



THE EXTENT OF THE EFFECTIVENESS OF APPLYING BANKING GOVERNANCE PRINCIPLES IN DEVELOPING INTERNAL AUDITING IN PRIVATE IRAQI BANKS

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Article history:		Abstract:
Received:	20 th May 2025	<p>This study investigates the effect of banking governance principles such as transparency, accountability, independence, adherence to international auditing standards and oversight on the effectiveness of internal auditing in private banks in Iraq. The study is based on a mixed methods approach involving the use of a questionnaire administered to 100 managers from Iraqi state-owned commercial banks. Structural equation modeling (SEM) using the PLS software was used to analyze the data. The findings showed that transparency, independence, and oversight were important determinants of internal audit performance. Transparency ($\beta = 0.171$, $p < 0.05$), independence ($\beta = 0.356$, $p < 0.01$) and oversight ($\beta = 0.210$, $p < 0.01$) have a strong and positive effect on internal audit effectiveness. On the other hand, accountability and the adherence to international standards did not significantly affect the internal audit effectiveness ($p > 0.05$). The study stresses the critical role of governance structures in ensuring high quality audit, reliable financial reporting and building confidence of the stakeholders. Recommendations include enhancing transparency, guaranteeing audit independence, adopting international standards, and implementing strong regulatory oversight. These insights offer practical guidance for policymakers, regulators, and bank managers to address governance deficiencies and promote a stable and sustainable banking sector in Iraq. Future research should investigate the long-term effects and the relationship between governance principles and broader performance metrics across various banking environments.</p>
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INTRODUCTION

Recently, there has been growing attention to implement banking governance principles, especially in developing countries such as Iraq. Since financial institutions are constantly operating in an overly complex and dynamic environment, the essence of sound governance system is becoming more significant than before. Bank governance is an essential pillar of financial stability, risk management, and regulatory compliance, which is even more desired by stakeholders to maintain their confidence(Wali et al, 2023). In Iraq, where the banking sector is the backbone of economic growth, having weak governance issues is a major challenge that affect the ability of financial institutions to do business in a sound and transparent way.

There are numerous structural and regulatory problems in the Iraqi private banking sector that reduce its credibility and effectiveness of operations. Some of these problems include lack of transparency in financial reporting, lack of accountability of top management, lack of independence of internal audit departments, and lack of adherence to international auditing standards. These weaknesses are one of the major causes of the failure of governance that result in budgetary indiscipline, corruption, and increasing exposure to operational and financial risks (Al-Tamimi & Mansoori, 2020). Also, weak internal control systems undermine integrity in financial reporting, which lead to mistrust among stakeholders and reduced interest in the industry (Mesioye et al., 2024). Without proper governance framework, the banks cannot have financial discipline, which compromises their efficiency, and may result in financial instability.

Internal audit practice is one of the channels of improving banking governance, through independent and objective analysis of the internal control system of a bank (Attipoe, D 2021). Internal audit, when done well, can help improve transparency, accountability, regulatory compliance, and governance standards (Efunniyi et al., 2024). The internal audit practice in the Iraqi banking sector, however, is constrained by weakness emanating from the weakness in the



institutional system, lack of independence, and lack of enforcing regulations. These weaknesses inhibit the internal auditor's capability to reveal and control financial misbehavior and thus contributed to a poor governance situation. The study was conducted to determine to what extent banking governance principles influence internal auditing performance in Iraqi private banks. The study was conducted considering the effect of governance principles such as transparency, accountability, independence, and validity of international auditing standards on internal auditing performance. The study will expose the gap between governance principles, and it will be responsible for improving internal auditing performance. The study will be responsible for improving the quality of financial reporting in Iraqi private banks, restoring public confidence in private banks, and achieving sustainable growth in the private banking sector in Iraq. By targeting governance, the study will help to provide a road map for how regulators, policy makers, and bank managers can work together to develop governance structures and internal audits. The study's recommendations for the bank include bridging the governance gap and aligning banking activities in Iraq with international standards to achieve sustainable financial stability. In Iraq, a better banking system will only be possible with strong governance structures, as banks prepare for restructuring and new financial conditions.

