

The Impact of Weak Filtering of Observations in External Audit Reports on the Performance and Value of the Institution

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Abstract

The research aims to determine the theoretical and statistical relationship between the inadequacy of addressing observations in external audit reports and its impact on the performance and value of the institution. This is achieved by relying on the descriptive-analytical method to study the phenomenon and analyze the questionnaire data, which targeted a random sample of (65) accountants and auditors with practical experience in the field of accounting and auditing for institutions subject to external audit. It was analyzed using the SPSS statistical program, which led to the most important results, which revealed the following:

- Observations in external audit reports are presented in an organized and easy-to-understand manner for the executive management in government institutions; however, the latter lacks the seriousness in addressing those observations mentioned in the Federal Financial Supervision Bureau reports.*

The lack of seriousness from the management of government institutions in addressing the observations mentioned in external audit reports leads to poor performance within these institutions, which negatively impacts their value.

And one of the most important recommendations is

- Executive management in government institutions should take external audit reports seriously in light of significant audit observations.*
- Executive administrations in government institutions should take into account the poor resolution of observations in the audit reports when evaluating the institution's performance.*

Introduction

The weakness of internal auditing in government institutions may occur due to several factors such as lack of training, shortage of qualified personnel, or bureaucracy. The weakness of this auditing leads to the accumulation of observations in the reports of the Financial Oversight Bureau without filtering or addressing them quickly and effectively. The impact of weak internal auditing is evident in the delay in addressing observations related to financial corruption or resource wastage. This contributes to hindering the improvement of institutional performance and negatively affects the ability of institutions to enhance transparency and accountability. (Jabbour., & Santos, 2008) Internal auditing is the process of evaluating internal performance within government institutions to ensure compliance with regulations and laws, and to ensure the optimal use of resources. In the public sector, internal auditing is an essential part of the control mechanism to ensure that financial or administrative violations do not occur. Al-Zahrani, 2017).

External auditing is considered one of the essential tools to ensure transparency and accountability in government institutions, as it aims to evaluate performance, identify shortcomings, and provide recommendations for improvement. However, the poor filtering of observations in external audit reports may negatively impact institutional performance and the overall value of the organization (Al-Hashimi, 2021). The research addresses the issue of the weak filtering of observations in external audit reports and its impact on institutional performance and the value of the organization. The descriptive-analytical approach will be used, in addition to statistical methods to test the hypotheses related to this relationship. The external auditor plays a pivotal role in identifying weaknesses and deficiencies in the internal control system. A study indicated that the external auditor's commitment to providing reports that include weaknesses and deficiencies using appropriate accounting standards can contribute to improving the internal control system and reducing financial and administrative corruption. Al-Hassani 2016: 15-30). Government institutions face challenges in filtering observations, including the failure to adhere to scientific standards and principles of administrative control, which leads to weak oversight and the spread of negative phenomena (Al-Mousawi et al., 2020: 549-567). Definition of internal auditing: It is part of internal control aimed at ensuring the effectiveness and efficiency of financial and administrative operations. Internal auditing contributes to improving the quality of financial information and achieving the strategic objectives of the institution (Valencia et al., 2013).

The first theme is the research methodology:

- Research Problem: The research problem lies in the fact that the poor filtering of observations in external audit reports negatively affects the performance and value of government institutions. Therefore, it is essential to study the variables of the research regarding the quality of external audit reports and the weakness in filtering audit observations. And measuring the impact of the relationship between the weakness in addressing observations and the performance and value of the institution. And determining the relationship between the quality of external audit reports and the performance and value of the institution.
- Importance of the research: The research reflects its importance by providing a theoretical framework on the research variables and their relationship, as well as identifying the key sections in the questionnaire that could enhance the performance and value of the institution thru filtering external audit observations.
- Research Objective: The research aims to determine the theoretical and statistical relationship between the weak filtering of observations in external audit reports and its impact on the performance and value of the institution. Thru the following:
 1. Measuring the quality of external audit reports. Measuring the quality of external audit reports.
 2. Measuring the weakness of filtering audit observations. Measuring the weakness in filtering supervisory observations.
 3. The relationship between the weakness in filtering observations and the performance and value of the institution. The relationship between poor feedback filtering and the performance and value of the institution.
 4. Determining the relationship between the quality of external audit reports and the performance and value of the institution. Determining the relationship between the quality of external audit reports and the performance and value of the institution

• **Research hypotheses:**

1. There is a significant impact relationship between the quality of external audit reports and the performance and value of the institution at a significance level of 0.05. There is a statistically significant relationship between the quality of external audit reports and the performance and value of the institution at a significance level of 0.05.

