

The Role of Audit Committees in Assessing the Level of Regulatory Compliance and Its Guiding Principles

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Abstract

The study aims to analyze the impact of audit committees in banks on reducing the risk of non-compliance with laws, instructions, and regulations, and the impact this relationship has on the bank's reputation and financial transactions. A questionnaire consisting of 35 forms was distributed to a group of external and internal auditors in a number of private Iraqi banks. A descriptive and inferential methodology was used to describe and test relationships and hypotheses. The study reached a set of conclusions, the most important of which are: The role of audit committees is to confirm the accuracy of the accounting data and information contained in financial reports, and that audit committees play a positive role in assessing the level of regulatory compliance.

Keywords: Audit committees, Compliance, Compliance principles, Basel 2005, characteristics of audit committees.

1.Introduction

The topic of the audit committee has received attention from numerous professional organizations, legislative bodies, and stock market regulatory bodies in many countries. The efforts of many accounting researchers have contributed to enriching this aspect, given its important role in enhancing the credibility of financial statements and supporting senior management in carrying out their duties efficiently and effectively. Compliance also plays a role in supporting the independence of both internal and external auditors, improving the quality of internal control systems, and the subsequent improvement of professional performance (Hassan, 2012: 2). The importance of compliance with laws, rules, and standards lies in enhancing banks' strength and competitiveness, maintaining their reputation, and meeting customer expectations. Compliance plays a crucial role in enhancing public confidence and achieving efficient performance. It is a positive element in expanding the scope of work. Compliance is also an effective means of risk management. (Sapountzi, 2016: 45) It is prevalent in attracting and encouraging investment through confidence in financial markets (Yousef, 2013: 5). It also works to detect financial errors, reduce the damage caused by these errors, prevent their recurrence, and improve operational activities (Benedek, 2012: 136). It represents a comprehensive and multifaceted responsibility that falls on all parties within the bank (Sultan, 2019: 4). Global crises and globalization have led banks to strive to maintain their market position and prevent collapse. Governance has been one of the most important issues that have achieved relative safety for the banking sector through the formation of a group of committees aimed at protecting the bank from exposure to risks that could expose it to sanctions, loss of reputation, or a collapse in its market value. Among these committees is the Audit Committee, which assists the Board of Directors in preventing exposure to the risks of the bank's non-compliance with laws, regulations, and orders aimed at regulating the work of banks on the one hand, and protecting customers on the other. Compliance with regulations is one of the most important factors in increasing a bank's market value, enhancing its credibility and transparency, and thus preserving its reputation. Therefore, there was an urgent need to activate the compliance monitoring function, whose mission is to verify a bank's compliance with regulations by developing a written compliance monitoring program approved by the bank's board of directors and submitted to the Central Bank. Accordingly, the study aims to determine the extent to which audit committees

safeguard the work of the compliance officer in the banking system. It also aims to determine whether audit committees have an impact on protecting banks from the risks of regulatory non-compliance.

2.Methodology

2-1. Sample

To determine the characteristics of the research sample, a set of general questions was included to understand the characteristics of the sample community and provide a clear picture of it. These questions included gender, age, academic qualifications, experience, and job title. As Shown in Table1.

Table 1: Personal Characteristics of the Sample

Variable	Category	Frequencies	Percentage
Gender	Male	18	51.4%
	Female	17	48.6%
	Total	35	100%
Age	less than 30	9	25.7%
	٣٤-٣٠	٦	17.1%
	٣٩-٣٥	9	25.7%
	more than 40	11	31.4%
	Total	35	100%
Academic qualification	Diploma	2	5.7%
	Bachelor's	30	85.7%
	Higher Diploma	0	0.0%
	Master's	1	2.9%
	Doctorate	2	5.7%
	Total	35	100%
Work experience	less than 5	5	14.3%
	١٠-٦	٧	20.0%
	١٥-١١	9	25.7%
	more than 16	14	40.0%
	Total	35	100%
Job position	Audit Committee Member	10	28.6%
	External Auditor	1	2.9%
	Administrative Auditor	14	40.0%
	Compliance Officer	10	28.6%
	Total	35	100%

2-2. Study Hypotheses

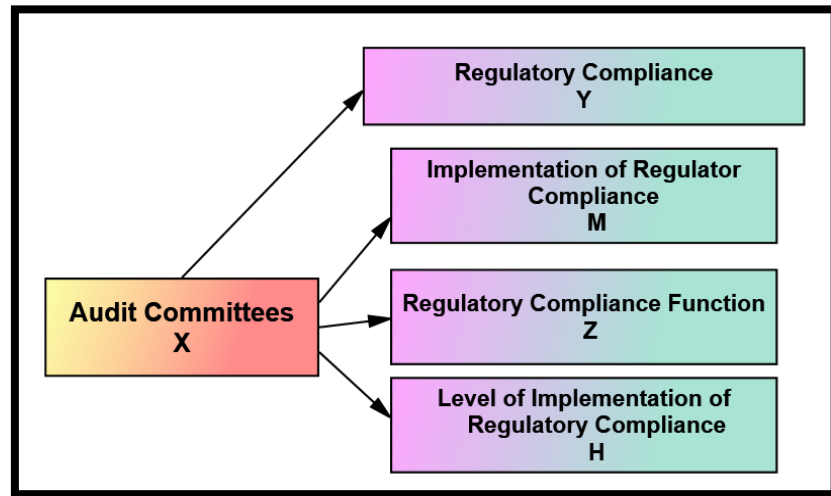
1. (H1): There is a positive impact of bank audit committees on regulatory compliance.
2. (H2): There is a positive impact of bank audit committees on the implementation of regulatory compliance principles.
3. (H3): There is a positive impact of bank audit committees on the tasks of the regulatory compliance function.
4. (H4): There is a positive impact of bank audit committees on the assessment of the level of implementation of regulatory compliance.