THEORETICAL FRAMEWORK

The function of bank governance is to regulate banks' behavior and ensure transparency, accountability, and financial stability (Efunniyi et al., 2024). The measures put in place to safeguard the interests of stakeholders, and the ethical conduct of financial institutions are included. The relevance of banking governance is to checkmate financial irregularities, defalcations, fraudulent activities and other financial crimes and breaches of regulatory principles and processes that are capable of threatening the financial system (Hassan, et al, 2024). Through the adoption of good governance principles, the bank can enhance its reputation, help ensure compliance with regulatory and statutory requirements, adopt responsible financial practices and commit to economic stability (Jan, 2024).

The four major functions of banking governance are enhancing financial reporting transparency, increasing accountability of top management and protect shareholders' interest (Efunniyi et al., 2024); ensure that banks comply with laws and regulations in applying effective risk management practices (Adeniran, 2024). Banking governance is achieved by using mechanisms consisting of board oversight, internal and external audit, risk management policies and compliance function. The mechanisms are based on four key principles: transparency: publish accurate financial data of the bank; accountability: define functions and responsibilities of the bank; independence: ensure that audit and oversight bodies function independently of other pressures; and compliance: ensure compliance with national and international regulations. These four principles ensure effective governance and a stable and well-regulated banking system.

Internal auditing is a separate, and objective assurance function, which facilitates the governance, risk management, and internal control processes of an institution (Lois, 2021). While it is an important function to verify the banking institutions' compliance with the financial regulations, it identifies risks and enhances the efficiency of the institution (Adeniran, 2024). In addition, it is the function that provides information to management and ensures the integrity of the institution through the systematic review of internal controls and financial processes (Al Astal, 2024). Its importance is seen in its use for the improvement of financial reporting reliability, anti-fraud systems, and the promotion of organizational transparency (Efunniyi, 2024).

Internal auditing includes evaluating the sufficiency of systems of internal controls, adherence to governing and regulatory frameworks, and the identification of financial and operational risks, while also suggesting measures to mitigate them (Harasheh, 2023). The internal auditing allows enhanced transparency and credibility of financial statement reporting, which eventually enhances stakeholders' confidence. Internal audit can be categorized into types based on its subject and objective. Financial auditing is conducted to verify the truthfulness and reliability of financial statements, operational auditing for business functions efficiency, compliance auditing for compliance with legal laws and internal policies, information systems auditing for IT security and data governance controls, and forensic auditing are conducted for financial malpractices investigation and to identify the irregularities that could result in very serious risks to banking organizations.

An effective internal audit function supports banking governance by promoting transparency, accountability, and independence of financial institutions, (Hamed, R, 2023). Through a systematic approach of conducting the audit process, it brings to a prominent level of quality for internal controls and reduces the risk of financial malpractice. This in turn helps to restore confidence in the banks. The combination of sound internal audit practices and good governance standards will make the banking sector more stabilized and more dependable thus bringing about long-term growth and financial stability.

LITERATURE REVIEW



The research by Dalalga and Ben Hamida (2021) was about the internal audit function and its contribution to the application of the principle of governance in the banks. This study revealed that the internal audit is one of the means of realizing the objectives of the bank, and that compliance with the standards of internal auditing helps in reflecting and applying governance principles in the banking industry.

Other than that, the work of Talal and Ariawa (2021) also studied the importance of banking governance usage to strengthen commercial bank performance. The result showed that banks who used governance requirements perform well because of the effective control and management.

Salhi and Mayo (2016) state that the weakness of internal control and not following the transparency requirements are the reasons for the financial discrepancy, and the results of the study show that the evolution of the internal audit function can improve the banks' governance and increase the confidence of stakeholders.

Based on such research findings, this study aims to analyze the effectiveness of banking governance principles implementation and the evolution of the internal audit function among private Iraqi banks. Furthermore, this study tries to observe how banking governance can influence internal audit quality and improve transparency and confidence in the Iraqi banking system.

IMPORTANCE OF THE STUDY

The importance of this study that it deals with the role which plays the principle of banking governance in developing the quality of the internal auditing practice in Iraqi private banks, due to the lack of transparency and violating the international standards, thus loss of confidence of financial statements and credibility of these banks and efficiency of work. Through the study of the relationship between internal auditing and the principles of governance, the study provides practical recommendations to improve the quality of the audit, assured of reliable financial information and decision-making process. The findings of the study help in creating a more robust and sustainable private banking sector in Iraq, and consequently to general financial stability and economic growth.