2. There is a significant impact relationship between the weakness in addressing audit observations and the performance and value of the institution at a significance level of 0.05. There is a statistically significant impact of the weak filtering of audit observations on the performance and value of the institution at a significance level of 0.05

• **Research Method:** The descriptive analytical method will be adopted to study the phenomenon and analyze its data.

The inductive method to test the relationship between variables using statistical tools.

• **Research Population and Sample:** The study population consists of employees in institutions that are subject to external auditing.

A random sample consisting of (65) accountants and auditors with practical experience in the field of accounting and auditing was selected.

1- **Data collection tools:** A questionnaire directed at employees in financial and regulatory departments.

Analysis of external audit reports and their observations. Interviews with auditors and financial controllers to gather specialized opinions.

4. **Statistical analysis methods:** Using descriptive statistical analysis to measure the extent of the problem. Statistical analysis methods: Using descriptive statistical analysis to measure the extent of the problem.

Linear regression test to study the impact of poor observation filtering on the financial performance of the institution. Pearson Correlation test to determine the strength of the relationship between poor observation filtering and the decrease in the value of the institution.

T-test and ANOVA to test the significance of statistical differences between institutions that filter observations and those that do not.

The second theme: The theoretical framework

1. **Definition of external control:** Definition of external auditing:

The external control system is defined as "a set of processes and procedures aimed at assessing the extent to which institutions comply with applicable laws and regulations, thru independent entities such as the Financial Audit Bureau" (Al-Mohammadi, 2020, p. 45). 45). External auditing plays a crucial role in achieving good governance, as it helps in uncovering corruption and enhancing the efficiency of government institutions (Abdullah et al., 2022). According to the standards of the International Organization of Supreme Audit Institutions (INTOSAI), external audit includes criteria such as independence, objectivity, and transparency in reporting (Al-Mutairi & Smith, 2023). External audit is defined as an examination, analysis, and evaluation process conducted by independent entities, such as Supreme Audit Institutions (SAIs), with the aim of ensuring that government institutions comply with applicable laws and financial and administrative policies (Lonsdale, 2022). This type of audit focuses on performance review, verifying the efficiency of public resource utilization, and providing reports that highlight deficiencies and necessary recommendations for correction (INTOSAI, 2024). External auditing plays a crucial role in enhancing accountability and transparency within government institutions (Pollitt & Bouckaert, 2021). According to a study conducted by the International Organization of

Supreme Audit Institutions (INTOSAI, 2023), effective implementation of audit recommendations can lead to:

Improving institutional performance thru enhancing compliance and good governance. Reducing financial and administrative corruption thru early detection of violations. External audit standards include the principles of independence, objectivity, and transparency, which are defined according to INTOSAI guidelines (2024). These standards clarify that oversight bodies must operate independently from executive authorities to ensure the accuracy of reports and to prevent them from being influenced by political or administrative pressures (Bovens, 2022).

External auditing is based on international standards that ensure the independence, objectivity, and transparency of audit processes. The standards of the International Organization of Supreme Audit Institutions (INTOSAI) are among the most prominent of these standards, as they provide a unified framework to enhance the quality and effectiveness of auditing processes in the public sector. External auditing is an independent evaluation process conducted by external entities, such as Supreme Audit Institutions (SAIs), with the aim of examining and assessing the financial and administrative activities of government institutions to ensure compliance with applicable standards and laws. This oversight plays a crucial role in enhancing transparency and accountability, contributing to the improvement of the efficiency and effectiveness of the public sector. (Hamdan, 2017: 38). Definition of external auditing: It is the process of reviewing the financial institution's reports by external entities such as the Financial Audit Bureau. This process aims to ensure the accuracy of financial information and improve the financial transparency of the institution (Abbas & Kazem, 2020). Definition of external auditing: It is the process of reviewing the institution's financial reports by external entities such as the Financial Audit Bureau. This process aims to ensure the accuracy of financial information and improve the financial transparency of the institution. External audit reports: These reports are the result of reviewing the institution's financial and non-financial data to ensure that the institution operates in accordance with financial and legislative standards (Abd, Kareem, & Kadhim, 2019).

