
Auditor Independence as a Mediator between Governance and Financial Reporting Quality in Saudi Arabia

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Abstract: This study examines whether perceived auditor independence mediates the relationship between corporate governance mechanisms and financial reporting quality (FRQ) in Saudi Arabia. Independence in appearance is examined as an indicator of assurance credibility among stakeholders. Survey data were collected from 316 informed professionals, including accountants, internal auditors, audit committee members, and academics, representing the financial, industrial, service, and regulatory sectors. Corporate governance was modelled as a reflective second-order construct comprising board independence, audit committee effectiveness, and transparency and disclosure. Hypotheses were tested using partial least squares structural equation modelling. Corporate governance positively influenced perceived auditor independence ($\beta = 0.758$) and FRQ. Perceived auditor independence was positively associated with FRQ ($\beta = 0.339$). The indirect effect was statistically significant ($\beta = 0.257$, 95% CI [0.172, 0.341]), whereas the direct effect of corporate governance on FRQ remained significant ($\beta = 0.497$), supporting partial mediation. Perceived auditor independence accounted for 34.1% of the governance–FRQ relationship and operated invariantly across financial and non-financial sectors. The findings indicate that governance arrangements can enhance reporting quality by strengthening stakeholders' confidence in auditors' independence, while the persistence of a significant direct effect confirms that governance also operates through additional reporting-quality mechanisms in this institutional context in Saudi Arabia.

Keywords: Auditor independence, corporate governance, financial reporting quality, partial least squares structural equation modelling, perceived auditor independence, Saudi Arabia, sustainability disclosure.

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INTRODUCTION

The quality of financial reporting (FRQ) shapes the information used by investors, creditors, and regulators when allocating capital and monitoring management. From an agency-theory perspective, the separation of ownership and control creates incentives for opportunistic reporting that corporate governance structures are intended to constrain (Jensen & Meckling, 1976). Two institutionally supported mechanisms counter these incentives: internal corporate governance and external auditing. Corporate governance includes board independence, audit committee effectiveness, and transparency and disclosure, whereas auditing adds value



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through auditor independence and the resulting assurance regarding the reliability of management's reports (DeAngelo, 1981; DeFond & Zhang, 2014).

Auditor independence has two dimensions. Independence in fact concerns the auditor's state of mind and conduct and is commonly captured in archival audit-quality research through proxies such as discretionary accruals and going-concern opinions. Independence in appearance concerns informed stakeholders' perceptions of the auditor's freedom from influence and therefore supports confidence in reported figures. Because independence in appearance is a perception held by market participants rather than a characteristic recoverable from accruals, it should be measured through perceptual evidence. Accordingly, this study examines the perceived-independence pathway using survey evidence rather than treating perceptions as a proxy for auditors' actual behaviour.

A substantial body of research indicates that strong corporate governance and higher audit quality improve reporting quality (Beasley, 1996; Cohen, Krishnamoorthy, & Wright, 2004; Klein, 2002). However, the mechanism connecting these variables remains incompletely understood. Corporate governance may improve reporting quality directly through monitoring, incentives for accurate reporting, and disclosure practices. It may also improve reporting quality indirectly by creating conditions that enable auditors to exercise independent professional judgment. Audit committees are widely regarded as important safeguards of auditor independence, whereas boards influence auditor selection and remuneration and set the tone of the auditor–management relationship. Corporate governance may therefore enhance reporting quality by protecting independence in appearance, which operates as an intervening mechanism rather than a competing explanation.

This question is particularly relevant in Saudi Arabia, where the Capital Market Authority (CMA) has strengthened governance and disclosure requirements under Vision 2030, while the Saudi Organization for Chartered and Professional Accountants (SOCPA) has reinforced the profession's ethical framework through measures including mandatory rotation and codes of conduct (Capital Market Authority, 2017). These developments have increased the importance of both governance quality and auditor independence, yet limited evidence addresses their joint effect on reporting quality in Saudi Arabia. Recent Saudi studies have primarily used archival, accrual-based proxies (Alaskar, Alomair, Abdelraheem, & Musa, 2026; Alhazmi, Islam, & Prokofieva, 2024) or examined mediation through audit quality rather than through perceived independence in the assurance function.