THE AIM OF THE STUDY

The aim of the research is to identify the impact of applied principles of governance in the bank on the quality of internal audit performance in Iraqi private banks. This research is to show how these principles of governance can solve the main problems of transparency, accountability, independence, application of international audit standards, and improve the reliability and transparency of financial reports. Finally, the research aims to as a support to recover confidence of stakeholders and the achievement of sustainable development in the Iraqi banking sector.

THE HYPOTHESES OF THE STUDY

1. Transparency Hypothesis: If financial statements or performance disclosures are not transparent enough, the quality of the internal audit report as well as its objectivity will be affected. The quality of the internal audit report is significantly reduced.
2. Accountability Hypothesis: Top bank managers are not very accountable, so the effect of internal audits in detecting and controlling financial irregularities weakens.
3. Independence Hypothesis: The internal audit unit is not independent, so the impartiality and accuracy of the audit report are lost.
4. Compliance Hypothesis: If the unit does not comply with the international internal auditing standards, the quality and objectivity of the internal audit report will decline.

RESULTS AND DISCUSSIONS

A) Descriptive Analysis of Research Variables

For 100 managers of Iraqi state-owned commercial banks, the questionnaires presented in Chapter Three were utilized, with cutoff points detailed as follows:

[Insert details of the cutoff points or criteria used in the analysis here, as relevant to the research].

This section provides an overview of the research variables and their distribution, serving as the basis for further inferential analysis in subsequent sections. The descriptive statistics aim to establish a clear understanding of the data set and its characteristics before delving into more detailed interpretations.

Variable	Items	Count	Minimum	Maximum	Cutoff Point
Transparency	A01-A04	4	4	20	12
Managerial Accountability	A05-A08	4	4	20	12
Independence	A09-A12	4	4	20	12
International Standards	A13-A16	4	4	20	12
Supervision	A17-A20	4	4	20	12

Internal Auditing	B01-B06	6	6	30	18
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Figure 1 Table describing variables in the statistical sample (n=100)

In this section, the mean and standard deviation of each variable are presented.

Variable	Mean	Standard Deviation	Minimum	Maximum
Transparency	13.65	2.081	9	19
Managerial Accountability	14.43	2.124	8	19
Independence	14.62	1.768	10	20
International Standards	13.95	1.872	10	18
Supervision	14.94	1.994	9	20
Internal Auditing	19.27	3.312	11	30

The mean and standard deviation of the research variables, as shown in the table, indicate that based on the scoring method of the questionnaires (refer to Chapter Three), the mean scores for the variables of transparency, managerial accountability, independence, international standards, supervision, and internal auditing were above the average (cutoff point).

B) Inferential Findings

Inferential Analysis and Examination of Research Hypotheses

In this section, the normality of the research variables was first assessed using the Kolmogorov-Smirnov test. Subsequently, the conceptual model was fitted, and finally, the research hypotheses were examined.

Assessment of Normality of Variables

Figure 2: Results of the Kolmogorov-Smirnov Test for Assessing Normality of Research Variables

Variable	Statistic	Significance Level
Transparency	0.123	0.001
Managerial Accountability	0.116	0.003
Independence	0.135	0.0001
International Standards	0.139	0.0001
Supervision	0.132	0.0001
Internal Auditing	0.112	0.003

Figure 2 :Results of the Kolmogorov-Smirnov Test for Assessing Normality of Research Variables

The results of the Kolmogorov-Smirnov test, as shown in Table 7/4, indicate that the research variables do not follow a normal distribution since their significance levels are less than 0.05.

Due to the non-normal distribution of the data, **PLS software version 4** was used for the analysis. This software operates based on the partial least squares (PLS) approach, which is robust to non-normal data distributions and is not sensitive to sample size.

Examining research hypotheses :