2. Concept of filtering supervisory observations: The concept of filtering audit observations: External audit reports are a key tool that contributes to improving institutional performance. These reports focus on evaluating the extent to which activities comply with financial and administrative regulations, and analyzing the efficiency of resource utilization. These reports are presented to relevant authorities such as parliaments or boards of directors, and they contain observations and recommendations for improving performance (Sikka, 2018). External audit reports contribute to improving institutional performance by providing accurate data on how resources are used, which helps in making informed decisions and achieving administrative and financial reforms. But often, it is observed that the poor filtering of observations in these reports leads to a weak impact on the actual improvement of institutional performance (Larkin & Hughes, 2020). Filtering feedback refers to the actions taken by government institutions to address and correct the errors found in external audit reports (Al-Jamal, 2021). Weakness in addressing observations and its causes weak response to regulatory recommendations, lack of specialized internal audit staff, and absence of mandatory mechanisms for follow-up on implementation (Al-Husseini, 2020). The value of a government institution is measured by the quality of the services provided, the extent to which strategic goals are achieved, and the efficiency of public spending (Al-Kuwari, 2023). The value of a government institution is related

to its efficiency in managing its resources and achieving its goals. Therefore, institutions that are able to effectively address financial and administrative observations usually achieve better results (Al-Hakimi, 2020: 75-92).

Improving institutional performance: Quickly addressing feedback contributes to enhancing the financial and administrative performance of the institution.

Enhancing transparency: When feedback is filtered, institutions become more transparent in their operations, which increases the trust of the public and investors.

Reducing financial and administrative corruption: Rapidly addressing observations eliminates many aspects of administrative and financial corruption in government institutions. Research indicates that failing to address observations leads to a lack of transparency, which undermines public trust and affects the institution's rating (Al-Mahdawi, 2021). The filtering of audit observations refers to the actions taken by government institutions to address and correct the observations and recommendations contained in external audit reports (Power, 2023). This process is essential to ensure the continuous improvement of internal operations, reduce financial and administrative risks, and enhance compliance with laws and regulatory regulations (Almquist et al., 2022). The filtering of observations refers to the actions taken by government institutions to address and correct the errors and observations mentioned in external audit reports. The effective implementation of these recommendations is considered an indicator of the institution's commitment to continuous improvement and compliance with standards. Conversely, ignoring these observations may lead to the continuation and exacerbation of deficiencies, negatively impacting the efficiency and effectiveness of government performance. The external auditor plays a pivotal role in identifying weaknesses and deficiencies in the internal control system. A study indicated that the external auditor's commitment to providing reports that include weaknesses and deficiencies using appropriate accounting standards can contribute to improving the internal control system and reducing financial and administrative corruption. (Hamdan, 2018: 64-90)

3. Value of the institution Enterprise Value Enterprise Value (قيمة المؤسسة) is a measure of the total value of the institution, and its calculation includes the market value of the company along with short-term and long-term debts, deducting cash and equivalents (Ross et al., 2019). Enterprise Value is used as a basis for many financial ratios that measure the performance of the institution, such as the EBITDA multiple (Brealey et al., 2020). The values of the institution refer to the guiding beliefs that determine the actions of individuals within the institution. These values include general principles that drive daily operations and influence the internal and external affairs of the institution (Cameron & Quinn, 2011). The value of the institution shows a significant impact on the administrative performance of institutions, as it reflects the overall value of the institution and contributes to financial and strategic decision-making (Anastasopoulos, 2019).