2-3. Study Model

The descriptive-inferential approach was used to survey and analyze references, studies, and websites. For the applied aspect, a questionnaire was designed that included research variables

(audit committees, regulatory compliance, application of regulatory compliance principles, regulatory compliance function tasks, and evaluation of the level of regulatory compliance).

Figure1: Study Model



3.Literature Review & Theoretical Framework

3.1. The Concept of Audit Committees

The emergence of audit committees dates back to some companies manipulating their management of profits in order to obtain special benefits, which led to the collapse of the economy in major global companies. Accordingly, there was an urgent need for the existence of these committees, which helped reduce the damage inflicted on the global market. The mission of audit committees is to confirm the accuracy of the accounting data and information contained in the financial reports, through internal and external auditing. Most of the studies completed regarding governance have confirmed the necessity of having audit committees within the bank, as they are concerned with implementing governance requirements and ensuring the quality of financial reports and achieving confidence in accounting information, and thus relying on it in making decisions and ensuring compliance with the regulatory compliance policy (Johannes & Broye, 2021 :2). The study of (Regin et al., 2023: 19) confirmed the role of audit committees in increasing confidence in accounting information and the bank's compliance with applicable laws and regulations, as banks that have audit committees have fewer illegal financial, administrative and legal practices. The announcement of the formation of audit committees in banks also contributes to activating the movement of bank shares in the stock market. Audit committees are defined as a group of board members, usually three to five members, and sometimes their number reaches seven members in large economic units, so that their members are independent (non-executive) and at least one of its members has a financial or accounting background and has legal experience. This committee is formed by the board of directors and its work is governed by a written guide that clearly explains its responsibilities and methods of carrying them out (Rini, 2014: 146). The committee also has sufficient authority to carry out its tasks, the most important of which is reviewing the financial reports before submitting them to the Board of Directors. It also acts as a link between the external auditor and the Board of Directors, reviewing the appointment of the external auditor, reviewing the audit plan, reviewing the audit results, reviewing the internal control system, and ensuring the achievement of the regulatory compliance policy (Khoshnaw, 2016: 6).

3.2. The Importance of Audit Committees to Stakeholders

The audit committee helps the executive members of the board of directors to complete their work, especially with regard to the accounting and auditing aspects, by enhancing communication between the board of directors and the external auditor (Yassin, 2021: 15). This is done by meeting continuously with the external auditor and conveying the results of those meetings to the board of directors to develop solutions to the problems that the auditor may face regarding what the financial

statements include (Tahlawi, 2018: 39). Also, Audit committees contribute to achieving the independence of the external auditor without any external pressures or interference. This is done by activating the role of audit committees in appointing the external auditor, determining fees, and resolving problems that may arise between management and the external auditor, as well as raising the level of interaction between the external and internal auditors (Ali and Yaqoub, 2017: 113). Audit committees select the head of the internal audit department, verify its work plan, determine its efficiency and comprehensiveness, ensure the activation of control systems, as well as the availability of the necessary resources for this department and meet with them continuously to solve problems that may arise between them and the management (Rini & Yessi, 6: 2015) and ensure the independence of the internal auditor, review his reports, verify the possibility of violations in those reports, issue recommendations, and submit them to the board of directors, thus achieving the independence of the internal audit department (Al-Batoush, 29: 2015) 4. The importance of the audit committee for investors and external parties: The presence of audit committees within the organizational structure of companies provides increased reliability and transparency in the accounting information and reports issued by companies, and thus increases the level of confidence of investors and external parties in those reports (Khoshnaw, 2016: 8). The written manual for the audit committee.

3.3. Audit Committee Responsibilities

The responsibilities of the audit committees are highlighted through the following:

- 1- Verifying the extent of the bank's compliance with the relevant rules and regulations and supporting sound practices for effective oversight by adhering to policies, plans and procedures for compliance with all laws, regulations and legislations (Bujno & others, 2018: 22).
- 2- Appointing the external auditor and determining his fees by recommending to the Board of Directors and recommending his dismissal if necessary, ensuring the extent of his independence, reviewing his appointment letter, monitoring his work and level of efficiency, and reviewing his audit plan and its results with him (Sisalem et al., 2018: 16)
- 3- Supervising the internal audit system, reviewing and approving his work plan, following up on his issued reports, recommending the appointment of the department manager, evaluating his performance and the performance of the department, verifying the accuracy of his work results, and submitting a report including the committee's opinion on the adequacy of the internal audit system and taking appropriate corrective measures according to the observations included in the reports (ACI, 2017: 21).
- 4- Supervising the financial and regulatory systems, adopting appropriate accounting policies, and providing advice and opinion to the Board of Directors in this regard (Tahlawi, 2018: 36).

