

The impact of Corporate Governance Mechanisms on the Quality of Financial Reporting

- study of some Algerian Companies -

Senoussaoui Ilhem*¹, Boudrama Mostefa²

¹ Setif1 University Ferhat Abbas, Algeria, ilhemsounoussaoui@gmail.com

² Setif1 University Ferhat Abbas, Algeria, boudrama.mostefa@yahoo.fr

Received :06/10/2025

Accepted:25/12/2025

Published: 31/12/2025

Abstract:

The study aimed to measure the impact of applying corporate governance mechanisms on achieving the quality of financial reports through a field study of some companies. The study addressed the concept of governance, its importance, its principles and mechanisms, the parties involved in its implementation, and its role in achieving the quality of financial reports. This study was conducted by preparing a questionnaire specifically designed for this purpose. The statistical analysis program was used to analyze the data and test the hypotheses.

The study reached a number of conclusions, the most important of which is that financial reports are among the most important decision-making tools in companies. Therefore, to achieve transparency and credibility, governance mechanisms must be relied upon, as they impact transparency and reduce financial and accounting manipulation.

Keywords: Corporate governance, corporate governance mechanisms, quality of financial reporting, qualitative characteristics of accounting information.

JEL Classification Codes: G34 ; M41.

The impact of corporate governance mechanisms on the quality of financial reporting

- study of some Algerian companies -

1. Introduction:

The issue of corporate governance emerged as a result of the financial crises and economic collapses that occurred in a number of countries in East Asia, South America, and Russia in the 1990s, as well as the financial and banking collapses of a number of global American companies, most notably Enron and WorldCom, whose collapses were linked to administrative and accounting corruption and weak oversight mechanisms for the financial activities of institutions. These collapses prompted a search for the vital role of audit committees and internal and external auditors in corporate governance processes, as all these parties are considered a means of supervising the quality of financial reports. As a result, and in order to restore the confidence of users of financial information, there was an urgent need for corporate governance, which many international institutions, stock exchanges, and professional organizations in many countries rushed to adopt.

Financial reports are a means of communication between the entity and the outside world and a means of conveying information to beneficiaries and all interested parties. Governance mechanisms are among the most important factors contributing to this success because they reduce conflicts between management and shareholders, thereby unifying their goals, limiting manipulation, providing transparency, and enhancing confidence in the accounting information contained in financial reports, thereby improving their quality and ensuring that rational decisions are made.

I.1. Research question: Based on the above, the research problem can be summarized as follows: To what extent does the application of corporate governance mechanisms affect the quality of financial reporting in Algerian companies?

This issue raises a number of sub-questions:

- To what extent are companies committed to and keen on implementing corporate governance mechanisms?
- To what extent are companies keen on providing qualitative characteristics of accounting information in their financial reports?
- To what extent does the board of directors influence the provision of qualitative characteristics of accounting information in financial reports and the achievement of financial report quality?
- To what extent does internal auditing influence the provision of qualitative characteristics of accounting information in financial reports and the achievement of financial report quality?
- To what extent does external auditing influence the provision of qualitative characteristics of accounting information in financial reports and the achievement of financial report quality?

I.2. Study hypotheses: To answer this question, the following hypothesis was formulated:

H₁: Algerian companies are not keen on and do not commit to applying corporate governance mechanisms. This hypothesis is divided into two sub-hypotheses:

S-h₁: Algerian companies are not keen on and do not commit to applying internal corporate governance mechanisms.

S-h₂: Algerian companies are not keen on or committed to applying external corporate governance mechanisms.

H₂: Companies are not keen on providing qualitative characteristics of accounting information in their financial reports.

H₃: Corporate governance mechanisms have a statistically significant positive effect on the provision of qualitative characteristics of accounting information and the achievement of financial report quality. This hypothesis branches into three sub-hypotheses:

S-h₁: The board of directors has a statistically significant positive effect on providing qualitative characteristics of accounting information in financial reports and achieving financial report quality.

S-h₂: Internal auditing has a statistically significant positive effect on providing qualitative characteristics of accounting information in financial reports and achieving financial report quality.

S-h₃: External auditing has a statistically significant positive effect on providing qualitative characteristics of accounting information in financial reports and achieving financial report quality.

2. The theoretical framework of corporate governance:

2.1. The concept of corporate governance:

According to Gérard Charreaux, corporate governance is a set of mechanisms that have the ability to define the powers of managers and influence their decisions. In other words, it is the mechanisms that govern their behavior in order to limit their discretionary power (Charreaux & Peter Writz, 2006). Benoit Bigé, on the other hand, sees it as “a set of mechanisms that help to create the right conditions for companies to achieve their pre-established objectives” (Bigé, 2008). For Jenkinson & Mayer, governance means “the sum of the processes and structures through which companies are directed and managed, in order to improve shareholder value in the long term by enhancing corporate performance and accountability, while taking into account the interests of other parties related to the company” (Uwuigbe, Olubukunola, Fakile, & Adeniran, 2012).

As for international bodies, the British Cadbury Committee report defined governance as the system that allows shareholders to direct, manage, and control their company by appointing board members and selecting external auditors (Omar M., 2005). According to the Organization for Economic Cooperation and Development (OECD), it is the structure through which the management and supervision of the company is organized, with an emphasis on including a system of incentives for managers and the board of directors linked to the company's performance, which aims to maximize shareholder profits and encourages management to invest the company's resources optimally (Ayed-koubaa, 2009). Corporate governance has also been defined by the International Finance Corporation (IFC)* as “the system through which companies are managed and their activities controlled.” (Ghazoui, 2010)

2.2. Corporate Governance Principles

The Organization for Economic Cooperation and Development (OECD) has developed a set of guidelines and standards in collaboration with national governments and relevant international organizations concerned with corporate governance, known as the Corporate Governance Principles. The application of these principles has become a means of enhancing confidence in companies listed on the financial market and an indicator of the level of professional commitment to governance principles achieved by corporate management, transparency, accountability, and the existence of anti-corruption measures (Hammam, 2009). These principles are: the availability of an effective corporate governance framework, shareholder rights, equal treatment of shareholders, the role of stakeholders, disclosure and transparency, and the responsibilities of the board of directors.