4. The impact of weak audit observations on the value of the institution: The impact of weak filtering of observations in control reports on the value of the institution: The weakness in filtering observations leads to a deterioration of trust in the institution by investors and users. When unresolved feedback appears, investors may assume that there are internal financial or administrative problems (Valencia et al., 2013). Impact on transparency: It affects financial transparency and can increase financial risks. When financial information is inaccurate or non-transparent, it becomes difficult for investors to make informed investment decisions (Abbas & Kazem, 2020). Impact on financial performance: Weakness in filtering

observations can lead to a deterioration in the institution's financial performance. When financial errors are not corrected, they may lead to significant financial losses (Damascus University, n.d.). Many factors can contribute to the poor resolution of observations in the Financial Audit Bureau's reports: Lack of human resources: The shortage of trained personnel to effectively handle observations may hinder their resolution. Weak political will: Ineffective laws and regulations may contribute to delays in addressing the observations. Complex bureaucratic procedures: Bureaucracy within government institutions may lead to delays in addressing observations (Malesky, E., & Rathbun, B. 2011: 1-18).

The third theme: the practical aspect:

This section reflects an analysis of the general hypothetical research model by determining the relationship between the four research variables, which are the quality of filtering observations in audit reports and the impact of poor filtering of observations on institutional performance, the impact of poor filtering of observations on the institution's value and reputation, and the improvement of the observation filtering process in audit reports. Before entering the model's satisfaction test, the chapter will begin by presenting the validity and reliability of the measures and the descriptive statistics of the research variables.

First. Examination of research data

- Description of the respondents in the research sample
- To provide a clear picture of the demographic and functional characteristics of the research sample, Table (1) has been designed to illustrate these characteristics, as shown below.

Table (1) Characteristics of the Research Sample (65)

Percentage	replication		Properties
18	12	Bachelor	Academic achievement
48	31	Master	
34	22	PhD	
100%	65	Total	
11	7	1-5 from	Years of service
20	13	5- From 10	
69	45	10 more than	
100%	65	total	

Secondly. The validity and reliability of the measures

1- Measurement Validity Test

- Face validity

The initial version of the questionnaire was presented to a group of judges. The researchers presented the questionnaire to a number of specialized reviewers in the field of auditing and accounting to ensure the apparent validity of the questionnaire and to demonstrate the ability of the items to cover and measure the dimension to which they belong.

Stability of the scales

In order to verify the reliability of the research tool, Cronbach's alpha coefficient was calculated to ensure the reliability of the scale tool. Since the Cronbach's alpha coefficient is greater than 0.60, this indicates that this condition is met for all items of the scale. According to Table (2) below:

Table (2)

The scale	Number of question	Cronbach's alpha
The first theme: The quality of external audit reports	10	0.804
The second theme: Weakness in addressing audit observations	10	0.784
The third theme: The performance and value of the institution	10	0.901
Total	30	0.909

Source: Prepared by the researcher based on the outputs of the (SPSS v.26) program. According to the five-point Likert scale (Strongly Agree – Strongly Disagree) used in the questionnaire. The category can be determined by finding the range ($4 = 1-5$) and dividing by (5), which represents the number of categories ($0.80 = 5 / 4$). And adding the result of (0.80) to the minimum of the scale (1) or subtracting it from the maximum of the scale (5) as shown in Table (3):

Table (3)

Grades and levels of evaluating computational environments

Grade estimation	Response level
1.80-1	Very low
2.60-1.81	Low
3.40-2.61	Moderate
4.20-3.41	High
5-4.21	Very high

Theme One: Quality of External Audit Reports: Table (4) presents a statistical description represented by means, standard deviations, response levels, and their significance for the variable of the quality of external audit reports. It is noted from the table that item (7), which states (audit observations are presented in an organized and easily understandable manner to the executive management), received the highest mean of (3.9385) and a standard deviation of (0.91646). This indicates the consistency of the research sample's responses toward this item and falls within a "high" response level. While item (4), which states (that the audit reports contain excessive observations that do not significantly affect institutional performance), received the lowest arithmetic mean of (3.3385) and a standard deviation of (1.14941), indicating a high level of agreement among the research sample's responses. As for the overall average of the variable of the quality of external audit reports, the overall mean reached (3.72771) with a standard deviation of (1.004643) at a "high" response level.

