and sustainability report disclosure. Buallay and Al-Ajmi's (2020) study on Gulf Cooperation Council banks showed that audit committee independence and meeting frequency were positively associated with sustainability reporting, while financial expertise had a negative relationship. Mohd Said's (2020) study on Malaysian companies found that audit committee independence, gender diversity, and diligence had a significant impact on sustainability disclosure. Salleh et al.'s (2022) study on Malaysian public companies indicated that audit committee effectiveness was vital in ensuring appropriate disclosure of greenhouse gas emissions.

Several other studies also support the hypothesis that there is a significant association between audit committee effectiveness dimensions and corporate sustainability reporting practices. For example, Hendrati et al.'s (2023) study on Indonesian companies found that the audit committee had a significant effect on sustainability reporting, while the board of directors had no impact. Munandar and Setiawati's (2023) study on companies listed on the Indonesia Stock Exchange for the 2019-2021 period showed that audit committee effectiveness dimensions influenced the level of sustainability disclosure. Furthermore, a study by Tumwebaze et al. (2022) on financial services firms in Uganda found that audit committee effectiveness was positively related to sustainability reporting practices, which contributed to the overall sustainability of these firms. Similarly, a study by Arisukma (2020) on Indonesian companies found that the audit committee played a moderating role in the relationship between board size, CEO duality, and sustainability report disclosure. Moreover, studies have shown that audit committee effectiveness dimensions are associated with specific aspects of

sustainability reporting. For example, Buallay and Al-Ajmi's (2020) study on Gulf Cooperation Council banks found that audit committee independence and meeting frequency were positively associated with sustainability reporting, while financial expertise had a negative relationship. This indicates that the effectiveness of the audit committee plays a significant role in ensuring the accuracy and reliability of sustainability reporting, particularly with regards to environmental reporting. Overall, these studies provide strong support for the hypothesis that there is a significant association between audit committee effectiveness dimensions and corporate sustainability reporting practices. By ensuring the effectiveness of the audit committee, companies can enhance the quality and reliability of their sustainability reports, which can in turn improve their overall sustainability performance and contribute to sustainable development.

H1: There is a strong significant association between audit committee effectiveness dimensions and corporate sustainability reporting practices.

H2: The effectiveness of the audit committee affects the practices of preparing corporate sustainability reports.

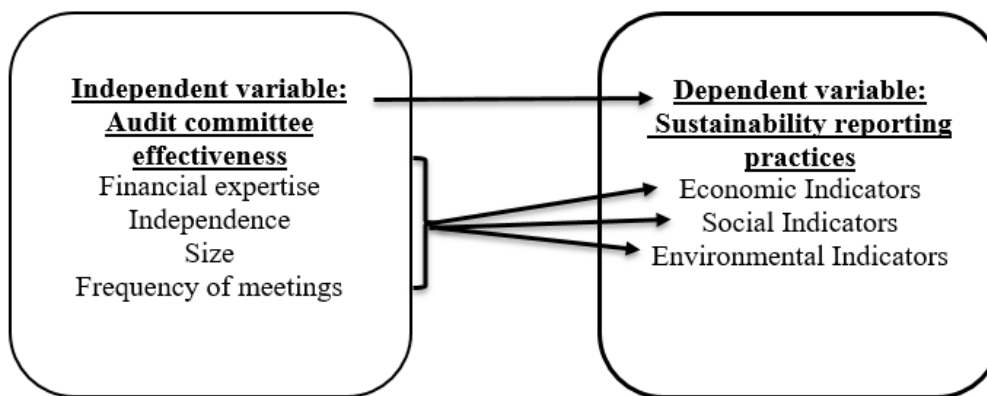
H2.1: Audit committee effectiveness dimensions influence economic indicators.

H2.2: Audit committee effectiveness dimensions influence social indicators.

H2.3: Audit committee effectiveness dimensions influence environmental indicators.

The research examines the impact of audit committee effectiveness, which encompasses financial expertise, independence, size, and frequency of meetings, as the independent variable, on sustainability reporting practices, which include economic, social, and environmental indicators, as the dependent variable. Figure 1 visually represents the relationship between audit committee effectiveness and sustainability reporting practices. The study seeks to determine the extent to which audit committee effectiveness dimensions influence sustainability reporting practices in Iraqi listed industrial companies. The research aims to contribute to the development of effective sustainability reporting practices that enhance the competitiveness and sustainability of Iraqi industrial companies.

Figure 1: Research model



Source: Prepared by the authors (2023).