The impact of corporate governance mechanisms on the quality of financial reporting

- study of some Algerian companies -

2.3. Corporate governance mechanisms

These are defined as the methods and techniques used to deal with agency problems that arise between management and shareholders in general, and between minority shareholders and the controlling majority (Alam, 2009). They are also defined as the set of methods and techniques applied at the company level to solve corporate governance problems, and the use of these methods and techniques depends on the governance system applied in the country under study. (Alam, 2009) There is near unanimity among authors and researchers that corporate governance mechanisms are classified into two categories, internal and external, and that the content of each category is as follows:

2.3.1. Internal mechanisms: These refer to the set of institutional mechanisms put in place by stakeholders, including shareholders or through the legislative authority, to protect their interests and defend their rights (Depretr, 2005). They can be classified as follows:

-Board of Directors: This is one of the basic mechanisms used to address opportunistic behavior by managers, and is described as the heart of corporate governance (ManelKolsi, 10-11 May 2011). In order to carry out its duties of guidance and supervision, it forms a group of committees from among its non-executive members, the most prominent of which are: the audit committee, the appointments committee, and the remuneration committee (Al-Deen M., 2010).

-Internal auditing: This activity is independent of the organization's executive management, as it reports to the board of directors within the audit committee that it has established. It is also an objective activity that involves internal auditing by highly experienced and skilled individuals (Khalil et al., 2008).

2.3.2. External mechanisms: These refer to oversight and supervision provided by parties outside the institution, such as laws regulating economic activity and financial market efficiency, and the efficiency of regulatory agencies and bodies. External mechanisms are important because their existence ensures the implementation of laws and rules that guarantee good corporate governance and reduce the conflict between social and private returns (Khalil et al., 2008). These include market competition, legislation and laws, and external auditing. There are also other mechanisms that complement external governance mechanisms, such as financial analysts, Transparency International, which exerts significant pressure on governments and states to combat financial and administrative corruption, and the World Trade Organization, which pushes for better financial and accounting systems, the Basel Committee through its governance decisions (Al-Tamimi), and the International Organization of Supreme Audit Institutions, which is the globally recognized international leader in public sector auditing (Abdul Wahab Nasr Ali, 2009).

3. Quality of financial reporting:

3.1. Definition of financial reports and statements

These are defined as “a means of conveying information to users, whereby a company's annual financial report includes its final accounts, comparative balance sheet, cash flow statement, and other accompanying tables, in addition to other data specific to the company” (Hamad, 2010). They are also informative documents containing data that are used and consulted by several users (Rahhal, 2007). Financial statements are defined as a means of conveying a consolidated picture of the financial position, profitability, and cash position of a project or outside it. They are considered the final output of the accounting process (Nour and Shehata, 2008). Financial statements are a complete summary of accounting and financial documents that provide a true picture of the financial position of an entity (Ropert, 2004).

3.2. Definition of financial reporting quality

It is characterized by transparency and good disclosure of information that reflects the true financial position and actual and expected profits of the company in line with the objectives and needs of current and prospective investors and others to rationalize their investment decisions (Robinson, T. R, & Munter. P, 2004). It is also defined as the absence of material misstatements in reports and their presentation of a true and fair view of the company's financial position (Hamdan, 2011).

3.3. The role of governance mechanisms in the quality of financial reporting

3.3.1. The role of internal corporate governance mechanisms in the quality of financial reporting

- **The role of the board of directors:** It is one of the most prominent and important mechanisms that oversee management's work, enabling shareholders to effectively monitor management's performance and decisions. It also performs a range of functions and tasks specified by legislation, particularly corporate and governance laws (Youssef, 2012).

- **Role of the Audit Committee:** It plays a vital role in ensuring the quality of financial reports, building confidence in accounting information, and reducing manipulation and illegal practices as a result of its supervision of internal and external audit processes and resistance to management pressure and interference in the audit process. It also has a direct impact on the securities market, as investors rely on it to make decisions such as whether to hold or dispose of securities, and it also affects trading volume and stimulates the securities market (Reda and Riad Ahmed, 2011).

- **The role of internal auditing:** According to a 1990 study by Schneider and Wilner, there is a significant positive correlation between the quality of internal auditing and the quality of financial reports and company performance reports. Internal auditing functions can also limit fraudulent practices in financial reports and fraud related to the misuse of company assets. A 1992 study by Gordon and Smith also found that internal auditing, if given the necessary independence, will improve the regulatory environment, reduce reporting errors, and improve corporate performance. (Al-Rifai Ibrahim Mubarak, 2010)

3.3.2. The role of external corporate governance mechanisms in the quality of financial reporting(external auditors):The auditor's report is considered a means of communication between the company and users of financial reports, as it contains the auditor's opinion and judgement on the financial reports and the accuracy and reliability of the data and financial statements contained therein (Juma, 2009). It also serves as the basis on which stakeholders rely to make their decisions, as it confirms the credibility and transparency of the financial information disclosed by the company (Mana'i, 2009). It is a written document containing the impartial technical opinion of the auditor regarding the regularity of the books and records and the accuracy of the accounting data they contain, in addition to his judgement on the transparency of the financial statements prepared by the company and their representation of the financial position and results of operations at the end of the financial period (Al-Wagad, Luay Muhammad, and Dayan, 2010). The auditor's report is usually attached to the company's annual financial report to give it legal status and increase the confidence of users of these financial reports (Sawad, 2009).