3.4. Characteristics of the Audit Committee

1. Independence of the Audit Committee: The independent Audit Committee contributes to enhancing supervision and follow-up processes, reducing conflicts of interest, ensuring the accuracy and fairness of the issued reports, and preventing manipulation of the presented financial data. Independence also contributes to providing important information to investors in a transparent manner, which raises the level of quality of reports (Ashari & Krismiaji, 2020: 142).
2. Size of the Audit Committee: The size of the committee directly affects the level of its performance. The larger the size of the Audit Committee, the higher the level of its performance. The Audit Committee members should not be less than three, five or seven non-executive members (Central Bank of Iraq/Banking Control Department, 2019: 27). A committee with a large number has an advantage and strength when conducting discussions without being subject to any pressure with the Board of Directors. The size of the committee reflects the diversity of opinions and experiences to ensure the effectiveness of its role, which contributes to reducing fraud and manipulation of financial statements (Badhabi & Ismail, 2017: 7).
3. Number of Audit Committee meetings: A committee that meets periodically has more time to research, investigate accuracy and effective monitoring when preparing financial reports, which reduces the occurrence of fraud, deception and forgery and raises the level of disclosure and quality of reports. Therefore, it is

preferable for the committee to meet periodically, no less than four meetings annually (Zábojníková, 2016: 11). The number of meetings is determined by the committee itself as it deems appropriate. The number of committee meetings is one of the matters that affect the efficiency of its work, which supports its ability to continuously keep pace with policies, laws and publications that Issued by financial bodies and compliance with them (Al-Mamun et al., 2014: 901) 4. Qualifications and experience of committee members: The experience, skill and qualifications of the members of the audit committee are reflected in the effectiveness of the committee and its ability to make decisions. As the recent financial experience - for at least one member of the committee - leads to a better understanding of the audit provisions (Maranjory & Tajani, 2022: 53) through evaluating internal control and stating the extent of compliance with control procedures and the application of generally accepted accounting principles and applicable laws and policies, as it contributes to understanding accounting matters, auditing processes, financial management and reporting, as scientific and practical experience is one of the important pillars as it is the key to solving accounting problems, relying on the personal judgment of the members (Qeshta & others, 2021: 1671).

3.5. Regulatory Compliance in Banks

Banks are the economic artery of countries and represent an intermediary between investors and individuals. Due to their effective role in the economy, they may be exposed to many risks that may cause their collapse and expose them to legal penalties and reputational losses (Faozi et al., 2022: 319). As a result of globalization, the world has witnessed major economic, political and financial changes, so banks must be careful not to work with unreliable parties. Therefore, regulatory compliance was the key to reducing these risks and protecting banking institutions (Demirgüç-Kunt et al., 2006), by imposing the Central Bank to apply compliance standards and policies to all parties related to banking work by disclosing sources of funding to combat money laundering and adhering to banking agreements and instructions issued by the bank and working together with audit and risk management committees (Hizam and Al-Dabbas, 2021: 184) to identify internal and external risks resulting from non-compliance with the monetary policy set by the Central Bank and the standards of sound work and its ethics and international compliance policy by publishing instructions and compliance policy to all employees of the banking sector (OECD, 2020: 13). The Basel Committee defined regulatory compliance as the process of monitoring the bank's commitment to implementing laws, regulations, instructions, and standards of sound professional conduct and the supervisory controls issued by the Central Bank, assessing and identifying the risks of non-compliance with them, preparing periodic reports and submitting them to the Board of Directors, and providing an honest opinion and objective advice to prevent the bank from being exposed to legislative or legal penalties or losses or damages to the bank's reputation (BCBS, 2005:7).

3.6. Regulatory Compliance Objectives

Compliance objectives focus on reducing the risks of non-compliance through the following:

1. Monitoring the extent of the bank's management and all its departments' commitment to the internal policy set by the Board of Directors and the laws of the Central Bank derived from the decisions of the Basel Committee and ensuring that the relevant parties and financial institutions implement compliance policies regarding verifying the sources of funds and their legitimacy and combating money laundering and terrorist financing operations through the attendance of the compliance monitor at the Board of Directors meetings as an observer (Central Bank of Iraq / Instructions No. 4, 2010: 80)
2. Developing effective systematic programs that include regulatory compliance guidelines, responsibilities, powers, planned tasks, and applicable timings, and proposing plans to effectively implement the Central Bank's regulatory requirements to support confidence in the financial systems followed in the bank, while documenting and evaluating compliance risks associated with the bank's work and preparing training workshops for employees in the Compliance Department (Ahmed, 2021: 51).

3. Continuous review of the issues reported by the Anti-Money Laundering Authority through its website, with the proposal of effective mechanisms to combat crimes of supporting terrorism and money laundering (Zakaria et al., 2022: 459) through fruitful cooperation with the audit committees, the board of directors and risk management by reviewing reports submitted by branches on suspicious operations to assess and identify risks of non-compliance with international standards and the Central Bank's policy (Nagy S. & Pererva P.G., 2018: 92)
4. Writing quarterly reports and ensuring their compliance with the Basel Committee's decisions and submitting them to senior management, and sending them to the General Directorate of Banking and Credit Control as part of the Central Bank's oversight requirements. The Audit Committee is responsible for following up on these reports and monitoring deviations represented by non-compliance with the laws and instructions regulating banking work and submitting reports and recommendations on the measures taken (2014: 43, Abdullah & Zubair).
5. Evaluating the extent to which the bank's work is consistent with the stipulated regulatory work rules by analyzing information and continuously making comparisons between the bank's internal and external policies and banking operations with regulatory laws and standards to detect deviations in their application and state their causes, if any, then verifying the progress of work in accordance with the established objectives at the required time and submitting appropriate proposals to make amendments (Ali & Ibrahim, 2019: 318)
6. Providing advice and guidance to the executive management on business responsibility and the extent of its consistency with the Basel decisions binding on all banks and the regulatory requirements of the Central Bank and their updates, and informing the Board of Directors of the discovered violations for the purpose of avoiding them later, and publishing guidelines to educate customers regarding compliance (CEB/ Compliance Report, 2021: 4).