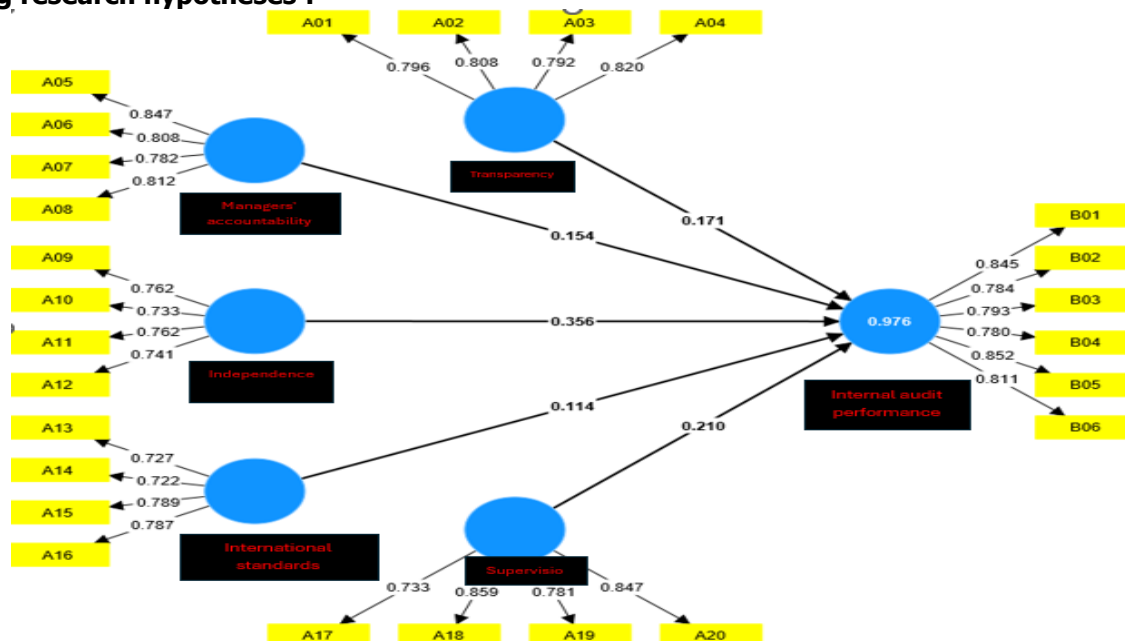


Figure 3 The fitted model of the effects of the variables of transparency, managerial accountability, and independence, and international standards and oversight on the internal audit variable.

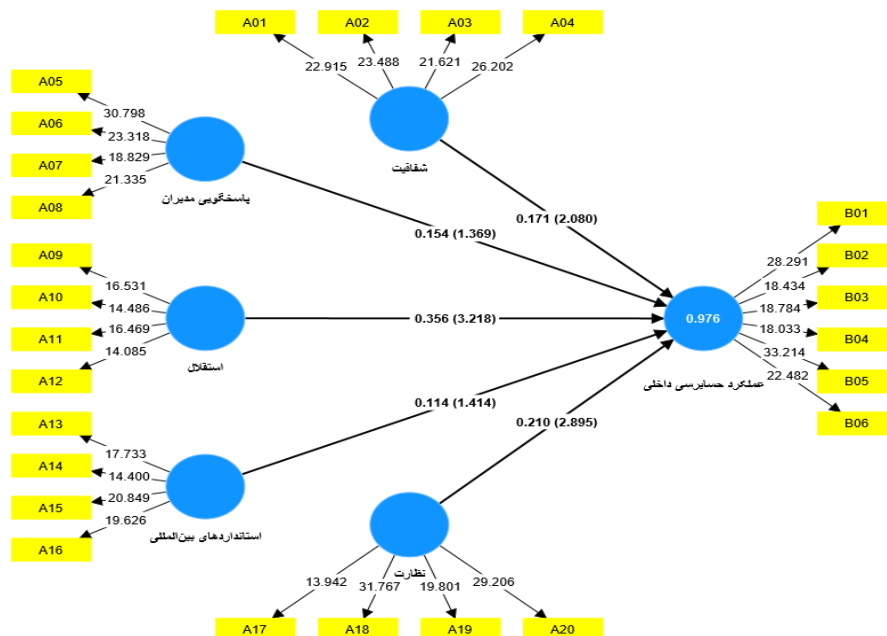


Figure 4: The fitted model of the effects of the variables of transparency, managerial accountability and independence, and international standards and oversight on the internal audit variable in bootstrap mode (t-coefficients)

Direct Effect	Beta	t-Statistic	Significance Level
Transparency ---> Internal Audit Performance	0.171	2.081	0.038
Managerial Accountability ---> Internal Audit Performance	0.154	1.369	0.171
Independence ---> Internal Audit Performance	0.356	3.218	0.001
International Standards ---> Internal Audit Performance	0.114	1.414	0.157
Supervision ---> Internal Audit Performance	0.210	2.895	0.004

The results of Figures 1/4 and 2/4, as well as Table 12/4, indicate confirmation of some of the hypotheses of the present study. The findings related to each hypothesis are presented below.