Table (4) The arithmetic means, standard deviations, response levels, and relative importance for the first theme: C Quality of External Audit Reports (N=65)

	The statement	Strongly agree	agree	Null	Not agree	Strongly not agree	Mean	Stander deviation	Answer level	Causal significance
1	That the audit reports in your organization adequately focus on substantive observations.	17	34	7	5	2	3.9077	0.97984	High	3
2	There are clear criteria for determining the importance of observations in audit reports.	15	38	5	6	1	3.9231	0.90671	High	2
3	The audit reports contain excessive remarks that do not significantly impact institutional performance.	11	21	15	15	3	3.3385	1.14941	High	10
4	The clarity of oversight reports in classifying observations according to their importance.	12	34	14	3	2	3.7846	0.90988	High	6
5	The lack of risk analysis in preparing oversight reports	17	30	11	5	2	3.8462	1.0036	High	5
6	You believe that regulatory authorities rely on modern analytical tools to filter observations.	10	29	9	14	3	3.4462	1.13235	High	9
7	The supervisory feedback is presented in an organized and easy-to-understand manner to the executive management	18	31	11	4	1	3.9385	0.91646	High	1
8	Do you believe that the current oversight reports help in making effective corrective decisions	17	31	9	7	1	3.8615	0.9823	High	4
9	see that there are sufficient directives to follow up on the implementation of the oversight recommendations based on the	12	31	11	8	3	3.6308	1.06901	High	7

	important observations.									
10	How satisfied are you with the quality of filtering observations in the oversight reports of your organization	11	29	14	10	1	3.6	0.99687	High	8
								3.7277	1.00463	High

Source: Prepared by the researcher based on the outputs of the (SPSS v.26) program.

The second theme: Weak filtering of audit observations:

Table (5) presents a statistical description represented by the arithmetic means, standard deviations, response levels, and significance for the variable of the impact of weak filtering of audit observations. It is noted from the table that item (8), which states (that the weak filtering of observations in audit reports leads to poor performance within the institution), received the highest arithmetic mean of (24). And a standard deviation of (0.7746), which indicates the consistency of the research sample's responses toward this item and within a "high" response level. Whereas item (3), which indicates (that executive management does not take audit reports seriously in the presence of non-significant audit observations), With the lowest arithmetic means, averaging (3.7231) and a standard deviation of (1.05338), this indicates a consensus in the research sample's responses at a "high" response level. As for the overall average of the variable "weakness in filtering audit observations," the overall arithmetic mean reached (3.96766) with a standard deviation of (0.937123), indicating a "high" level of response.

Table (5) The arithmetic means, standard deviations, response levels, and relative importance for the second theme: Weakness in filtering audit observations (N=65)

	The statement	Strongly agree	agree	Null	Not agree	Strongly not agree	Mean	Stander deviation	Answer level	Causal significance
1	That the audit reports in your organization adequately focus on substantive observations.	17	34	7	5	2	3.9077	0.97984	High	3
2	There are clear criteria for determining the importance of observations in audit reports.	15	38	5	6	1	3.9231	0.90671	High	2
3	The audit reports contain excessive remarks that do not significantly impact institutional	11	21	15	15	3	3.3385	1.14941	High	10

	performance.									
4	The clarity of oversight reports in classifying observations according to their importance.	12	34	14	3	2	3.7846	0.90988	High	6
5	The lack of risk analysis in preparing oversight reports	17	30	11	5	2	3.8462	1.0036	High	5
6	You believe that regulatory authorities rely on modern analytical tools to filter observations.	10	29	9	14	3	3.4462	1.13235	High	9
7	The supervisory feedback is presented in an organized and easy-to-understand manner to the executive management	18	31	11	4	1	3.9385	0.91646	High	1
8	Do you believe that the current oversight reports help in making effective corrective decisions	17	31	9	7	1	3.8615	0.9823	High	4
9	see that there are sufficient directives to follow up on the implementation of the oversight recommendations based on the important observations.	12	31	11	8	3	3.6308	1.06901	High	7
10	How satisfied are you with the quality of filtering observations in the oversight reports of your organization	11	29	14	10	1	3.6	0.99687	High	8
							3.7277	1.00463	High	

Source: Prepared by the researcher based on the outputs of the (SPSS v.26) program.