3.7. Regulatory Compliance Requirements

To achieve the goal of compliance, the Board of Directors and its Audit Committee should provide support for the following requirements:

1. Establish a compliance department within the bank's organizational structure managed by an employee called (Compliance Controller) and a group of employees. The organizational structure determines the affiliation of the department's work according to the frameworks set by the Central Bank to achieve banking governance, with the need for the Board of Directors and senior management to define their responsibility for compliance (Compliance Policy, 2017:3)
2. Draft an official document representing (Compliance Guide) that is in line with the regulatory requirements issued by the Central Bank and in implementation of the Basel Committee's decisions, and through which the powers of the Compliance Department's management and its employees and their responsibilities are determined through a regulatory framework for effective compliance work and to reduce conflicts of interest, and it is approved by the Board of Directors, with the drawing up of the unit's work policy, setting goals and an annual plan, and clarifying its relationship with the management of other departments in the bank and monitoring the results of the work of compliance control employees (Al-Ajili and Fahd, 2022: 431)
3. Prepare a mechanism to establish a culture of compliance, including laws, legislation and instructions The regulatory framework governing the work of the unit set by the regulatory authorities inside and outside the country is continuously updated within the bank to verify the extent of compliance and related policies and procedures followed in human resources management and what is included in the development, evaluation, appointment and training activities ((Oj S.A.– Compliance Manual, 2017: 4.
4. Providing direct and fast communication channels between the compliance monitor and senior management and the board of directors and the audit committee emanating from it to reveal the extent of deviations in the application of the established compliance policy, as well as between the compliance monitor and the Central Bank to verify, inquire and access information to show the extent of the bank's commitment to compliance with the laws, regulations and requirements followed. This is done by preparing periodic reports and submitting them to the relevant authorities as part of the governance requirements (Banking Circular No. 128, 2013: 1015).

5. Supporting the compliance department in the bank with an independent, specialized and trained professional cadre with high qualifications, experience and analytical skills that are consistent with its responsibilities and that are familiar with the regulatory requirements, regulations, professional standards and legislation (RIT/Compliance & Ethics, 2017: 7). The researcher sees the necessity of harmonizing the structure of the regulatory compliance department in terms of size and qualifications with the size of the bank and the sector in which it operates, taking into account not assigning any executive tasks to the employees of the compliance department to reduce conflicts of interest and responsibilities, preparing training workshops for the purpose of spreading the culture of compliance among the bank's employees as members of the board of directors and senior management in all branches of the bank.

3.8. Banking Compliance Principles

Principle 1: The bank's board of directors is responsible for supervising the compliance department, approving the compliance policy and reviewing it continuously, as well as approving the document for establishing an effective compliance department. The results of its work should be evaluated by the board of directors and the audit committee to ensure that compliance issues are resolved (Misha, 2016: 173).

Principle 2: Senior management is responsible for developing a systematic framework that clarifies the compliance policy followed in the bank, and reviews and evaluates the extent to which that policy is appropriate for all circumstances, and reports to the board of directors and the audit committee on any material violations of laws, rules and standards (Sultan and Wahib, 2019: 60).

Principle 3: Senior management is responsible for establishing an effective compliance function within the bank, which will also inform the board of directors and the audit committee in its reports on the extent of the bank's control over non-compliance risks (BCBS, 2005: 9).

Principle 4: The Board of Directors shall approve an official document that clarifies the bank's compliance policy, its authority, responsibilities, and its relationship with other departments, and determines the possibility of direct access to the Board of Directors and the Audit Committee, and conducts investigations into potential violations of the compliance policy and its right to access information with complete transparency (Misha, 2016: 173).

Principle 5: The compliance function shall be characterized by complete independence and freedom to report to senior management, the Board of Directors, or the Audit Committee about any violations that have been discovered without fear of consequences, whether dismissal from the job or reduction (BCBS, 2005: 10).

Principle 6: The compliance function in the bank should have the necessary resources to effectively implement its responsibilities according to the pre-prepared compliance document and provide opinion, advice and reports to senior management and the board of directors on these risks (BCBS, 2005:9). Compliance employees should also have academic and practical qualifications - such as a sound understanding of applicable laws, rules and standards - and professional experience and personal skills - such as integrity, impartiality, independence and good judgment - and these matters contribute to supporting the capabilities of compliance employees to facilitate the efficient performance of their duties and responsibilities. Developments should also be kept up with through regular and systematic education and training (Al-Rikabi, 2017: 502).

Principle 7: The responsibility of the compliance monitor includes assisting senior management in managing compliance risks. The monitor should also be responsible for daily follow-up of regulatory compliance activities and preparing and submitting reports to senior management, including potential non-compliance risks (Misha, 2016: 173).

Principle 8: The scope of the compliance function is reviewed by the internal auditor on an ongoing basis to detect any violations or conflicts of interest. To ensure that the compliance function operates according to an integrated risk assessment methodology by developing a program to audit banking operations according to the controls in force within the bank to ensure compliance with applicable laws, rules and standards (BCBS, 2005: 15).

Principle 9: Banks and all their local and international branches are committed to the policy of compliance with applicable laws, standards and regulations. The organization, structure and responsibilities of the compliance function should be consistent with local legal and regulatory requirements (Sultan and Wahib, 2019: 61).

Principle 10: The compliance function may seek the assistance of external experts for specific tasks, provided that their work is under the supervision of the compliance monitor, with the necessity that the board of directors and senior management remain responsible for the bank's compliance with all applicable laws, rules and standards (BCBS, 2005: 16).