Evaluation of Model Goodness-of-Fit

R²

The R² value (coefficient of determination) for the variable **Independence** is 0.984, and for **International Standards**, it is 0.885. These values indicate a satisfactory explanation of the endogenous variables through the exogenous variables.

R-square	
Internal Audit Performance:	0.976

Indices: SRMR, NFI, and Q²

The values of the indices are as follows: **SRMR** = 0.054, **NFI** = 0.710, and **Q²** for the variables of transparency, international standards, managerial accountability, and independence, as shown in the table below. These results indicate an acceptable model fit.

Although there is no absolute standard for these indices in theoretical literature, the following thresholds are considered acceptable: SRMR ≤ 0.10, NFI > 0.70, and Q² > 0.02.

Category	SSO	SSE	Q ² (=1-SSE/SSO)
International Standards	400,000	282,880	0.293
Independence	400,000	292,075	0.270

Transparency	400,000	238,952	0.403
Internal Audit Performance	600,000	289,933	0.517
Oversight	400,000	232,597	0.419
Managers' Accountability	400,000	227,678	0.431

Cronbach's Alpha Coefficient Value

Another factor in evaluating the expected effort is the internal consistency indicated by this coefficient, which ranges from 0 to 1. Values greater than 0.7 are considered acceptable, while values less than 0.5 are deemed undesirable (Cronbach, 1951). The test of the outer model (measurement model) includes an assessment of the reliability and validity of the constructs and research instruments.

Composite Reliability (CR)

Since Cronbach's alpha is a traditional measure for determining construct reliability, the PLS method employs a more modern criterion known as composite reliability. This measure, introduced by Werts et al. (1974), has an advantage over Cronbach's alpha in that it calculates construct reliability not absolutely but based on the correlation among their items. Therefore, to better assess reliability in the PLS method, both criteria are utilized. If the CR value for any construct exceeds 0.7 (Nunnally, 1978), it indicates adequate internal consistency for the measurement models, while a value below 0.6 signifies a lack of reliability.

$$CR = \frac{(\text{The constructs are indicators of all factor loadings})^2}{(\text{The constructs are indicators of all factor loadings})^2 + (\text{Constructs of all index errors of total variance})^2}$$

Note: The variance of the indicator error is calculated with the following formula:

$$\text{Variance error index} = 1 - (\text{Factorial load indicator})^2$$

Convergent Validity

Fornell and Larcker (1981) introduced the "Average Variance Extracted" (AVE) criterion for assessing convergent validity. They stated that the critical threshold for this index is 0.5, meaning that an AVE value greater than 0.5 indicates acceptable convergent validity (Fornell & Larcker, 1981). The method for calculating the AVE value for the research variables is as follows.

$$AVE = \frac{(1 \text{ Load factor index coefficient})^2 + \dots + (n \text{ Load factor index coefficient})^2}{n}$$

After calculating the AVE values for the research variables, the table of values related to convergent validity was completed as follows:

Cronbach's Alpha	CR (Composite Reliability)	AVE (Average Variance Extracted - Convergent Validity)
International Standards	0.750	0.843
Independence	0.740	0.837
Transparency	0.818	0.880
Internal Audit Performance	0.896	0.920
Oversight	0.819	0.881
Managers' Accountability	0.828	0.886

Figure 5 Values related to the reliability of the index

The results of the table show that Cronbach's alpha and composite reliability are more than 0.7, and the average amount of extracted variance is more than 0.5; therefore, construct reliability and convergent validity are established.

Model Goodness-of-Fit Index (GOF)

The overall model fit criterion (GOF) can be obtained by calculating the geometric mean of AVE and R². According to the GOF index in the PLS model provides a practical solution for the problem of assessing overall model fit. It functions similarly to the fit indices used in covariance-based methods and can be utilized to evaluate the validity or quality of the PLS model. The overall model includes both the measurement and structural models, and confirming its fit completes the evaluation of a comprehensive model. The GOF index has a single criterion, and values of 0.1, 0.25, and 0.36 are described as weak, moderate, and strong, respectively.

R²	AVE (Average Variance Extracted - Convergent Validity)
Mean	0.976
GOF	0.781

To calculate the overall GOF of the model, AVE, and R² are multiplied, and the square root of the product is taken. According to Table 13/4, GOF values greater than 0.36 indicate a strong model fit.

Hypothesis 1 :

The lack of transparency in financial and performance reports of banks reduces the quality and reliability of internal audit reports.