The issue also has implications for sustainability. High-quality reporting supports accountable long-term decision-making, and credible non-financial reporting enables stakeholders to evaluate organisations' commitments to environmental, social, and governance (ESG) issues. This study does not measure sustainability reporting or ESG reporting quality directly. Instead, it examines governance and perceived auditor independence, which may foster an environment conducive to credible reporting. In Saudi Arabia, board independence has been positively associated with ESG disclosure (Chebbi & Ammer, 2022), and board characteristics and corporate social responsibility committees have been linked to sustainability reporting quality (Kateb & Youssef, 2025).

This study addresses this gap by examining whether perceived auditor independence mediates the relationship between corporate governance mechanisms and financial reporting quality in Saudi Arabia. The analysis uses primary data from 316 informed participants drawn from the financial, industrial, service, and regulatory sectors. Governance is modelled as a reflective second-order construct, and mediation is tested using partial least squares structural equation modelling (PLS-SEM), including analyses of indirect effects, predictive relevance, full-collinearity assessment for common method bias, and sector-based multigroup analysis.

The study makes four contributions. First, it provides direct evidence of the role of perceived auditor independence in linking corporate governance to reporting quality, a pathway that archival audit-quality research captures only indirectly. Second, it contributes evidence from the rapidly developing Gulf market, where rising foreign participation and more stringent disclosure standards make the governance–audit interface economically important. Third, it estimates the proportion of the governance effect transmitted

through perceived independence and tests whether this mechanism is invariant across sectors. Finally, it decomposes the governance pathway to examine the role of audit committee effectiveness.

In practical and policy terms, boards and audit committees should safeguard the visible independence of external auditors through appointment, compensation, communication, and dispute-resolution mechanisms. Regulatory agencies and professional associations should regard governance monitoring and protections for auditor independence as complementary rather than substitutable. These safeguards may help foster a culture of transparency in disclosure, although this study does not test ESG-reporting quality directly.

The remainder of the paper is organised as follows. The next section develops the theoretical framework and hypotheses, followed by a description of the data and methodology. The results are then presented and discussed, and the final section concludes with implications, limitations, and directions for future research.

THEORETICAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

Governance Mechanisms and Reporting Quality

Agency theory views financial reporting as a mechanism for reducing information asymmetry and conflicts of interest arising because managers report on their own performance (Jensen & Meckling, 1976). Monitoring reduces reporting discretion and improves the reliability of reported figures. Independent boards enhance the objectivity of monitoring and reduce the risk that management captures the reporting process (Beasley, 1996). Independent, experienced, and diligent audit committees have been shown to reduce earnings management and improve reporting quality (Cohen et al., 2004; Klein, 2002), and recent research in emerging markets supports this association (Alawaqleh & Almasria, 2021; Lutfi et al., 2022). Transparency and disclosure reduce information asymmetry and signal a commitment to reporting quality (Dechow, Ge, & Schrand, 2010; Leuz, Nanda, & Wysocki, 2003). Accordingly, strong governance should be associated with higher FRQ.

H1: Corporate governance mechanisms are positively associated with financial reporting quality.

Governance and Perceived Auditor Independence

Auditor independence is the auditor's freedom from influences that may compromise professional judgment. It is fundamental to the value of auditing (DeAngelo, 1981; Francis, 2004). Independence in appearance depends on the governance environment in which the audit is conducted. Independent boards and effective audit committees appoint and remunerate the auditor, oversee the audit process, and protect the auditor from management pressure; transparent disclosure reduces opportunities for undisclosed arrangements between auditors and management. Thus, governance mechanisms can strengthen auditor independence in appearance.

H2: Corporate governance mechanisms are positively associated with perceived auditor independence.

Perceived Auditor Independence and Reporting Quality

An auditor perceived as independent is expected to resist management pressure, provide candid feedback, and ensure that necessary adjustments are made to improve the accuracy of accounting figures (DeFond & Zhang, 2014). Recent empirical research based on survey data from emerging economies also identifies an association between auditor independence and financial reporting quality (Alshira'h, 2026). When independence is perceived to be impaired, the assurance provided by auditing and the perceived quality of reporting are reduced.

H3: Perceived auditor independence is positively associated with financial reporting quality.