METHODOLOGY

The present study employed a quantitative research approach to examine the hypotheses quantitatively. The main method for data collection was a survey, which aimed to investigate the relationship between audit committee effectiveness and sustainability reporting practices in Iraqi listed industrial companies. The survey targeted 50 manufacturing companies listed on the Iraq Stock Exchange, and purposive sampling technique was used to obtain a representative sample. The survey instrument used in this study was a comprehensive questionnaire that consisted of four dimensions of audit committee effectiveness, including financial expertise, independence, size, and frequency of meetings. The questionnaire also addressed sustainability reporting practices, which were measured by economic, social, and environmental indicators. All of the items used in the questionnaire were adopted from a previous study by Tumwebaze et al. (2022), ensuring the validity and reliability of the instrument.

To derive the attitudes of the employees towards the research variables, a semantic differential instrument was used on a five-point rating scale (Al Muala et al., 2022; Alshammare et al., 2022). This instrument allowed the respondents to express their attitudes towards audit committee effectiveness and sustainability reporting practices in a more nuanced way, providing valuable insights into the relationships between the variables. The comprehensive questionnaire and semantic differential instrument used in this study ensured that the data collected were valid and reliable (Alzghoul et al., 2022). Additionally, the use of a representative sample ensured that the results of the study were applicable to Iraqi listed industrial companies. Overall, the data collection method employed in this study provided a thorough and accurate examination of the research variables, contributing to the validity and reliability of the study's results.

RESULTS AND DISCUSSION

Reliability Analysis Results

"Cronbach's Alpha Coefficients" were used to assess the validity of the questionnaire, which represented the internal consistency of the variable's dimensions. The standard value of this analysis ranges from 0-1, and all the results were consistent with this range.

Table 1. Reliability Coefficients

Variable	Dimensions	Cronbach's Alpha
audit committee effectiveness	Financial expertise	0.919
	Independence	0.944
	Size	0.944
	Frequency of meetings	0.784
sustainability reporting practices	Economic	0.935
	Social	0.819
	Environmental	0.990

Source: Prepared by the authors (2023).

Table 1 shows that Environmental aspect has the highest value of reliability ($\alpha=0.990$), followed by Economic aspect ($\alpha=0.935$), and finally Social aspect ($\alpha=0.819$) which represented high reliability and high internal consistency for all sustainability reporting practices. While the reliability of audit committee effectiveness ranged from ($\alpha=0.784$) as a minimum value represented the reliability coefficients of Frequency of meetings and ($\alpha=0.944$) which represented the reliability coefficients of audit committee Independency and its size as a maximum value. This illustrates that the data collected by the questionnaire are Valid for the following stages of analysis as the reliability values exceeded the prescribed threshold of 0.7.

Testing the Hypotheses:

H1: There is a strong significant association between audit committee effectiveness dimensions and corporate sustainability reporting practices.

Pearson correlation coefficient (Pearson's r) was used to test this hypothesis as it considered a first step in employing regression analysis, and the results were represented in table 2:

Table 2. Correlations

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
(1) Financial Expertise	1						
(2) Independence	0.745**	1					
(3) Size	0.544**	0.505**	1				
(4) The Frequency of meetings	0.499**	0.524**	0.614**	1			
(5) Economic	0.635**	0.609**	0.741**	0.677**	1		

(6) Social	0.582**	0.582**	0.723**	0.666**	0.815**	1	
(7) Environmental	0.582**	0.549**	0.696**	0.640**	0.934**	0.735**	1

** Correlation is significant at the 0.01 level (2-tailed).

Source: Prepared by the authors (2023).

Results as represented in table 2 indicated that there is a positive & significant relationship between audit committee effectiveness and sustainability reporting practices at a significance level of 1%. The values of correlation coefficients regarded this relationship ranged from ($r=0.549$) as a minimum value represented the significant positive association between the independence of the audit committee and environmental aspects, and ($r=0.741$) as a maximum value which reflects the significant positive association between the size of the audit committee and economic aspects.

H2.1- The audit committee effectiveness dimensions significantly affect on economic indicators. To test this hypothesis, "Multiple linear regression" analysis was used, and the results were presented in the table (3):

Table 3. Multiple linear regression results

Model (1)		Beta	T	(Sig.)
Independent Variables	Dependent Variable			
Financial expertise	Economic Indicators	0.185	4.138	0.000
Independence		0.123	2.774	0.006
Size		0.416	10.790	0.000
Frequency of meetings		0.265	6.966	0.000
R= (0.824) R²= (0.680) Adjusted R²= (0.677) F (Sig.) =209.620 (0.000)				

Source: Prepared by the authors (2023).