4.Results

4.1. Testing The Reliability and Validity of the Measurement Tool

The Cronbach's Alpha test in Table 2 was used to verify the accuracy and validity of the data obtained, where the coefficient was found for each axis of the study. The results indicated the stability of the questionnaire, meaning that the results and opinions are stable when the questionnaire is redistributed again. The following table shows the Cronbach's Alpha coefficient for each factor.

Table 2: Testing the Reliability

Questionnaire dimensions	Items	Cronbach's Alpha	Value
Variable 1	١١	0.982	٠,٩٩٠
Variable 2	38	0.993	0.996
Variable 2-1	٢٩	0.991	٠,٩٩٥
Variable 2-2	٩	0.965	٠,٩٨٢
Variable 3	١٤	0.981	٠,٩٩٠
Total	63	0.996	0.997

The results in the table above indicate that the reliability coefficient of the axes was very high, as the reliability of the questionnaire as a whole reached 0.966, i.e. 96.6%, and the validity coefficient reached 99.7%, which confirms that the questionnaire enjoys a high degree of validity and reliability.

4.2. Descriptive Statistics

Variables	Mean	Standard Deviation	Trend	Importance
Variable 1	4.35	0.726	strongly agree	87%
Variable 2	4.23	0.734	agree	٪٨٤,٦
Variable 2-1	4.23	0.725	agree	٪٨٤,٦
Variable 2-2	٤,٢٧	٠,٦٤٢	strongly agree	٪٨٥,٤
Variable 3	4.32	0.591	strongly agree	٪٨٦,٤

The above results indicate that the arithmetic mean of the first axis was high, reaching 4.35 with a standard deviation of 0.726, and the general trend of the axis was (strongly agreed), which are results that indicate the importance of the role of audit committees in the work and organization of the bank, as the importance of the axis reached 87%, which is a very high percentage compared to the rest of the axes. As for the second axis as a whole, which is the application of regulatory compliance principles in banks, its relative importance was 84.6%, which proves the importance of compliance principles and the necessity of applying them in the bank, as the arithmetic mean reached 4.23 with a standard deviation of 0.734. As for the first part of the second axis, which is related to compliance principles, its arithmetic mean reached 4.23 with a trend of (agreed), meaning that individuals agreed on the necessity of formulating the principles in a way that suits the bank, as the above results prove the impact of applying compliance principles on the work of the bank. As for the results related to the part related to the tasks of the regulatory compliance function in banks, the general trend of the paragraphs was strongly agreed with a high importance of 85.4%, which indicates the importance and impact of the compliance monitor in achieving the principles of regulatory compliance. As for the third axis, its results indicate the importance and role of audit committees in achieving the application of the principles of regulatory compliance in the bank, as the standard deviation was 0.591, which is greater than the significance and indicates the

homogeneity of the answers and their lack of dispersion and their agreement on the importance of the role of the committees, as the arithmetic mean strengthened the impact, reaching 4.32, and in a general direction (strongly agreed).

4.3. Descriptive Statistics for the Questionnaire Items

4.3.1. The Role of Audit Committees in the Bank's Work

The Role Of Audit Committees In The Bank's Work											
	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10	Q11
$\bar{X}$	4.23	4.46	4.17	4.43	4.29	4.63	4.09	4.23	4.40	4.40	4.51
Sx	0.910	0.886	0.954	0.698	0.710	0.547	0.742	0.731	0.812	0.812	0.781
Trend	agree	strongly agree	agree	strongly agree	strongly agree	strongly agree	agree	agree	strongly agree	strongly agree	strongly agree
Importance	84.6	89.2	83.4	88.6	85.8	92.6	81.8	84.6	88	88	90.2

The table above shows that most of the paragraphs' trend is (strongly agreed), which is evidence of the strength of the arithmetic mean of the paragraphs, i.e. the importance of the paragraphs in particular and the importance of the axis in general, as the arithmetic mean ranged between 4.63-4.09.

The sixth paragraph came in first place in terms of importance, as the members of the audit committee must have the skills, experience, knowledge and professional qualifications to meet the requirements and recommendations of the governance guide issued by the Central Bank of Iraq. Its general trend was (strongly agreed) with a relative importance of 92.6%.

While it was followed by the eleventh paragraph with a relative importance of 90.2%, which stipulated that the committee must ensure compliance with the regulations and laws issued by the Central Bank of Iraq. With an arithmetic mean of 4.51 and a standard deviation of 0.781, while the seventh paragraph came in last place with a relative importance of 81.8%, as it stipulated supervising the work of the external auditor and providing comments on non-compliance with the applicable banking laws and regulations.

4.3.2. Applying The Principles of Regulatory Compliance in Banks

Regulatory compliance principles											
	Principle 1		Principle 2			Principle 3				Principle 4	Principle 5
	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10	Q11
$\bar{X}$	4.46	4.31	4.26	4.46	4.51	4.49	4.06	4.26	4.20	4.11	4.40
Sx	0.780	0.796	0.780	0.701	0.507	0.658	0.802	0.657	0.797	0.867	0.604
Trend	strongly agree	strongly agree	agree	strongly agree	strongly agree	strongly agree	agree	agree	agree	agree	strongly agree
Importance	٨٩,٢	٨٦,٢	٨٥,٢	٨٩,٢	٩٠,٢	٨٩,٨	٨١,٢	٨٥,٢	٨٤	٨٢,٢	٨٨
	Principle 5					Principle 6				Principle 7	
	Q12	Q13	Q14	Q15	Q16	Q17	Q18	Q19	Q20	Q21	Q22
$\bar{X}$	4.49	2.94	4.31	4.49	4.11	3.91	4.43	4.63	4.00	4.14	4.40
Sx	0.612	1.434	0.676	0.658	0.758	1.245	0.850	0.490	1.260	0.879	0.651
Trend	strongly agree	neutral	strongly agree	strongly agree	agree	agree	strongly agree	strongly agree	agree	agree	strongly agree
Importance	٨٩,٨	٥٨,٨	٨٦,٢	٨٩,٨	٨٢,٢	٧٨,٢	٨٨,٦	٩٢,٦	٨٠	٨٢,٨	٨٨
	Principle7			Principle8		Principle9		Principle10			
	Q23	Q24	Q25	Q26	Q27	Q28	Q29				
$\bar{X}$	4.37	4.31	4.31	4.17	4.40	4.37	3.54				
Sx	0.770	0.676	0.676	1.098	0.651	0.646	1.039				
Trend	strongly agree	strongly agree	strongly agree	agree	strongly agree	strongly agree	agree				
Importance	٨٧,٤	٨٦,٢	٨٦,٢	٨٣,٤	٨٨	٨٧,٤	٧٠,٨				