The Mediating Role of Perceived Auditor Independence

Taken together, H1–H3 imply an intervening mechanism through which governance improves financial reporting quality (FRQ), partly by enhancing perceived auditor independence. Governance may affect FRQ not only through perceived independence but also through other channels, including internal control quality, incentives for disclosure, and direct monitoring of managers. Research in emerging economies similarly treats

audit processes as intervening mechanisms through which institutions and governance affect financial reporting quality (Alaskar et al., 2026; Pham, Tran, Bui, Nguyen, & Bui, 2023).

H4: Perceived auditor independence mediates the relationship between corporate governance mechanisms and financial reporting quality.

Critical Synthesis and Unresolved Issues

Although the literature supports the proposed relationships, several issues warrant attention. Studies employ different measures of audit quality and FRQ, limiting comparability because archival proxies and perceptions reported by informed respondents capture related but non-equivalent constructs. Moreover, cross-sectional mediation analysis can identify a theoretically consistent association but not causality. Finally, closely related governance, independence, and reporting-quality constructs may create construct overlap and common-method variance. Accordingly, this study reports HTMT confidence intervals and multiple common-method-bias assessments but does not treat them as conclusive evidence that such threats are absent.

DATA AND METHODOLOGY

Sample and Data Collection

Primary data were collected through a structured questionnaire administered to individuals with firsthand knowledge of governance and disclosure practices in listed and regulated Saudi Arabian firms. Participants included accountants, internal auditors, audit committee members, and academics specialising in accounting and auditing. Of the responses received, 316 were complete and retained for analysis. Respondents represented the financial, industrial, service, and regulatory sectors and reported varying levels of experience (Table 1). Because the study focuses on auditor independence, these stakeholders were well placed to provide informed assessments.

Table 1: Profile of respondents (n = 316)

Characteristic	n	%
Job title		
Accountant	120	38.0
Internal auditor	61	19.3
Audit committee member	58	18.4
Academic	48	15.2
Other	29	9.2
Experience		
Less than 5 years	75	23.7
5–10 years	122	38.6
More than 10 years	119	37.7
Sector		
Financial	120	38.0
Industrial	86	27.2
Services	70	22.2
Regulatory	40	12.7

Measures

All measures used a five-point Likert scale ranging from “strongly disagree” (1) to “strongly agree” (5). The governance construct comprised three dimensions: board independence (three measures), audit committee effectiveness (three measures), and transparency and disclosure (three measures). Perceived auditor independence was measured using five items addressing independence from management, financial and personal considerations, compliance with SOCPA’s Code of Professional Ethics, resistance to pressure, and the

effect of mandatory audit-firm rotation. Financial reporting quality (FRQ) was measured using three dimensions: reliability, relevance, and faithful representation of the disclosed information.

Analytical Approach

Partial least squares structural equation modelling (PLS-SEM) was used to estimate the model because it is suitable for models containing higher-order constructs and for prediction-oriented research (Hair, Risher, Sarstedt, & Ringle, 2019). This technique has increasingly been used to investigate mediating mechanisms in audit and reporting-quality research in similar contexts (Alshira'h, 2026; Pham et al., 2023). Governance was specified as a reflective second-order construct derived from its three dimensions using the disjoint two-stage approach. Reliability was assessed using Cronbach's alpha, Dijkstra–Henseler's ρ_A , and composite reliability; convergent validity was assessed using average variance extracted (AVE); and discriminant validity was assessed using the heterotrait–monotrait ratio (HTMT) and its bootstrap confidence interval (Dijkstra & Henseler, 2015; Henseler, Ringle, & Sarstedt, 2015). The structural model was assessed using bootstrapped path coefficients based on 5,000 resamples, the coefficient of determination (R^2), effect size (f^2), and predictive relevance (Q^2), calculated using blindfolding with an omission distance of 7. Indirect effects were assessed using bootstrap confidence intervals and variance-accounted-for (VAF) statistics (Preacher & Hayes, 2008; Zhao, Lynch, & Chen, 2010). Common method variance was assessed using the full-collinearity variance inflation factor (Kock, 2015) and Harman's single-factor test.