Table 3 illustrates the results below;

- 1- The value of F (Sig.) equals 0.000, which means that the model fit is good.
- 2- All beta (β) coefficients are positive and significant, which mean that all audit committee effectiveness dimensions have a positive and significant effect on economic indicators. The size of the audit committee has the strength impact on economic Indicators ($\beta= 0.416$), then the frequency of meetings ($\beta=0.265$), followed by financial expertise ($\beta=0.185$), and finally the independence of the audit committee ($\beta= 0.123$). Therefore H2/1 was accepted.
- 3- (R)= (0.824), which means all audit committee effectiveness dimensions and economic indicators are significantly & positively related.

4- The determination coefficient value (R^2) = (0.677), which means that 67.7% of changes in the economic indicators of manufacturing companies in Iraq could be accounted for audit committee effectiveness dimensions at a 95% confidence interval.

H2.2- There is an effect of audit committee effectiveness dimensions on social indicators.

To test this hypothesis, "Multiple linear regression" analysis was used, and the results were presented in the table (4):

Table 4. Audit committee effectiveness dimensions effect on social indicators

Model (1)		Beta	T	(Sig.)
Independent Variables	Dependent Variable			
Financial expertise	Social Indicators	0.107	2.242	0.025
Independence		0.143	3.030	0.003
Size		0.420	10.223	0.000
Frequency of meetings		0.280	6.903	0.000
R= (0.797) R²= (0.636) Adjusted R²= (0.632) F (Sig.) =172.333 (0.000)				

Source: Prepared by the authors (2023).

Table 4 illustrates the results below;

- 1- The value of F (Sig.) equals 0.000, which means that the model fit is good.
- 2- All beta (β) coefficients are positive and significant, which mean that all audit committee effectiveness dimensions have a positive and significant effect on social indicators. The size of the audit committee has the strength impact on social Indicators (β = 0.420), then the frequency of audit meetings (β =0.280), followed by the independence of the audit committee (β =0.143), and finally the financial expertise of the audit committee (β = 0.107). Therefore H2/2 was accepted.
- 3- (R)= (0.797), which means that all audit committee effectiveness dimensions and social indicators are significantly & positively related.
- 4- The determination coefficient value (R^2) = (0.636), which means that 63.6% of changes in the social indicators of manufacturing companies in Iraq could be accounted for audit committee effectiveness dimensions at a 95% confidence interval.

H2.3: There is an effect of audit committee effectiveness dimensions on environmental indicators.

To test this hypothesis, Multiple linear regression analysis was used, and the results were presented in table (5):

Table 5. Audit committee effectiveness dimensions effect on environmental indicators

Model (1)		Beta	T	(Sig.)
Independent Variables	Dependent Variable			
Financial expertise	Environmental Indicators	0.174	3.447	0.001
Independence		0.078	1.563	0.119
Size		0.397	9.124	0.000
Frequency of meetings		0.269	6.260	0.000
R= (0.770) R²= (0.592) Adjusted R²= (0.588) F (Sig.) =143.368 (0.000)				

Source: Prepared by the authors (2023).

Table 5 illustrates the results below;

- 1- The value of F (Sig.) equals 0.000, which means that the model fit is good.
- 2- All beta (β) coefficients are positive and significant, except for the independence of the audit committee. Which mean that three dimensions of the audit committee's effectiveness have a positive and significant effect on environmental indicators, as the size of the audit committee has the strength impact on environmental Indicators ($\beta=0.397$), followed by the frequency of audit meetings ($\beta=0.269$), and finally the financial expertise of the audit committee ($\beta=0.107$). Therefore H2/3 was accepted partially.
- 3- (R)= (0.770), which means that all audit committee effectiveness dimensions and environmental indicators are significantly & positively related.
- 4- The determination coefficient value (R^2) = (0.592), which means that 59.2% of changes in environmental indicators of manufacturing companies in Iraq could be accounted for audit committee effectiveness dimensions at a 95% confidence interval.

The findings provide evidence to support the hypothesis that audit committee effectiveness dimensions have a positive and significant effect on economic indicators. The study's results have important implications for companies seeking to enhance their economic performance, as well as for regulators and policymakers in developing guidelines and regulations that emphasize the importance of audit committee effectiveness in promoting economic sustainability. This finding is consistent with previous research by Buallay and AlDhaen (2018), which found that a larger audit committee is associated with improved sustainability reporting practices. financial expertise and independence of the audit committee also have significant positive effects on economic indicators, with beta coefficients of 0.185 and 0.123, respectively. These findings are consistent with previous research by Saeed et al. (2022) and Buallay and Al-Ajmi (2020), which found that financial expertise and independence of the audit committee are important factors that ensure the effectiveness of the audit committee.