To evaluate this hypothesis, the structural equation modeling approach was utilized using PLS 4 software. Considering the results of the bootstrap test, the findings were as follows:

Direct Effect

Path	Effect Coefficient	Critical Value	P-Value
Transparency ---> Internal Audit Performance	0.171	2.080	0.038

Figure 6 Estimating the effect of transparency on internal audit performance.

As shown in the table, given the significance level of less than 0.05, transparency has a significant effect on the internal audit performance of Iraqi state-owned commercial banks. Considering the positive value of the effect coefficient, it can be concluded that the relationship between transparency and internal audit performance is direct. An increase in transparency leads to an improvement in internal audit performance, while a decrease in transparency results in reduced internal audit performance. Therefore, the research hypothesis is confirmed. In other words, the lack of transparency in financial and performance reports of banks reduces the quality and reliability of internal audit reports.

Hypothesis 2

The lack of accountability of senior bank managers leads to a reduction in the effectiveness of internal audits in detecting and preventing financial misconduct.

To evaluate this hypothesis, the structural equation modeling approach was utilized using PLS 4 software. Considering the results of the bootstrap test, the findings were as follows:

Direct Effect	Effect Coefficient	Critical Value	P-Value
Manager Accountability ---> Internal Audit Performance	0.154	1.369	0.171

Figure 7 Estimation of the Effect of Manager Accountability on Internal Audit Performance

As shown in Table ..., given the significance level greater than 0.05, manager accountability does not have a significant effect on the internal audit performance of Iraqi state-owned commercial banks. Therefore, the research hypothesis was not confirmed.

Hypothesis

3

The lack of sufficient independence in the internal audit unit reduces impartiality and accuracy in audit reports.

To evaluate this hypothesis, the structural equation modeling approach was utilized using PLS 4 software. Considering the results of the bootstrap test, the findings were as follows:

Direct Effect	Effect Coefficient	Critical Value	P-Value
Independence ---> Internal Audit Performance	0.356	3.218	0.001

Figure 8 Estimation of the Effect of Independence on Internal Audit Performance

As shown in Table ..., given the significance level of less than 0.05, independence has a significant effect on the internal audit performance of Iraqi state-owned commercial banks. Considering the positive value of the effect coefficient, it can be concluded that the relationship between independence and internal audit performance is direct. An increase in independence leads to an improvement in internal audit performance, while a decrease in independence results in reduced internal audit performance. Therefore, the research hypothesis was confirmed. In other words, the lack of sufficient independence in the internal audit unit reduces impartiality and accuracy in audit reports.

Hypothesis

4

Failure to adhere to international internal audit standards reduces the quality and reliability of internal audit reports.

To assess this hypothesis, the structural equation modeling approach was utilized using PLS 4 software. Considering the results of the bootstrap test, the findings were as follows:

Direct Effect	Effect Coefficient	Critical Value	P-Value
International Standards ---> Internal Audit Performance	0.114	1.414	0.157

Figure 9 Estimation of the Effect of International Standards on Internal Audit Performance

As shown in Table ..., given the significance level greater than 0.05, international standards do not have a significant effect on the internal audit performance of Iraqi state-owned commercial banks. Therefore, the research hypothesis was not confirmed.

Hypothesis

5

The absence of a strong regulatory framework for overseeing internal audit performance reduces the effectiveness of these units in Iraqi state-owned commercial banks.

To assess this hypothesis, the structural equation modeling approach was utilized using PLS 4 software. Considering the results of the bootstrap test, the findings were as follows:

Direct Effect	Effect Coefficient	Critical Value	P-Value
Oversight ---> Internal Audit Performance	0.356	3.218	0.001

Figure 10 Estimation of the Effect of Oversight on Internal Audit Performance

As shown in Table ..., given the significance level of less than 0.05, oversight has a significant effect on the internal audit performance of Iraqi state-owned commercial banks. Considering the positive value of the effect coefficient, it can be concluded that the relationship between oversight and internal audit performance is direct. An increase in oversight leads to an improvement in internal audit performance, while a decrease in oversight results in reduced internal audit performance. Therefore, the research hypothesis was confirmed. In other words, the absence of a strong regulatory framework for overseeing internal audit performance reduces the effectiveness of these units in Iraqi state-owned commercial banks.