Common-Method-Bias Assessment and Design Limitations

Because all focal variables were measured in a single cross-sectional survey, common method bias is a potential source of error that cannot be ruled out by any single diagnostic. The full-collinearity variance inflation factors (VIFs) remained below the conservative threshold of 3.3, whereas Harman's one-factor solution was used only as a limited descriptive diagnostic. A measured-marker-variable analysis could not be conducted because the questionnaire did not include a theoretically appropriate marker construct. Rather than creating or postulating a marker variable retrospectively, the study treats this omission as a limitation. Future research should incorporate a prespecified marker construct or method factor and collect predictor and outcome data at different points in time (Chin, Thatcher, Wright, & Steel, 2013; Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). The data also lack reliable identifiers for multiple responses from the same organisation.

RESULTS

Measurement Model

The first-order measurement model is presented in Table 2. Cronbach's alpha, ρ_A , and composite reliability values range from 0.723 to 0.884, 0.725 to 0.885, and 0.844 to 0.915, respectively; all exceed 0.70. Average variance extracted (AVE) ranges from 0.643 to 0.717, supporting convergent validity. Item loadings range from 0.79 to 0.86.

Table 2: First-order measurement model

Construct	α	ρ_A	CR	AVE	Loadings
Board independence	0.737	0.741	0.850	0.655	0.83, 0.81, 0.79
Audit committee effectiveness	0.723	0.725	0.844	0.643	0.81, 0.81, 0.79
Transparency and disclosure	0.777	0.778	0.870	0.691	0.82, 0.83, 0.85
Perceived auditor independence	0.884	0.885	0.915	0.683	0.83, 0.83, 0.83, 0.84, 0.80
Financial reporting quality	0.803	0.803	0.884	0.717	0.85, 0.83, 0.86

Note: α = Cronbach's alpha; ρ_A = Dijkstra–Henseler reliability; CR = composite reliability; AVE = Average variance extracted.

Table 3 presents the loadings, composite reliability, and average variance extracted for the three dimensions comprising the second-order governance construct.

Table 3: Second-order construct (Governance)

Dimension	Loading	CR	AVE
Board independence	0.917	0.916	0.784
Audit committee effectiveness	0.872		
Transparency and disclosure	0.867		

Note: CR and AVE refer to the second-order Governance construct and are computed from the three-dimension loadings. First-order CR and AVE for each dimension are reported in Table 2.

Discriminant Validity

Discriminant validity was assessed using HTMT and its confidence intervals (Table 4). The HTMT confidence intervals do not include 1, indicating that the constructs are empirically distinct. The point estimates (0.848–0.891) meet the 0.90 threshold applicable to theoretically similar constructs but exceed the more stringent 0.85 threshold; this high association is therefore discussed as a limitation. For the first-order constructs, the Fornell and Larcker (1981) criterion was met because the square roots of the AVE values exceeded the correlations with other constructs.

However, the HTMT estimates for two construct pairs exceed the 0.85 threshold, suggesting some conceptual redundancy between closely related constructs. This issue is not ignored: Governance is modelled as a second-order construct, and the results are interpreted cautiously. Future research should refine the measurement items and triangulate the constructs using additional data sources.

Table 4: Discriminant validity (HTMT with bootstrap inference)

Construct pair	HTMT	90% CI lower	90% CI upper	95% CI lower	95% CI upper
Governance – Perceived auditor independence	0.854	0.813	0.891	0.805	0.897
Governance – Financial reporting quality	0.891	0.848	0.934	0.837	0.943
Perceived auditor independence – FRQ	0.848	0.799	0.893	0.790	0.902

Common Method Bias

The full-collinearity VIFs were 2.99 for governance, 2.65 for perceived auditor independence, and 2.61 for FRQ (Kock, 2015). All values were below the 3.3 threshold, providing limited evidence that common-method bias was not a serious threat. The first factor in Harman's one-factor test accounted for 50.6% of the variance; this weaker diagnostic is reported for completeness.

Considered together, neither the VIF nor the HTMT results indicate a serious collinearity-related method-bias problem. However, these tests do not guarantee the absence of common-method variance. The findings should therefore be interpreted as evidence of association within the limitations discussed in the Common-Method-Bias Assessment and Design Limitations subsection.