The second theme: Weak filtering of audit observations:

Table (5) presents a statistical description represented by the arithmetic means, standard deviations, response levels, and their significance for the variable of the impact of weak filtering of audit observations. It is noted from the table that item (8), which states

(that weak filtering of observations in audit reports leads to poor performance within the institution), received the highest arithmetic mean of (24). And a standard deviation of (0.7746), which indicates the consistency of the research sample's responses toward this item and within a "high" response level. While item (3), which indicates (that executive management does not take oversight reports seriously in the presence of non-significant oversight observations), With the lowest arithmetic means, averaging (3.7231) and a standard deviation of (1.05338), this indicates a consensus in the responses of the research sample at a "high" response level. As for the overall mean of the variable "weakness in filtering audit observations," the overall arithmetic mean reached (3.96766) with a standard deviation of (0.937123), indicating a "high" level of response.

Table (6) The arithmetic means, standard deviations, response levels, and relative importance for the second theme: Weak filtering of audit observations (N=65)

	The statement	Strongly agree	agree	Null	Not agree	Strongly not agree	Mean	Stander deviation	Answer level	Causal significance
1	You believe that the presence of non-essential observations in oversight reports affects the efficiency of institutional performance.	21	24	10	8	2	3.8308	1.112	High	9
2	Weak filtering of feedback leads to the dispersion of administrative efforts in addressing unnecessary issues.	18	30	9	6	2	3.8615	1.02891	High	8
3	Executive departments do not take oversight reports seriously in light of the presence of unimportant oversight observations	14	31	11	6	3	3.7231	1.05338	High	10
4	You see that poor filtering of notes leads to wasting time and resources.	21	33	4	5	2	4.0154	0.99204	High	4
5	The extent to which ineffective filtering of observations affects	15	36	11	2	1	3.9538	0.81836	High	8

	the speed of decision-making within the organization.									
6	You believe that oversight reports impact the improvement of operational quality.	20	31	2	8	0	4.0308	0.91804	High	3
7	The current oversight reports contribute to increasing the financial efficiency of the institution.	20	31	9	5	0	4.0150	0.87486	High	5
8	The lack of filtering observations in oversight reports leads to poor performance within the institution.	23	36	2	4	0	4.2	0.7746	High	1
9	The poor filtering of observations affects employees' adherence to audit recommendations	22	30	5	7	1	4	1	High	6
10	The quality of regulatory reports affects the overall performance improvement of the institution.	18	36	7	4	0	4.0462	0.79904	High	2
							3.96766	0.937123	High	

Source: Prepared by the researcher based on the outputs of SPSS v.26 program.

Theme Three: Performance and Value of the Institution: Table (6) presents a statistical description represented by means, standard deviations, response levels, and their significance for the variable of performance and value of the institution. It is noted from the table that item (6), which indicates that "the poor filtering of observations in external audit reports affects the sustainability of the institution and its ability to achieve its activities," received the highest mean of (4.2308) and a standard deviation of (0.76586). This shows the consistency of the research sample's responses toward this item, with a response level of "very high." While item (7), which indicates that (executive bodies take into account the weak filtering of observations in oversight reports when evaluating the institution), With the lowest arithmetic mean of (3.8) and a standard deviation of (0.98742), this indicates the alignment of the research sample's

responses within a "high" response level. As for the overall average of the variable "performance and value of the institution," the overall arithmetic mean reached (3.98) with a standard deviation of (0.908614) at a "high" response level.

Table (7) The arithmetic means, standard deviations, response levels, and relative importance for the third axis: Performance and Value of the Institution (N=65)

	The statement	Strongly agree	agree	Null	Not agree	Strongly not agree	Mean	Stander deviation	Answer level	Causal significance
1	The poor filtering of observations in the oversight reports affects the achievement of the institution's goals and consequently weakens performance	27	27	6	4	1	4.1538	0.93926	High	2
2	The weak filtering of observations in oversight reports leads to a loss of trust by the legislative administration in the performance of the executive administration of institutions.	19	37	4	4	1	4.0615	0.8638	High	4
3	Neglecting to address the observations in the oversight reports leads to a misunderstanding of the institution's transparency and integrity, and consequently, the institution's value is affected.	17	31	7	8	2	3.8154	1.05907	High	9
4	The weak filtering of observations in external audit reports affects the institution's ranking among similar institutions.	16	30	12	7	0	3.8462	0.92248	High	8