The impact of corporate governance mechanisms on the quality of financial reporting
- study of some Algerian companies -

4. An applied study of the impact of governance mechanisms on the quality of financial reports of some Algerian companies

4.1. Field study methodology

The impact of applying corporate governance mechanisms on the quality of financial reporting is measured using a qualitative measurement method, which is represented by the extent to which the qualitative characteristics of accounting information are available in financial reports. This is done by conducting a field study (questionnaire) for a group of companies in some states in order to answer the study questions and draw conclusions.

4.1.1. Study population and sample: The study population consists of board members and internal auditors of some listed companies and a group of external audit firms, with ten (10) listed companies and three (3) external audit firms responding to the researcher. The study sample was selected using random (stratified) sampling from the study population.

Table 01. Statistics related to questionnaire forms

Statement	Questionnaire	
	Number	Percentage %
Number of forms distributed	83	100
Number of forms returned	65	65
Number of forms lost	18	18
Number of forms cancelled	09	13.85
Number of forms accepted for consideration	56	86.15

Source: Prepared by the Authors based on the sorting of questionnaire forms.

4.1.2. Study Tools:

- Questionnaire: A questionnaire was used as the main tool for data collection. It consisted of two sections, the first section was dedicated to personal data related to the study sample and included (06) paragraphs, while the second section included (33) paragraphs. The questionnaire contained thirty-three (33) questions, using closed-ended questions according to a five-point Likert scale to assess the sample's opinions on the questionnaire items, with the aim of testing the study hypotheses.

Table 02. Main themes of the questionnaire

Axis	Paragraphs	The axis
01	From 01 to 14	The extent to which the board of directors is implemented as an internal mechanism for corporate governance
02	From 15 to 17	The extent to which internal auditing is implemented as an internal mechanism for corporate governance
03	From 18 to 21	The extent to which external auditing is implemented as an external mechanism for corporate governance
04	From 22 to 33	The extent to which the qualitative characteristics of accounting information are available in financial reports to achieve the quality of financial reports

Source: Prepared by the Authors

- **Statistical methods used:** To achieve the study objectives and analyze the data, appropriate statistical methods were used that was compatible with the type of data to be analyzed using the SPSS statistical package for social sciences, as follows: Percentages and frequencies, arithmetic mean, standard deviation, Kendall's coefficient, Cronbach's alpha test, one-sample t-test, multiple linear regression. $QRF = \beta_0 + \beta_1 CA + \beta_2 AI + \beta_3 AE + \varepsilon$

- QFR: Dependent variable (financial reporting quality);

- CA: Independent variable (board of directors);
- AI: Independent variable (internal audit);
- AE: Independent variable (external audit);
- β_0 : The value that the dependent variable is assumed to achieve in the absence of independent variables;
- β_i : The value by which the dependent variable changes if the independent variable changes by one degree, which may be positive or negative;
- ε : Represents the margin of error and measures the deviation of the dependent variable: ε values from the true regression line.

Correlation coefficient (R), whose value ranges between (1) and (-1), coefficient of determination (R^2), Fisher's test (F).

Before adopting multiple regression equations, we must test the validity of the equations developed for the study, using analysis of variance (ANOVA) to study the significance of the model at a significance level of $\alpha = 0.05$. while the variance inflation factor (VIF) test will be used to study the multicollinearity between the explanatory variables, where there is multicollinearity if $VIF > 3$ and vice versa. The validity of the regression equations is studied and their parameters are extracted using SPSS software.

4.1.3. Validity and reliability of the study tool

-Validity of questionnaire items: The validity of the questionnaire items was verified in two ways:

Validity of the tool: To verify the validity of the study questionnaire, it was presented to a group of arbitrators, consisting of a group of experienced professors, to seek their opinions on the accuracy and clarity of the questionnaire items.

Internal consistency validity of the questionnaire items: Internal consistency validity refers to the extent to which each item of the questionnaire is consistent with the axis to which it belongs. It is calculated by calculating Kendall's tau-B correlation coefficient and the total score for the axis to which it belongs.

-Validity of all study axes: The following table shows the correlation coefficients between each study axis and the total score for its items. It also shows that the correlation coefficients are significant at a significance level of 0.05.

Table 3. Correlation coefficient between the average score for each axis of the study and the overall average score for the questionnaire items

Content of the axis	Correlation coefficient	Level of significance
Extent of application of the board of directors as an internal mechanism for corporate governance	0.699	0.000
Extent of application of internal auditing as an internal mechanism for corporate governance	0.660	0.000
Extent of application of external auditing as an external mechanism for corporate governance	0.564	0.000
Extent of availability of qualitative characteristics of accounting information in financial reports to achieve quality financial reporting	0.647	0.000

Source: Prepared by the Authors based on SPSS outputs.

The impact of corporate governance mechanisms on the quality of financial reporting - study of some Algerian companies -

From the table, we can see that all the study axes are consistent with the questionnaire as a whole, as the correlation coefficients are positive and relatively strong, and the significance level is less than 0.05, which means that they are valid for what they were designed to measure.

Stability of the questionnaire items: Stability was assessed using Cronbach's Alpha coefficient. The stability of the questionnaire means that it gives the same or similar results when administered more than once under the same conditions and to the same sample.

Table 4. Stability coefficient (Alpha Cronbach method)

Content of the axis	Num of par	Alpha Cronbach's coefficient
Extent of application of the board of directors as an internal mechanism for corporate governance	14	0.826
Extent of application of internal auditing as an internal mechanism for corporate governance	03	0.499
Extent of application of external auditing as an external mechanism for corporate governance	04	0.519
Extent of availability of qualitative characteristics of accounting information in financial reports to achieve quality financial reporting	12	0.784
The questionnaire as a whole	33	0.893

Source: Prepared by the Authors based on SPSS outputs.

From the table, we can see that the study's stability ratio (Cronbach's alpha coefficient) reached 0.893, which is greater than 60%, representing the accepted stability value. This indicates that the questionnaire has a high degree of stability, meaning that if the questionnaire were redistributed to the same sample, 89.3% would repeat their initial answers.