The present results of the study's regression analysis, focusing on the relationship between audit committee effectiveness dimensions and sustainability reporting practices. The first finding is that the model fit is good, with a value of F (Sig.) equals 0.000. The second finding suggests that all beta coefficients are positive and significant, which means that all audit committee effectiveness dimensions have a positive and significant effect on economic indicators, social indicators, and environmental indicators. The size of the audit committee has the most substantial impact on economic and social indicators, while the size, frequency of meetings, and financial expertise of the audit committee have a positive and significant effect on environmental indicators. The third finding reveals that all audit committee effectiveness dimensions and economic, social, and environmental indicators are significantly and positively related, indicated by the high value of R and statistical significance. Finally, the fourth finding shows that the determination coefficient values (R^2) are 67.7%, 63.6%, and 59.2% for economic, social, and environmental indicators, respectively. This means that the effectiveness of the audit committee dimensions could account for the variations in sustainability reporting practices by 67.7%, 63.6%, and 59.2% for economic, social, and environmental indicators, respectively. In summary, the study's results indicate a strong significant association between audit committee effectiveness dimensions and corporate sustainability reporting practices in the context of Iraqi manufacturing companies.

CONCLUSION

The study found a significant and positive association between the effectiveness of the audit committee and sustainability reporting practices in the manufacturing companies listed on the Iraq Stock Exchange. The results also revealed that the size and frequency of meetings of the audit committee have the most significant impact on the economic and social sustainability indicators, while financial expertise and independence of the audit committee have a less pronounced effect on these indicators. Furthermore, the size of the audit committee has the most significant impact on environmental sustainability indicators, followed by the frequency of audit meetings and financial expertise. The study's findings indicate the importance of the audit committee in ensuring sustainability reporting practices and provide practical implications for regulators, policymakers, and managers in the manufacturing sector in Iraq. Based on the results of this study, policymakers should encourage manufacturing companies to establish effective audit committees that have members with financial and sustainability expertise. They should also ensure that the audit committee meetings are regular

and that they review both financial and nonfinancial statements. Furthermore, policymakers should emphasize the importance of the independence of the audit committee to ensure the disclosure of sustainability information, which can lead to better decision-making and improved performance.

The current study has some limitations. Firstly, the study was conducted only on manufacturing companies listed on the Iraq Stock Exchange, and the findings may not be generalized to other sectors. Secondly, the study relied on a survey as the primary data collection method, which may have introduced response bias. Thirdly, the study's findings were based on perceptions of the employees, and the study did not incorporate the views of other stakeholders such as investors and customers. Finally, the study only considered the four dimensions of the audit committee's effectiveness, and other variables that may influence sustainability reporting practices were not considered. Future studies could address some of the limitations of this study. Firstly, future studies could extend the scope of the study to other sectors such as the service sector to provide a more comprehensive picture of the relationship between audit committee effectiveness and sustainability reporting practices. Secondly, future studies could use different data collection methods, such as interviews and focus groups, to obtain more detailed information. Thirdly, future studies could incorporate the views of other stakeholders such as investors and customers to provide a more holistic view of the factors influencing sustainability reporting practices. Fourthly, future studies could examine other variables that may influence sustainability reporting practices such as corporate culture, ethical leadership, spiritual leadership, and the role of the board of directors (Alzghoul, 2017; Khaddam et al., 2023; Mert et al., 2021). Finally, future studies could investigate the impact of sustainability reporting practices on firm performance and financial reporting quality.

REFERENCES

- Arisukma, H. A. (2020). The influence of corporate governance on sustainability report management: the moderating role of audit committee. *Polish Journal of Management Studies*, 21(1), 146-157. doi: 10.17512/pjms.2020.21.1.11
- Al Muala, I., Al-Ghalabi, R. R., Alsheikh, G. A. A., Hamdan, K. B., & Alnawafleh, E. A. T. (2022). Evaluating the Effect of Organizational Justice on Turnover Intention in the Public Hospitals of Jordan: Mediated-Moderated Model of Employee Silence, Workplace Bullying, and Work Stress. *International Journal of Professional Business Review*, 7(3), 3.
- Al-Shaer, H., & Zaman, M. (2018). Credibility of sustainability reports: The contribution of audit committees. *Business strategy and the environment*, 27(7), 973-986.