The table above shows that the arithmetic mean is generally high, indicating the importance of the axis and its paragraphs, i.e. the importance of the principles of regulatory compliance in banks. As is clear, the direction of the ten principles of compliance was mostly (strongly agreed), and the interpretation was as follows:

- principle 1: It consists of 3 paragraphs, all of which have high relative importance and a high arithmetic mean, indicating the importance of the responsibilities of the Board of Directors regarding compliance, as the first paragraph was more important, reaching 89.2% of the answers, that there must be an organizational structure for the unit that determines the subordination of the unit according to the laws, instructions and publications issued by the Central Bank.
- principle 2: It consists of two paragraphs with a very high relative importance, as the importance of the second paragraph reached 90.2%, as it stipulated that compliance problems must be resolved effectively and quickly through senior management and the audit committee with the assistance of the compliance monitor. The arithmetic means were high and the standard deviation of the two paragraphs reached 0.507 and 0.701 respectively, which indicates the homogeneity of the answers regarding the importance of senior management's responsibilities for compliance.
- principle 3: It consists of 4 paragraphs with high arithmetic means indicating the importance of the bank's senior management being responsible for developing and publishing the compliance policy in the bank, as the first paragraph had the highest relative importance of 89.8% and the highest arithmetic mean and standard deviation of 4.49 and 0.658 respectively, as the results show the necessity for the bank's senior management to develop a written compliance policy that contains the basic principles followed by management and employees, and explains the main processes through which compliance risks are identified and managed effectively.
- principle 4: It consists of one paragraph, which is that senior management must take the necessary measures to ensure that the bank can rely on a permanent and effective compliance function that is consistent with the Basel 2005 principles. Its arithmetic mean was 4.11, and in general it was (agreed).
- principle 5: It consists of 7 paragraphs, and their arithmetic mean ranged between 2.94-4.49. The second paragraph came in first place in terms of relative importance, as it is necessary to appoint a compliance department official in the bank with the title (compliance supervisor) who assumes overall responsibility for coordinating the management of the bank's compliance risks. The third paragraph came in last place in terms of importance, as it reached 58.8, and in general it was (neutral), as the answers were neutral about the compliance department employees, especially the compliance officer, occupying other positions.
- principle 6: It consists of two paragraphs, which are that the compliance department must have the necessary resources to carry out its responsibilities effectively to ensure the management of compliance risks within the bank. The necessity of maintaining the professional skills of compliance employees, in terms of keeping pace with developments in compliance laws, rules and standards through regular education and training. With a relative importance of 88.6 and 92.6 respectively, which indicates the importance of the second paragraph in particular.
- principle 7: It consists of 6 paragraphs, the first of which was the fourth paragraph, which states that the compliance department educates the bank's employees on compliance issues through written instructions on the appropriate implementation of compliance laws, rules and standards through the bank's internal policies, procedures and codes of professional conduct, and works as a point of contact within the bank to answer employees' inquiries, where the direction of the answers was (strongly agreed).
- principle 8: It consists of two paragraphs, where the second paragraph was ranked first in terms of importance and arithmetic mean, as it stipulated the necessity of including compliance risks within the risk assessment methodology that the internal audit sets in the audit plan to ensure the adequacy and effectiveness of the compliance function in the bank.
- principle 9: It came in one paragraph, which is organizing the structure of the compliance department and its responsibilities in line with the legal and regulatory requirements in all branches

of the bank inside all governorates of Iraq and abroad - in the event of branches abroad - the bank as a general administration and branches complies with the laws and regulations in force locally and internationally. With an arithmetic mean of 4.37 and a standard deviation of 0.646, where its general trend was very much agreed.

- principle 10: It also came in one paragraph, which stipulated the use of external experts within specific tasks for the compliance function under the direct supervision of the compliance monitor. With an agreed trend and a relative importance of 70.8%.

4.3.3. Tasks of the Regulatory Compliance Function in Banks

Tasks Of The Regulatory Compliance Function In Banks									
	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9
$\bar{X}$	4.57	4.60	4.57	4.37	4.23	4.31	4.40	4.40	2.97
Sx	0.558	0.553	0.558	0.646	0.910	0.631	0.497	0.736	1.175
Trend	strongly agree	strongly agree	strongly agree	strongly agree	agree	strongly agree	strongly agree	strongly agree	neutral
Importance	٩١,٤	٩٢	٩١,٤	٨٧,٤	٨٤,٦	٨٦,٢	٨٨	٨٨	٥٩,٤

The table above shows that the arithmetic mean of the paragraphs ranged between 4.57-2.97, which indicates the importance of the tasks of the regulatory compliance function in banks, as the first and third paragraphs of the axis came with the same relative importance, reaching 91.4, which is a very high percentage indicating verification and assurance that the bank, with all its branches, applies compliance standards and requirements, especially in disclosing sources of funds in the banking system and combating money laundering and terrorist financing. And that there is cooperation with the Risk Management Department in identifying internal and external risks that may result from not following the monetary policy of the Central Bank of Iraq and international compliance standards and requirements, especially in combating money laundering and terrorist financing and Basel II and III agreements. Most of the paragraphs' trend was very much in agreement, except for the last paragraph, which came in a neutral direction, as its relative importance was low, reaching 59.4%, as individuals stood neutral about the fact that there is a serious plan to develop plans and continuous training programs and spread awareness and education for bank employees, including board members, executive management, employees and officials of the general administration and branches.