4.2. Field study results and interpretation

4.2.1. Characteristics and attributes of the study sample

Table 05. Stability coefficient (Alpha Cronbach method)

Characteristics	Statement	Frequency	Percentage
Sex	Male	49	87.5
	Female	07	12.5
Age	Under 25 years old	00	00
	25 to 40 years old	25	44.6
	Over 40 years old	31	55.4
Educational Qualification	Bachelor's degree	22	39.3
	Master's degree	07	12.5
	Master's degree LMD	07	12.5
	Doctorate degree	03	5.4
	Other	17	30.4
Specialization	Finance	06	10.7
	Accounting	17	30.4
	Finance and accounting	13	23.2
	Other	20	35.7
Professional Experience	Less than 5 years	08	14.3
	5 to 15 years	17	30.4
	Over 15 years	31	55.4
Position	Board member	36	64.3
	Internal auditor	16	28.6
	External auditor	04	7.1

Source: Prepared by the Authors based on SPSS outputs.

The table shows that most of the study participants are male. In terms of age, there is little difference between the two groups, as the positions held by the sample require experience that is acquired after years of work. This explains the repetition in professional experience, while academic qualifications and specializations vary.

4.2.2. Analysis of study sections and themes

Table 06. Analysis of paragraphs of the first axis “The extent to which the board of directors is applied as an internal mechanism for corporate governance”

Num	Paragraph	Arithmetic mean	Standard deviation	T-value	Sign level	Judgment
01	The board of directors is an effective tool for monitoring management behavior.	4.232	0.808	11.400	0.000	Commit
02	The board of directors selects directors based on their experience and skills.	4.125	1.145	7.352	0.000	Commit
03	The board of directors performs its duties through a group of committees.	3.642	1.135	4.238	0.000	Commit
04	The board of directors has access to all information and data related to the company.	4.553	0.501	23.177	0.000	Commit
05	The board of directors relies on fair criteria for granting incentives and bonuses to board members and executive management.	3.946	0.998	7.093	0.000	Commit
06	The board of directors acts as a governance mechanism to counter opportunistic management behavior.	3.910	1.014	6.721	0.000	Commit
07	The audit committee protects the company's assets in the interests of shareholders and other stakeholders.	4.250	0.639	14.625	0.000	Commit
08	The audit committee promotes the independence of internal and external auditors.	4.303	0.711	13.711	0.000	Commit
09	The audit committee minimizes conflicts between management and the external auditor.	3.732	0.841	6.508	0.000	Commit
10	The audit committee discloses any harm that may befall shareholders.	4.303	0.736	13.244	0.000	Commit
11	The existence of an audit committee in the company limits illegal financial transactions.	4.214	0.652	13.923	0.000	Commit
12	The audit committee oversees internal and external audits.	4.285	0.562	17.092	0.000	Commit
13	The Appointments Committee seeks to select the best candidates for board seats.	3.339	1.455	1.744	0.087	No Commit
14	The Compensation Committee sets a range of compensation for directors and monitors its implementation.	3.446	1.174	2.845	0.006	Commit
	All paragraphs	56.285	7.154	14.942	0.000	

Source: Prepared by the Authors based on SPSS outputs.

By analyzing statistical data related to the extent to which the board of directors is applied as an internal mechanism for corporate governance, where the arithmetic mean ranged between 3.339 and 4.553, which is greater than the hypothetical mean, This indicates the extent to which the board of directors is applied in companies as an internal mechanism for corporate

The impact of corporate governance mechanisms on the quality of financial reporting
- study of some Algerian companies -

governance, as it serves as an effective tool for monitoring management behavior and limiting opportunistic actions, in order to achieve the objectives of shareholders, as it is responsible for reporting on performance and is also responsible for disclosure and transparency requirements regarding the information it publishes.

Table 07. Analysis of paragraphs in the second section, “The extent to which internal auditing is applied as an internal mechanism for corporate governance”

Num	Paragraph	Arithmet ic mean	Standard deviation	T-value	Sign level	Judgment
15	Internal auditing helps preserve company funds.	4.571	0.683	17.198	0.00	Commit
16	The independence of the internal auditor allows for the detection of all financial manipulations within the company.	4.463	0.601	18.204	0.00	Commit
17	Internal auditing helps implement established management plans.	4.053	1.068	7.376	0.00	Commit
	All paragraphs	13.089	1.719	17.800	0.00	

Source: Prepared by the Authors based on SPSS outputs.

By analyzing statistical data related to the extent of internal auditing as an internal mechanism for corporate governance, where the arithmetic mean is greater than the hypothetical mean, this indicates the extent of internal auditing in companies as an internal mechanism for corporate governance, as internal auditing helps to preserve company funds and detect any violations that could squander them.

Table 8. Analysis of the third axis, “The extent to which external auditing is applied as an external mechanism for corporate governance.”

Num	Paragraph	Arithmetic mean	Standard deviation	T- value	Sign level	Judgmen t
18	An external auditor helps improve processes within the company.	4.375	0.558	18.440	0.000	Commit
19	An external auditor ensures compliance and reduces conflicts between shareholders and management.	3.625	0.982	4.759	0.000	Commit
20	An external auditor reduces the likelihood of errors within the company.	4.375	0.619	16.603	0.000	Commit
21	An external auditor helps determine the effectiveness of the internal control system.	3.982	0.797	9.216	0.000	Commit
	All paragraphs	16.375	1.939	16.813	0.000	

Source: Prepared by the Authors based on SPSS outputs.