5	The weak filtering of observations in external audit reports affects the decisions of senior management in institutions.	21	33	6	5	0	4.0769	0.85344	High	3
6	The weak filtering of observations in external audit reports affects the sustainability of the institution and its ability to achieve its activities.	25	33	4	3	0	4.2308	0.76586	Very High	1
7	That the executive bodies take into account the poor filtering of the observations mentioned in the audit reports when evaluating the institution.	17	27	112	9	0	3.8	0.98742	High	10
8	The weak filtering of observations in external audit reports reduces the institution's ability to compete.	8	6	32	19	0	3.9538	0.94258	High	5
9	The weak resolution of observations in external audit reports affects the institution's ability to obtain an annual budget.	18	30	11	6	0	3.9231	0.90671	High	7
10	The quality of filtering the observations in external audit reports ensures the improvement of the institution's performance.	17	31	13	4	0	3.9385	0.84552	High	6
							3.98	0.908614	High	

Source: Prepared by the researcher based on the outputs of SPSS v.26 program.

Hypothesis testing

First. Testing the research hypotheses

Before testing the impact hypotheses, it is necessary to understand the nature and strength of the relationship between the variables by using the correlation matrix. The first method was the Pearson correlation matrix to determine the strength and nature of the relationship between the research variables and to provide preliminary support indicating the existence of a relationship between the research variables. As shown in the following table: It is observed from the Pearson correlation matrix between the research variables that all the correlation coefficients presented in Table (7) indicate a significant relationship between the research variables. This provides preliminary support for testing the hypotheses of influence and mediation between the research variables. The correlation value between the quality of external audit reports and the performance and value of the institution was (*0.317) at a significance level of (0.05), and between the poor filtering of audit observations and the performance and value of the institution was (*0.702) at a significance level of (0.05). 702) at a significance level of (0.05).

Table (8) Correlation matrix between the quality of external audit reports, the weakness in filtering audit observations, the performance, and the value of the institution.

Correlations				
		The quality of external audit reports	Weak filtering of supervisory observations	Performance and value of the institution
The quality of external audit reports	Pearson Correlation	1	.558**	.317*
	Sig. (2-tailed)		.000	.010
	N	65	65	65
Weak filtering of supervisory observations	Pearson Correlation	.558**	1	.702**
	Sig. (2-tailed)	.000		.000
	N	65	65	65
Performance and value of the institution	Pearson Correlation	.317*	.702**	1
	Sig. (2-tailed)	.010	.000	
	N	65	65	65
**. Correlation is significant at the 0.01 level (2-tailed).				
*. Correlation is significant at the 0.05 level (2-tailed).				

Source: Prepared by the researcher based on the outputs of SPSS v.26 program.

1- Testing the impact hypotheses

Hypothesis 1: There is a statistically significant relationship between the quality of external audit reports and the performance and value of the institution at a significance level of 0.05.

Table (9) The regression weights for testing the hypotheses of the direct impact of the quality of external audit reports on the performance and value of the institution.

Result	R ²	T _{table}	T _{cal}	P	S.E.	Estimate	Direct descent path		
Acceptance of the hypothesis	0.312	2.36	5.343	0.000	.095	0.396	Performance and value of the institution	<---	The quality of external audit reports

It is observed from Table (8) a set of results that indicate the validity of the first sub-hypothesis regarding the direct effect. The coefficient of determination $R^2 = 0.312$ indicates that 31.2% of the variation in the dependent variable can be explained by the independent variable or the model used. This means that there is a moderate relationship between the variables, but approximately 68.8% of the variation remains unexplained, indicating that there are other variables affecting the dependent variable that were not included in the model. Since the calculated $t = 5.343$ compared to the tabulated $t = 2.36$, the difference is significant at the 0.05 confidence level. This means that there is a statistically significant effect of the independent variable on the dependent variable. Significance = 0.000. This value means that the level of statistical significance is much less than 0.05. The results are very statistically significant, and therefore, the null hypothesis is rejected, and the alternative hypothesis, which indicates the presence of a significant effect, is accepted. Standard error = 0.95. The standard error reflects the degree of variation or dispersion in the estimation of the regression coefficient. The lower the standard error, the more accurate the estimates. In this case, it can be said that it is somewhat average. Effect size = 0.396 represents the magnitude or strength of the effect. This indicates that the effect is of medium strength, which is a positive aspect when interpreting the practical impact of the results.