4.3.4. The Role of Audit Committees in Assessing the Level of Implementation of Regulatory Compliance.

The Role Of Audit Committees In Assessing The Level Of Implementation Of Regulatory Compliance.											
	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10	Q11
$\bar{X}$	4.20	4.14	4.29	4.54	4.49	4.51	4.40	4.40	4.17	4.51	4.11
Sx	0.677	0.648	0.572	0.505	0.507	0.612	0.497	0.497	0.707	0.507	0.900
Trend	agree	agree	agree	strongly agree	strongly agree	strongly agree	strongly agree	strongly agree	agree	strongly agree	agree
Importance	84	82.8	85.8	90.8	89.8	90.2	88	88	83.4	90.2	82.2
	Q12	Q13	Q14								
$\bar{X}$	4.31	4.31	4.11								
Sx	0.832	0.631	0.900								
Trend	strongly agree	strongly agree	strongly agree								
Importance	86.2	86.2	82.2								

The table above shows that most of the paragraphs' trend is very consistent, as the arithmetic mean was strong and high, indicating the importance of the role of audit committees in assessing the level of regulatory compliance implementation, as the fourth paragraph came with high relative importance and stipulated the need to ensure the existence of a clear policy and practical procedures in the bank to manage the risks resulting from non-compliance. It was followed by the sixth

paragraph, which indicated that the committee should review and discuss the compliance unit's reports and express its opinion on them. Paragraphs 11 and 14 came with the lowest results in terms of relative importance and mean, as their importance reached 82.2 and mean 4.11. The two paragraphs stipulated that the audit committee should review the effectiveness of the internal control system and full compliance with the laws, legislation and instructions governing the bank's activities. The audit committee receives regular updates on compliance-related matters from the executive management and the bank's legal advisor.

4.4. Correlation Coefficient (Pearson) Between the Study Variables

Variables	Z	M	H	Y
r	0.979	0.951	0.614	0.814
sig	0.000	0.000	0.000	0.000

From the table above, there is a clear and strong relationship between the importance of the existence of audit committees and their major role in implementing the principles of regulatory compliance in banks.

4.5. Structural Effect between the Study Variables

Table 3 and Models 1,2 indicate the structural regression model to the significance of the relationship based on the value of (f), and this is supported by the significance value (P) which is within the acceptance region of the model, and the dimensions showed the significant effect of (X) on (Z) (0.911) and the effect of (X) on (M) (0.549) and the effect of (X) on (H) (0.769) and at the overall level the effect of (X) on (Y) (0.569) and the explanation coefficient reached ($R^2=0.547$), meaning that the model explains (45.7%) of the variances and changes occurring in the dependent variable. At the overall level the effect of (X) on (Y) (0.569) and the explanation coefficient reached ($R^2=0.741$), meaning that the model explains (74.1%) of the variances and changes occurring in the dependent variable. These results prove the validity of the main hypothesis and the hypotheses emanating from it, i.e. there is a positive role for audit committees in evaluating the level of application of regulatory compliance and its principles for private Iraqi banks.

Table 3: Regression Analysis between Variables

DV.	Coefficient		(R ²)	(F)	(P)	IV.
	α	β				
Z	0.841	0.911	0.547	94.127	0.000	X
M		0.549			0.000	
H		0.769			0.000	
Y	0.261	0.569	0.741	111.12	0.000	

Figure 1: The Structural Impact of Audit Committees on Regulatory Copliance and its Principles