By analyzing statistical data related to the extent of external auditing as an external mechanism for corporate governance, where the arithmetic mean is greater than the hypothetical mean, This indicates the extent to which external auditing is applied in companies as an external mechanism for corporate governance, as it helps to improve operations in the company and is considered an effective control tool that limits

Table 09. Analysis of the fourth axis paragraphs “The extent to which the qualitative characteristics of accounting information are available in financial reports”

Num	Paragraph	Arithmet ic mean	Standard deviation	T-value	Sign level	Judgmen t
22	Financial reports provide an accurate picture of the company's situation, making them reliable and trustworthy.	4.375	0.776	13.259	0.000	Commit
23	The use of credible accounting information	4.410	0.564	18.687	0.000	Commit

	increases the degree of certainty in the decision-making process.					
24	Financial reports are impartial and unbiased so that all interested parties can benefit from them.	4.089	0.958	8.502	0.000	Commit
25	The reliability of companies' financial reports supports their competitive position.	4.107	0.801	10.333	0.000	Commit
26	Using information at the right time helps decision-makers improve their predictions of future outcomes.	4.303	0.536	18.178	0.000	Commit
27	Through their financial statements and reports, companies are keen to provide relevant and timely accounting information.	4.464	0.538	20.362	0.000	Commit
28	Financial reports contain information that is highly transparent so that all users can understand and make good use of their content.	4.214	0.846	10.732	0.000	Commit
29	Financial reports are easy to use because their content is not complicated.	4.178	0.635	13.878	0.000	Commit
30	The comparison feature helps in comparing companies and making decisions.	4.303	0.658	14.817	0.000	Commit
31	Accounting information contributes to the provision of actual data for comparison purposes.	4.285	0.652	14.742	0.000	Commit
32	Financial reports provide financial and accounting information based on fixed accounting principles that allow for comparison between periods.	4.321	0.690	14.324	0.000	Commit
33	Relying on a single method of accounting for assets and liabilities makes financial information more consistent in financial reports.	3.928	0.782	8.875	0.000	Commit
	All paragraphs	50.982	4.669	24.013	0.000	

Source: Prepared by the Authors based on SPSS outputs.

By processing statistical data related to the availability of qualitative characteristics of accounting information in financial reports, where the arithmetic mean ranged between 3.928 and 4.464, which is greater than the hypothetical mean, This indicates the availability of qualitative characteristics of accounting information in financial reports, as financial reports provide an accurate picture of the company's reality, allowing them to be trusted and relied upon, through the availability of trust, honesty, impartiality, and appropriateness in their financial reports.

4.3. Testing and discussing the study hypotheses

The discussion of the study's hypotheses was based on arithmetic means, standard deviations, and the T-test for a single sample mean in order to identify the axis's tendency toward positivity or negativity, i.e., the extent to which the sample individuals agreed with the axis.

4.1.3. Testing and discussion of the H₁: “Algerian companies are not keen on and do not commit to applying corporate governance mechanisms.”

- S-h₁: “Algerian companies are not keen on and do not commit to applying internal corporate governance mechanisms.” To test this hypothesis, we will rely on the results of the statistical analysis shown in the following table.

**The impact of corporate governance mechanisms on the quality of financial reporting
- study of some Algerian companies -**

Table 10. Statistical analysis of the first and second axes for the S-h₁

Num	Paragraph	Arithmetic mean	Standard deviation	T-value	Sign level	Judgment
1+2	The extent to which the board of directors and internal audit are applied as internal mechanisms for corporate governance	69.375	8.304	16.558	0.000	signify

Source: Prepared by the Authors based on SPSS outputs.

The table shows that the arithmetic mean is estimated at 69.375, which is greater than the hypothetical mean estimated at 51, with a standard deviation equivalent to 8.304. The value of t reached 16.558 at a significance level of 0.000 ($0.05 > \text{sig}$) and degree of freedom $df=55$, which means that the companies in the study community are committed to applying internal corporate governance mechanisms.

Based on the findings, we reject the null hypothesis, which states that companies are not keen on and do not commit to applying internal corporate governance mechanisms, and accept the alternative hypothesis, which states that companies are keen on and commit to applying internal corporate governance mechanisms.

- S-h₂: “Algerian companies are not keen on and do not commit to applying external corporate governance mechanisms.” To test this hypothesis, we will rely on the results of the statistical analysis shown in the following table.

Table 11. Statistical analysis of the third axis related to the S-h₂

Num	Paragraph	Arithmetic mean	Standard deviation	T-value	Sign level	Judgment
03	The extent to which external auditing is applied as an external mechanism for corporate governance	13.089	1.719	17.800	0.000	signify

Source: Prepared by the Authors based on SPSS outputs.

We note from the table that the arithmetic mean is estimated at 13.089, which is greater than the hypothetical mean estimated at 12, with a standard deviation equivalent to 1.719. The value of t reached 17.800 at a significance level of 0.000 ($0.05 > \text{sig}$) and degree of freedom $df=55$, which means that Algerian companies in the study community are committed to applying external auditing as a mechanism for corporate governance.

Based on the above and our findings, we reject the null hypothesis, which states that Algerian companies are not keen on and do not commit to applying external corporate governance mechanisms, and accept the alternative hypothesis, which states that Algerian companies are keen on and commit to applying external corporate governance mechanisms.

- Discussion of the H₁

Table 12 shows the results of the statistical analysis of the total axes representing the H₁, which states: “Algerian companies are not keen on and do not commit to applying corporate governance mechanisms.”

Table 12. Statistical analysis of the sum of axes 2, 1, and 3 for the H₁

Num	Paragraph	Arithmetic mean	Standard deviation	T-value	Sign level	Judgment
1+2+3	The extent to which corporate governance mechanisms are applied in Algerian companies	85.732	9.524	17.861	0.000	signify

Source: Prepared by the Authors based on SPSS outputs.

We note from the table that the arithmetic mean of the sum of items 01, 02, and 03, which represent internal and external mechanisms of corporate governance, is estimated at 85.732, which is greater than the hypothetical mean of 63, with a standard deviation of 9.524. The value of t reached 17.861 at a significance level of 0.000 (0.05>sig) and a degree of freedom df=55, which means that the companies in the study are committed to applying corporate governance mechanisms.