Alshammare, G. I., Abd Halim, M. S. B., & Alsheikh, G. A. A. (2022). Online Booking Services Assisted by Technology to Improve Customer Loyalty in Jordanian Five-Star Hotels. *International Journal of Professional Business Review: Int. J. Prof. Bus. Rev.*, 7(3), 5.

Alzghoul, A. (2017). The role of leadership style on employee outcome: An overview. *American Academic & Scholarly Research Journal*, 9(5).

Alzghoul, A., Khaddam, A. A., Abousweilem, F., Irtaimah, H. J., & Alshaar, Q. (2022). How business intelligence capability impacts decision-making speed, comprehensiveness, and firm performance. *Information Development*, 02666669221108438.

Buallay, A. M., & Aldhaen, E. S. (2018). The relationship between audit committee characteristics and the level of sustainability report disclosure. In Proceedings of the 17th IFIP WG 6.11 Conference on e-Business, e-Services, and e-Society (pp. 492-503). *Springer International Publishing*. doi: 10.1007/978-3-030-01313-4_39

Buallay, A., & Al-Ajmi, J. (2020). The role of audit committee attributes in corporate sustainability reporting: Evidence from banks in the Gulf Cooperation Council. *Journal of Applied Accounting Research*, 21(2), 249-264. doi: 10.1108/JAAR-03-2019-0031

Ghaith, A., & Mutia, S. (2019). Effect of behavioral variables on organizational citizenship behavior (OCB), with job satisfaction as moderating among Jordanian five-star hotels. *International Journal of Ethics and Systems*.

Global Reporting Initiative (GRI). (2021). About Sustainability Reporting. Retrieved from <https://www.globalreporting.org/about-gri/sustainability-reporting/>

Hendrati, I. M., Soyunov, B., Prameswari, R. D., Suyanto, Rusdiyanto, & Nuswantara, D. A. (2023). The role of moderation activities the influence of the audit committee and the board of directors on the planning of the sustainability report. *Cogent Business & Management*, 10(1), 2156140. doi: 10.1080/23311975.2022.2156140

Ioannou, I., & Serafeim, G. (2015). The Impact of Corporate Social Responsibility on Investment Recommendations: Analysts' Perceptions and Shifting Institutional Logics. *Academy of Management Journal*, 58(3), 1049-1074.

Khaddam, A. A., Alzghoul, A., Khawaldeh, K., & Al-Kasasbeh, O. (2023). How Spiritual Leadership Influences Creative Behaviors: the Mediating Role of Workplace Climate. *International Journal of Professional Business Review*, 8(2), e01106-e01106.

Mert, I. S., Sen, C., & Alzghoul, A. (2022). Organizational justice, life satisfaction, and happiness: the mediating role of workplace social courage. *Kybernetes*, 51(7), 2215-2232.

Mohd Said, R., Abdul Wahab, A., Muhamad Amin, I. Z., & Rashid, N. (2020). Audit Committee Effectiveness and Sustainability Disclosure of FTSE4G Bursa Malaysia Indexed Companies. *International Journal of Accounting, Finance and Business (IJAFB)*, 5(30), 248-257. doi: 10.5281/zenodo.3730889

Munandar, M. R. A., & Setiawati, E. (2022). The Effect of Profitability, Company Size, Board of Commissioners, Audit Committee and Institutional Ownership on the Disclosure of Sustainability Reports (Empirical Study of LQ45 Index Companies Listed on the Indonesia

Stock Exchange Consecutive Years 2019-2021). *American Journal of Sciences and Engineering Research*, 5(6), 119-129.

Saeed, A., Ali, Q., Riaz, H., & Khan, M. A. (2022). Audit Committee Independence and Auditor Reporting for Financially Distressed Companies: Evidence from an Emerging Economy. *SAGE Open*, 12(2), 21582440221101163. doi: 10.1177/21582440221101163

Salleh, Z., Seno, R. O. H. A. I. D. A., Alodat, A. Y. M., & Hashim, H. A. (2022). Does the audit committee effectiveness influence the reporting practice of GHG emissions in Malaysia? *Journal of Sustainability Science and Management*, 17(1), 204-220. doi: 10.20885/jssm.vol17.iss1.art18

Tumwebaze, Z., Bananuka, J., Kaawaase, T. K., Bonareri, C. T., & Mutesasira, F. (2022). Audit committee effectiveness, internal audit function and sustainability reporting practices. *Asian Journal of Accounting Research*, 7(2), 163-181.