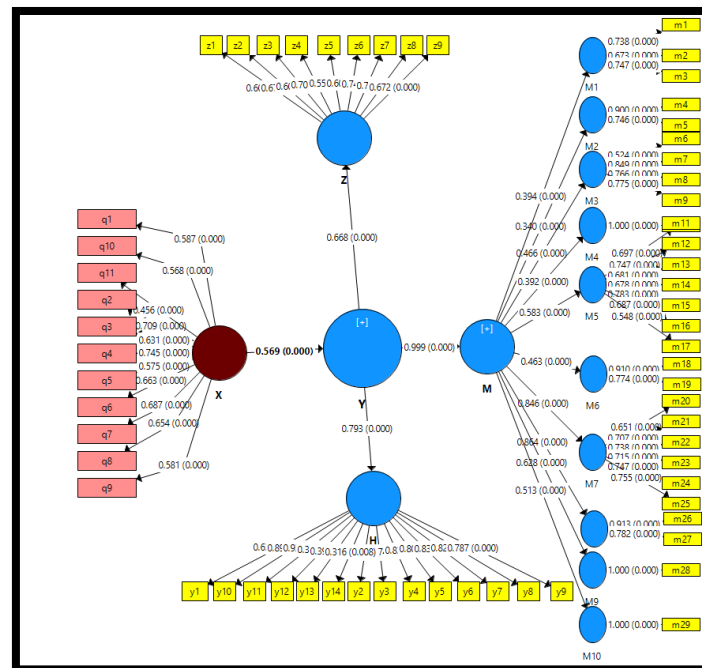
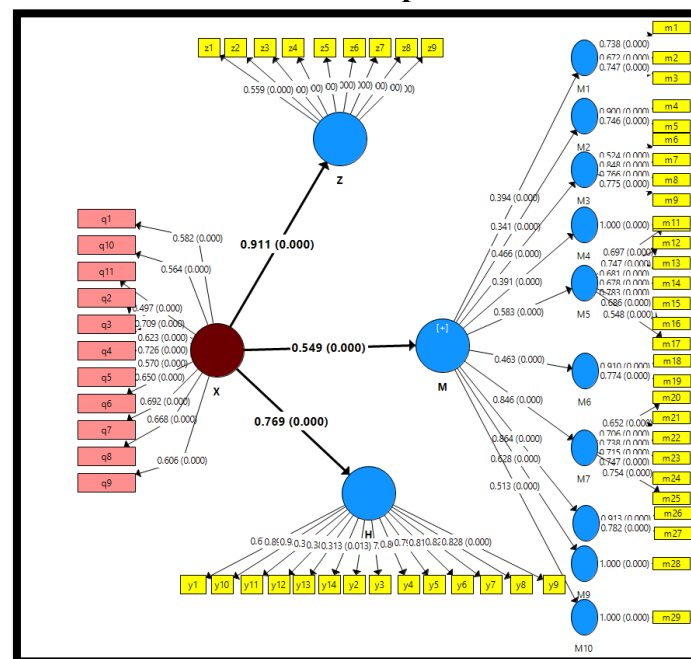


Figure 2: The Structural Impact of Audit Committee Factors on Regulatory Compliance and Its Principles



5. Conclusions and Recommendations

5.1. Conclusions

1. The mission of the audit committees is to confirm the accuracy of the accounting data and information contained in the financial reports, through internal and external auditing. Studies have confirmed the necessity of having audit committees within the bank, as they are concerned with implementing governance requirements, ensuring the quality of financial reports, achieving

confidence in accounting information, and thus relying on it in making decisions and ensuring compliance with the regulatory compliance policy.

2. In order for the audit committee to carry out its tasks, it must have broad powers, the most prominent of which is the power to access data and information within the economic unit.

3. Compliance is achieved by the commitment of all administrative levels in the bank to the instructions of the bank's board of directors and internal policies and procedures that must be followed, in accordance with the Central Bank Law and its instructions to reduce the risks resulting from non-compliance with policies and laws that lead to the collapse of the bank or the withdrawal of its license and other effects resulting from non-compliance with the laws of central banks and their instructions.

4. Regulatory compliance is the process of monitoring the bank's commitment to implementing laws, regulations, instructions, and standards of sound professional conduct and the regulatory controls issued by the Central Bank, assessing and identifying the risks of non-compliance, preparing periodic reports and submitting them to the Board of Directors, and providing an honest opinion and objective advice to prevent the bank from being exposed to legislative or legal penalties or losses or damages to the bank's reputation.

5. The results of the Cronbach's alpha indicate that the reliability coefficient of the axes was very high, as the reliability of the questionnaire as a whole reached 0.966, i.e. 96.6%, while the validity coefficient reached 99.7%, which confirms that the questionnaire enjoys a high degree of validity and reliability.

6. The results of the questionnaire axes indicate the following:

A. The first axis of the questionnaire is about the importance of the role of audit committees in the work and organization of the bank, as the importance of the axis reached 87%, which is a very high percentage compared to the rest of the axes. The arithmetic mean of the axis was 4.35 with a standard deviation of 0.726, and the general trend of the axis was (strongly agreed).

B. The second axis refers to the application of regulatory compliance principles in banks, and its relative importance was 84.6%, which proves the importance of compliance principles and the necessity of applying them in the bank, as the arithmetic mean was 4.23 with a standard deviation of 0.734. Agencies:

- The first part of the second axis, which is related to compliance principles, indicates the necessity of formulating the principles in a manner that suits the bank, as the results proved the impact of applying compliance principles in the bank's work with an arithmetic mean of 4.23 and in the direction of (agree), meaning that the individuals surveyed agreed.

- As for the results related to the part related to the tasks of the regulatory compliance function in banks, the general direction of the paragraphs was very much agreed with a high importance of 85.4%, which indicates the importance and impact of the compliance monitor in achieving regulatory compliance principles.

C. The results of the third axis indicate the importance and role of audit committees in achieving the application of regulatory compliance principles in the bank, as the standard deviation was 0.591, which is greater than the significance level and indicates the homogeneity of the answers, their lack of dispersion, and their agreement on the importance of the role of the committees, as the arithmetic mean strengthened the effect, reaching 4.32, with a general trend of (strongly agreed).

7. The correlation coefficient (Pearson) between the study axes shows a clear and strong relationship between the importance of the existence of audit committees and their major role in applying regulatory compliance principles in banks.

5.2. Recommendations:

1. Audit Committee members should be non-executive, independent to detect and address material misstatements.

2. The bank's senior management should develop a written compliance policy that includes the basic principles followed by management and employees, and explains the main processes through which compliance risks are identified and managed effectively.
3. Compliance department employees should not be occupied with responsibilities outside the compliance review tasks within the bank.
4. The Central Bank should support the compliance monitor and enhance his role to impose proper oversight that ensures the success of the bank's work.
5. Raise awareness and develop the skills of cadres and employees in the compliance department by holding development courses and holding conferences and seminars to keep pace with developments and be able to address all problems.

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