Based on the above and on the findings, we reject the null hypothesis, which states that Algerian companies do not strive to apply corporate governance mechanisms and are not committed to doing so, and we accept the alternative hypothesis, which states that Algerian companies strive to apply corporate governance mechanisms and are committed to doing so.

4.2.3. Testing and discussing the H₂: “Algerian companies do not strive to provide qualitative characteristics of accounting information in their financial reports.” To test this hypothesis, we will rely on the results of the statistical analysis shown in the following table.

Table 13. Statistical analysis of the fourth axis related to the H₂

Num	Paragraph	Arithmetic mean	Standard deviation	T-value	Sign level	Judgment
04	The extent to which the qualitative characteristics of accounting information are present in financial reports to achieve financial reporting quality	50.982	4.669	24.013	0.000	signify

Source: Prepared by the Authors based on SPSS outputs.

We note from the table that the arithmetic mean of the sum of the fourth axis items is estimated at 50.982, which is greater than the hypothetical mean of 36, with a standard deviation of 4.669. The value of t =24.013 at a significance level of 0.000 (0.05>sig) and degree of freedom df=55, which means that the companies in the study provide the qualitative characteristics of accounting information in their financial reports to achieve the quality of financial reports.

Based on the above and on the findings, we reject the null hypothesis, which states that Algerian companies do not strive to provide qualitative characteristics of accounting information in their financial reports, and accept the alternative hypothesis, which states that Algerian companies strive to provide qualitative characteristics of accounting information in their financial reports.

4.3.3. Testing and discussing the H₃: “Corporate governance mechanisms have a statistically significant positive effect on providing the qualitative characteristics of accounting information and achieving financial reporting quality.”

The hypothesis is tested using multiple regression analysis, which is mainly used to study the causal relationship between a dependent variable and more than one independent variable, as well as to predict the values of the dependent variable as a result of changes in the independent variables. The multiple regression equation that will be used to discuss the hypothesis is:

$$QRF = \beta_0 + \beta_1 CA + \beta_2 AI + \beta_3 AE + \varepsilon$$

The dependent variable represents the quality of financial reports, which is achieved in our study through the availability of qualitative characteristics of accounting information in financial reports. The independent variables represent internal and external corporate governance mechanisms, which the study focused on, namely: the board of directors, internal auditing, and external auditing. The following table shows the results of the model test:

**The impact of corporate governance mechanisms on the quality of financial reporting
- study of some Algerian companies -**

Table 14. Testing the validity of the multiple regression model for financial statement quality

Regression equation for financial report quality	R ²	F	Sign level	VIF			Judgment
				AE	AI	CA	
	0.417	12.423	0.000	2.317	2.844	1.571	signify

Source: Prepared by the Authors based on SPSS outputs.

By extrapolating the data in the table, we can see that the model is acceptable, given that the significance level is estimated at 0.000, which is less than 0.05, meaning that at least one of the regression equation coefficients differs from zero. On the other hand, we find that the independent variables explain the dependent variable (quality of financial reports) by 41.7%, which means that the quality of financial reports is affected by factors other than those adopted. As for multiple correlation, the VIF statistic recorded values less than 3, reflecting the absence of multiple correlation between the independent variables.

This H₃ has been divided into three S-h as follows:

S-h₁ states that “the board of directors has a statistically significant positive effect on providing the qualitative characteristics of accounting information and achieving the quality of financial reports.” To test this hypothesis, we will rely on the results of the statistical analysis shown in the following table. The regression equation that will be used to discuss the first sub-hypothesis is:

$$QRF = \beta_0 + \beta_1 CA + \varepsilon$$

Table 15. Regression equation for the board of directors

Variables	Transactions	T-value	Significance level	Decision
Constant	31.964	7.416	0.000	signify
Board of Directors CA	0.338	4.447	0.000	signify
R-deux = 0.268				
QRF = 31.964 + 0.338 CA + ε				

Source: Prepared by the Authors based on SPSS outputs.

From the above and based on the coefficient of determination (R²) estimated at 0.268, which indicates that the independent variable (board of directors) explains 26.8% of the variance in the dependent variable (quality of financial reports), which is a weak ratio, this means that there are other independent variables besides the board of directors that affect the quality of financial reports. With regard to the significance test, we find that $t = 4.447 > 2$ (where $t = 2$), and the significance level $\text{sig} = 0.000$, which is lower than 0.05. The coefficient for the board of directors is positive (+), so we can say that the board of directors has a positive effect on the quality of financial reports, but it is relatively weak. Therefore, we accept the first sub-hypothesis.

- **The S-h₂ states:** “Internal auditing has a statistically significant positive effect on providing the qualitative characteristics of accounting information and achieving the quality of financial reports.” To test this hypothesis, we will rely on the results of the statistical analysis shown in the following table. The regression equation that will be used to discuss the hypothesis is:

$$QRF = \beta_0 + \beta_2 AI + \varepsilon$$

Table 16. Regression equation for internal auditing

Variables	Transactions	T-value	Significance level	Decision
Constant	30.925	7.678	0.000	signify
Board of Directors CA	1.532	5.022	0.000	signify
R-deux = 0.318				
QRF = 30.925 + 1.532 AI + ε				

Source: Prepared by the Authors based on SPSS outputs.

From the above, based on the determination coefficient (R^2) estimated at 0.318, which indicates that the independent variable (internal audit) explains 31.8% of the variance in the dependent variable (financial report quality), which is a fairly average ratio, This means that there are other independent variables that affect the quality of financial reports. With regard to the significance test, we find that $t = 5.022 > 2$ (where $t_{table} = 2$), and the significance level $sig = 0.000$, which is lower than 0.05. and the coefficient for internal auditing is positive (+). Therefore, we can say that internal auditing has a positive effect on the quality of financial reports, but at a moderate level, and thus we accept the second sub-hypothesis.