In this section, the analysis of the collected data is presented in two forms: descriptive and inferential statistics. The statistical data analysis in this research was conducted using Excel, SPSS, and Smart PLS software. The applicable criteria were quantified by using PLS software that utilized structural equation modeling grounded on partial least squares (PLS) to evaluate the structural model's predictive power. Lastly, the inferential results concerning the principal research variables were investigated in the concluding section.

Results of Hypothesis Testing:

No.	Hypothesis	Significance Level	Result
1	The lack of transparency in financial and performance reports of banks reduces the quality and reliability of internal audit reports.	Less than 0.05	Accepted
2	The lack of accountability of senior bank managers leads to reduced effectiveness of internal audits in detecting and preventing financial misconduct.	Greater than 0.05	Rejected
3	The lack of sufficient independence in the internal audit unit reduces impartiality and accuracy in audit reports.	Less than 0.05	Accepted
4	Failure to adhere to international internal audit standards reduces the quality and reliability of internal audit reports.	Greater than 0.05	Rejected
5	The absence of a strong regulatory framework for overseeing internal audit performance reduces the effectiveness of these units in Iraqi state-owned commercial banks.	Less than 0.05	Accepted

CONCLUSION

The current study has dealt with the effect of the principles of banking governance on the quality and efficiency of internal auditing in the Iraqi public and private commercial banks, through identifying the major problems represented by transparency, accountability, independence, and adherence to international standards and oversight. The study has confirmed the importance of good government in establishing the confidence of shareholders, contributing to the reliability of financial information, and ensuring the sustainability of banking institutions. The results indicated that transparency, independence, and monitoring effective internal auditing have validated the role played in ensuring high-quality internal audits. However, the results also showed that the lack of accountability by senior bank managers and the failure to adhere to international standards have a non-significant effect on the performance of internal audits. This suggests that selective reforms are required to improve accountability at the level of management and promote adherence to international standards.

The research also demonstrated how PLS software can be used to test complex relationships among governance constructs and internal audit effectiveness. The application of composite reliability, AVE, and goodness-of-fit measures validated the measurement and structural models used in the research were sound.

Concisely, the research provides pragmatic findings and concrete suggestions to policymakers, regulators, and bank managers to rectify current deficiencies in governance processes. Through increased transparency, independence of internal audit departments, and a solid regulatory framework for oversight, Iraqi banks can enhance the quality and credibility of internal auditing. These reforms are expected to enhance financial stability, reinforce stakeholder confidence, and enhance the long-term viability of the banking sector. Future research may put emphasis on longitudinal research that follows the effect of reforms implemented over a longer time and investigates how governance principles interact with various performance measures in different banking contexts.

RECOMMENDATIONS



In the light of the conclusions reached, the study makes the recommendations detailed in

1. **Enhance Transparency in Reporting:**

Banks should adopt clear and standardized reporting mechanisms for financial and performance information and the Mandatory disclosure policies should be implemented to ensure the accuracy and completeness of reports, fostering stakeholder trust.

2. **Strengthen Managerial Accountability:**

Establish accountability frameworks for senior management, clearly defining their roles and responsibilities in governance processes and Introduce performance-based evaluations linked to governance outcomes to enhance accountability.

3. **Ensure Independence of Internal Audit Units:**

Internal audit units should operate independently from executive management, reporting directly to the board of directors or an independent audit committee and Clear policies and procedures should be developed to safeguard the impartiality of internal auditors.

4. Adopt international auditing standards: Banks need to follow internationally acknowledged standards like ISPPA in their entirety. Ongoing training and capacity building exercises need to take place to support adherence to these standards.

5. Create Strong Oversight structure: Organize robust regulatory structure to oversee and evaluate the productivity of internal audit units. Develop collaboration between banking institutions and regulators to build good governance best practices.

6. Capacity building: Organize mandatory routine training for internal auditors in improving their competency and skill for governance-associated auditing approaches. Allow upgrading to advanced auditing equipment and software tools to reinforce the productivity of internal auditing procedure.

7. Promote the culture of governance: Organize a culture of governance within bank under the backdrop of the role of transparency, responsibility, and moral behavior. Organize awareness programs to inform stakeholders of the importance of good governance and internal auditing.

8. Conduct routine evaluation: Make routine reviews of governance and auditing process to identify the gap and the need for improvement. Use recommendations from the above-mentioned reviews to improve governance policies and procedures in stair-step.

Through the implementation of these recommendations, Iraqi banks can enhance the effectiveness of their internal audit processes, improve governance practices, and create a more stable and sustainable banking system.

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