2- Testing the impact hypotheses

Hypothesis 2: There is a significant impact relationship of the weakness in filtering supervisory observations on the performance and value of the institution at a significance level of 0.05.

Table (9) Regression weights for testing the hypotheses of the direct impact of weak filtering of supervisory observations on the performance and value of the institution

Result	R ²	T label	Tcal	P	S.E.	Estimate	Direct descent path		
Acceptance of the hypothesis	0.82	2.36	2.377	0.020	0.168	0.396	Performance and value of the institution	<---	Weak filtering of supervisory observations

It is noted from Table (9) a set of results that indicate the validity of the first sub-hypothesis regarding the direct effect of the determination coefficient ($R^2 = 0.82$): This indicates that 82% of the changes in the dependent variable can be explained by the model (the independent variable or independent variables). This is a very high percentage, indicating that the model has strong

explanatory power. The calculated T value = 2.377 versus the tabulated T value = 2.36: Since the calculated $T >$ tabulated T, this indicates that the regression coefficient is statistically significant at the 0.05 confidence level. Therefore, there is a significant effect of the independent variable on the dependent variable. Significance (Sig. = 0.020): Since $0.020 < 0.05$, the null hypothesis (which states that there is no effect) is rejected, and the alternative hypothesis, which states that there is a statistically significant effect, is accepted. Standard error = 0.168: The standard error is relatively small, indicating that the estimate of the regression coefficient is accurate. This supports the reliability of the statistical model. Effect Size (Effect Size = 0.396): This is considered a medium effect size according to Cohen's standards (Cohen's d or its equivalent). The effect is neither weak nor very strong, but it is of practical significance and may be important in practical terms.

Conclusions and recommendations:

First: Conclusions:

1. The observations in external audit reports are presented in an organized and easily understandable manner to the executive management in government institutions, but the latter does not take the necessary seriousness in addressing those observations mentioned in the Federal Financial Supervision Bureau's reports. The observations in external audit reports are presented in an organized and easily understandable manner for the executive management in government institutions; however, the latter lacks the seriousness in addressing those observations mentioned in the Federal Board of Supreme Audit reports.
2. The lack of seriousness from the management of government institutions in addressing the observations mentioned in the external audit reports leads to poor performance within the government institutions, which negatively impacts their value. The lack of seriousness from the management of government institutions in addressing the observations mentioned in external audit reports leads to poor performance within government institutions, which negatively impacts their value.
3. Neglecting to address the observations in external audit reports leads to a misunderstanding of the institution's transparency and integrity, thereby negatively affecting its value. Neglecting to address the observations in external audit reports leads to a misunderstanding of the institution's transparency and integrity, thereby negatively affecting its value.
4. The quality of addressing the observations in external audit reports ensures the improvement of the institution's performance and value. The quality of filtering the observations in external audit reports ensures the improvement of the institution's performance and value.

Secondly: Recommendations

1. The executive administrations in government institutions should take external audit reports seriously in light of significant audit observations. Executive departments in government institutions must take external audit reports seriously in light of significant audit observations.
2. The executive administrations in government institutions should take into account the weak resolution of the observations in the audit reports when evaluating the institution's performance.

Executive administrations in government institutions should take into account the poor filtering of observations in oversight reports when evaluating the institution's performance.

3. It is necessary for institutions to adopt clear methodologies for employees in accounting and auditing departments to improve the quality of filtering observations in oversight reports to ensure the institution's value and reputation. The necessity for institutions to adopt clear methodologies for employees in accounting and auditing departments to improve the quality of filtering observations in oversight reports to ensure the institution's value and reputation.

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