- The third sub-hypothesis states that “external auditing has a statistically significant positive effect on providing the qualitative characteristics of accounting information and achieving the quality of financial reports.” To test this hypothesis, we will rely on the results of the statistical analysis shown in the following table. The regression equation that will be used to discuss the hypothesis is: $QRF = \beta_0 + \beta_2 AE + \varepsilon$

Table 17. Regression equation for external auditing

Variables	Transactions	T-value	Significance level	Decision
Constant	30.925	7.678	0.000	signify
Board of Directors CA	1.532	5.022	0.000	signify
R-deux = 0.318				
$QRF = 30.925 + 1.532 AE + \varepsilon$				

Source: Prepared by the Authors based on SPSS outputs.

From the above, based on the determination coefficient (R^2) estimated at 0.318, which indicates that the independent variable (external audit) explains 31.8% of the variance in the dependent variable (financial statement quality), which is a fairly average ratio, This means that there are other independent variables that affect the quality of financial reports. With regard to the significance test, we find that $t = 5.022 > 2$ (where $t = 2$) and the significance level $sig = 0.000$, which is lower than 0.05. and the coefficient for external auditing is positive (+). Therefore, we can say that the board of directors has a positive effect on the quality of financial reports, but at a moderate level, and thus we accept the second sub-hypothesis.

- **Testing and discussion of the third main hypothesis:** The following table shows the coefficients of the multiple regression equation for the study:

Table 18. Coefficients of the multiple regression equation

Variables	Transactions	T-value	Significance level	Decision
Constant	22.492	4.749	0.000	signify
Board of Directors CA	0.178	2.053	0.045	signify
internal auditing AI	0.393	0.812	0.421	No signify
external auditing AE	0.815	2.102	0.040	signify
R-deux = 0.417				
$QRF = 22.942 + 0.178 CA + 0.393 AI + 0.815 AE + \varepsilon$				

Source: Prepared by the Authors based on SPSS outputs.

From the above and based on the determination coefficient (R^2) estimated at 0.417, which indicates that the independent variables explain 41.7% of the variance in the dependent variable (quality of financial reports), which is a fairly average percentage, this means that there are other independent variables besides those adopted that affect the quality of financial reports. With regard to the significance test for each variable separately, we find that both the board of directors and external auditing are determinants of financial reporting quality, as reflected by the t-value exceeding the tabulated value (tabulated $t=2$) and significance levels below 0.05. Looking at the coefficients, we find that they are positive, which explains the positive impact of

The impact of corporate governance mechanisms on the quality of financial reporting

- study of some Algerian companies -

both the board of directors and external auditing on the quality of financial reports. However, we note that although internal auditing has a positive effect, the effect is not significant. Therefore, we reject the third main hypothesis, as we find that, when all mechanisms are present, only the board of directors and external auditing affect the quality of financial reports, while internal auditing does not affect the quality of financial reports.

4.3.4. Study results: Analysis of the data for this study revealed a set of results, which are as follows:

The companies under study are committed to implementing governance mechanisms, and the majority of the study group agreed with this, while the percentage of those who disagreed was very small, which supports the general assessment of this dimension. The results of the hypothesis testing also proved that the companies in the study community are committed to applying internal and external corporate governance mechanisms.

- Based on the opinions of the study community, we conclude that the companies under study are keen to provide the qualitative characteristics of accounting information in their financial reports to achieve quality in their financial reports. This indicates that they are working to provide accurate information that reflects the true financial position of the company, which increases the degree of confidence in the financial reports for use in making appropriate decisions.

- Achieving quality in financial reports depends on providing a set of necessary characteristics in financial information.

5. Conclusion:

The study focused on the efficiency of corporate governance mechanisms and their impact on the quality of financial reporting in the Algerian business environment. To understand the subject and achieve the objectives set at the outset, we addressed general concepts of governance and the quality of financial reporting. The study was applied to a group of joint-stock companies and external audit firms by defining the methodological framework of the study, the tool that could be relied upon to collect data, and to verify its accuracy and consistency. We then defined the set of procedures followed in preparing the study, from data collection and analysis to the assessment of each indicator individually, in order to address the study's questions and test its hypotheses with the aim of drawing conclusions. Through the statistical tests used, we accepted the first and second hypotheses and rejected the third hypothesis. The study concluded with a set of results that can be summarized as follows:

- Corporate governance contributes to preserving the rights of company owners who entrust their management to others, by relying on a set of control mechanisms that monitor and evaluate the company's activities and prevent manipulation of its assets.

- The emergence of the concept of corporate governance on the international scene was a result of unstable conditions and turmoil in the international business climate, which created real pressure to seek new measures and rules to ensure that markets regain the confidence of investors and businesspeople and to reform legal and institutional frameworks that have proven inadequate in regulating highly complex networks of relationships.

- One of the most important fundamental drivers of commitment to governance is to instill confidence in the accounting information contained in financial reports.

- Governance mechanisms play a major role in reducing manipulation and illegal practices and provide sound methods and procedures that extend to the accuracy and transparency of accounting information.

-The existence of an audit committee helps to ensure objectivity and transparency in the presentation of information disclosed by companies, which has a positive impact on the adoption of financial reports.

- Financial reports are among the most important tools relied upon for decision-making in Algerian institutions. The application of governance mechanisms affects the level of transparency and accountability in the company and reduces financial and accounting manipulations.

- The audit committee influences the work of internal and external auditors, thereby ensuring the credibility of financial reports.

- Companies' reliance on external auditors increases their dependence on the company's financial reports and appropriate decision-making.

The study recommends the following:

- The need to increase interest in the internal audit function in companies and activate its role, so that it has a positive impact in supporting the application of governance and increasing awareness among shareholders and other stakeholders by highlighting the role that audit committees play in improving the quality of financial reports and statements and increasing their credibility.

- The need to adopt audit committees in Algerian companies due to the role they play in ensuring compliance with corporate governance principles and increasing confidence in the performance of companies.

6. References:

- Ahmed HelmyGomaa. (2009). The Development of International Auditing and Assurance Standards and Professional Ethics Rules, Part 2, 1st edition. Amman: Dar Safaa Publishing and Distribution.

- Ahmed Mohamed Nour and Shehata El Sayed Shehata. (2008). Principles of Financial Accounting: Principles, Concepts, and Procedures. Alexandria, Egypt: Dar Al-Jami'a.

- Al-Rifai Ibrahim Mubarak. The Quality of Internal Audit Activities and Their Role in Reducing Earnings Management Practices, An Applied Study on the Saudi Environment. Accessed on 21 October 2015, from <http://faculty.mu.edu.sa/public/uploads/1425843420.0638.pdf>.

- Bahaa El-Din Samir Allam. (2009). The Impact of Internal Corporate Governance Mechanisms on the Financial Performance of Egyptian Companies. Egypt, Egyptian Managers Center, Cairo.

- Hussein Abdul Jalil Al Ghazwi. (2010). Corporate governance and its impact on the level of disclosure in accounting information: An empirical study of public joint stock companies in Saudi Arabia (Master's thesis). Arab Academy in Denmark, Faculty of Management and Economics, Denmark.

-HakimaManai. (2009). External audit reports in light of the inevitability of applying international accounting standards in Algeria, Master's thesis, unpublished.Batna, Faculty of Economics and Management, Algeria: University of El HadjLakhdar.

- Rasha Hamada. (2012). The role of audit committees in curbing creative accounting practices: a field study. Damascus University Journal of Economic and Legal Sciences, Vol. 26, No. (02), pp. 105-104.

- Zahra TawfiqSuwad. (2009). Auditing and auditing, Vol. 01. Amman, Jordan: Dar Al-Raya Publishing and Distribution.

The impact of corporate governance mechanisms on the quality of financial reporting
- study of some Algerian companies -

- Samah Muhammad Rida and Riyad Ahmad. (2011). The role of audit committees as one of the pillars of governance in improving the quality of financial reports. *Jordanian Journal of Business Administration*, Vol. 07, No. (01), p. 53.
- Sami Muhammad Al-Wakad and Luay Muhammad Wadian. (2010). *Auditing*, Vol. 01. Amman, Jordan: Arab Society Library for Publishing and Distribution.
- Suhair Hassan Hussein. (2015). *Ethical Responsibility in Confronting Administrative and Financial Corruption*. Diyala Magazine, Issue 65, University of Diyala, Iraq.
- Abbas Hamid Al-Tamimi. *Governance Mechanisms and Their Role in Reducing Financial and Administrative Corruption in State-Owned Companies*, Research Summary. Retrieved from http://www.nazaha.iq/search_web/muhasbe/2.doc.
- Abdul Wahab Nasr Ali. (2009). *Modern External Auditing: Auditing, Corporate Governance, and the Responsibilities of Auditors in the Face of the Financial Crisis*. Alexandria, Egypt: Dar Al-Jami'ah.
- Atallah Ward Khalil, et al. (2008). *Corporate Governance: An Introduction to Combating Corruption in Public and Private Institutions*. Cairo, Egypt: Al-Hurriya Publishing and Distribution Library.
- Alam Musa Hamdan. (2011). The Impact of Accounting Conservatism on Improving the Quality of Financial Reports: An Applied Study on Jordanian Public Industrial Companies. *Journal of Administrative Sciences*, Volume 38, Issue (02), pp. 419-418.
- Ali Rahhal. (June, 2007). Financial Reports: What Information Should They Contain? *Journal of Economic and Administrative Research*, Faculty of Economics and Management. Issue 01, p. 02.
- Ali Youssef. (2012). The Impact of Board Independence on the Relevance of Accounting Profit Information for Investor Decisions in Financial Markets: An Applied Study. *Damascus University Journal of Economic and Legal Sciences*, Vol. 28, No. (02), p. 236.
- Majid Ismail Abu Hamam. (2009). The impact of applying governance rules on accounting disclosure and the quality of financial reports, a field study on companies listed on the Palestine Stock Exchange, Master's thesis, unpublished. Palestine, Islamic University, Palestine.
- Majid Abdul Zeid Hamad. (2010). The role of published financial reports in improving investment decisions in company shares from the perspective of investors in the Iraq Stock Exchange. *Al-Qadisiyah Journal of Administrative and Economic Sciences*, Volume 12, Issue (04), p. 197.
- Gérard Chareau and Peter Writz. (2006). *Corporate Governance: New Perspectives*. Paris: Economica.
- Hanen Ben Ayed-Koubaa. (2009). The Impact of Internal Corporate Governance Mechanisms on the Quality of Accounting Information. (Panthéon Sorbonne UFR of Management and Business Economics – University of Paris, Editor) *PRISM-Sorbone Research Notebooks 10-18 Interdisciplinary Research Center in Management Science*, 01.
- HanenGhorbelManelKolsi (10-11) May 2011. Effect of Governance Mechanisms on Financial and Stock Market Performance: The Case of Canadian Companies. 32nd AFC Congress: Accounting, Economics and Society, (page 04). Montpellier, France.
- ObertRopert. (2004). *IAS/IFRS Standards in Practice*. Paris, France: Edition Dunod Paris.
- Uwuigbe, RantiOlubukunola, Fakile, and Samuel Adeniran. (2012). The Effects of Board Size on Financial Performance of Banks: A Study of Listed Banks in Nigeria (Volume 04). *International Journal of Economics and Finance*.
- Depretr, M.-H. (2005). *Corporate Governance: Managerial, Accounting, and Financial Issues*. Paris: De Boeck, 1st edition.