Structural Model and Hypothesis Tests

Table 5 summarises the structural model results. Governance is positively associated with perceived auditor independence ($\beta = 0.758$, $t = 32.5$, $p < 0.001$) and with FRQ (total effect: $\beta = 0.754$; direct effect: $\beta = 0.497$, $t = 9.21$, $p < 0.001$), supporting H1. Governance significantly predicts perceived auditor independence, supporting H2, and perceived auditor independence predicts FRQ ($\beta = 0.339$, $t = 6.08$, $p < 0.001$), supporting H3. The indirect effect is positive and statistically significant ($\beta = 0.257$; 95% CI [0.172, 0.341]). Because both the indirect and direct effects are significant, the results support partial mediation under H4. Perceived auditor

independence accounts for 34.1% of the total governance effect on FRQ (VAF). The effect size is very large for the governance–perceived-independence path ($f^2 = 1.347$) and moderate for the two FRQ predictors. The model explains 57.4% of the variance in perceived auditor independence and 61.7% of the variance in FRQ, and blindfolding supports predictive relevance ($Q^2 = 0.519$ and 0.421 , respectively).

Table 5: Structural model (Standardized; 5,000 bootstrap resamples)

Path	β	SE	t	95% CI	f^2
a: Governance $\rightarrow$ Perceived auditor ind.	0.758	0.023	32.5	[0.71, 0.80]	1.347
b: Perceived auditor ind. $\rightarrow$ FRQ	0.339	0.056	6.08	[0.23, 0.45]	0.128
c': Governance $\rightarrow$ FRQ (direct)	0.497	0.054	9.21	[0.39, 0.60]	0.274
Indirect a $\times$ b	0.257	0.043	5.98	[0.17, 0.34]	—
Total effect (c)	0.754	0.024	31.2	[0.71, 0.80]	—

Note: All paths are significant at $p < 0.001$. VAF = 34.1% (95% CI 22.4–46.3%) $\rightarrow$ partial mediation. R^2 : perceived auditor independence = 0.574, FRQ = 0.617. Q^2 (Blindfolding, $D = 7$): 0.519 and 0.421.

Table 6 presents a summary of the hypothesis-testing results, including the direction of each proposed relationship and its support status.

Table 6: Summary of hypothesis tests

H	Statement	Result
H1	Governance mechanisms $\rightarrow$ Financial reporting quality (+)	Supported
H2	Governance mechanisms $\rightarrow$ Perceived auditor independence (+)	Supported
H3	Perceived auditor independence $\rightarrow$ Financial reporting quality (+)	Supported
H4	Perceived auditor independence mediates governance $\rightarrow$ FRQ	Supported (Partial)

Sector Invariance (Multigroup Analysis)

To examine whether the mechanism differs by sector, a multigroup analysis compared financial and non-financial subsamples ($N = 120$ and $N = 196$, respectively). Differences were assessed using a 2,000-iteration permutation test (Table 7). None of the path differences was statistically significant (all $p > 0.14$). The indirect effects were 0.276 for the financial subsample and 0.249 for the non-financial subsample, while the respective VAF values were 34.6% and 34.3%.

Accordingly, the mediation mechanism does not differ between the financial and non-financial sectors.

Table 7: Multigroup analysis by sector

Path	Financial (n=120)	Non-fin. (n=196)	Diff.	Perm. p
a: Gov $\rightarrow$ Perceived ind.	0.773	0.750	0.023	0.627
b: Perceived ind. $\rightarrow$ FRQ	0.357	0.332	0.025	0.832
c': Gov $\rightarrow$ FRQ	0.522	0.476	0.045	0.692
Indirect a $\times$ b	0.276	0.249	0.027	0.771
VAF	34.6%	34.3%	0.3pp	0.982

Additional Analysis: Unpacking the Internal Governance Mechanism

In the primary model, governance is specified as a second-order construct. To examine the mechanism within this construct, specifically whether audit committee effectiveness mediates the effect of governance on perceived auditor independence, a serial mediation model was estimated. In this additional model, the governance core, comprising board independence, transparency, and disclosure, serves as the antecedent; audit committee effectiveness is the first mediator, perceived auditor independence is the second mediator,

and FRQ is the dependent variable (governance core → audit committee effectiveness → perceived auditor independence → FRQ).

Table 8 presents the additional-analysis results. All structural paths are statistically significant, and there is no indication of collinearity (all VIFs ≤ 2.6). The serial indirect effect is positive and significant ($\beta = 0.079$; 95% CI [0.045, 0.119]) but accounts for only about 11% of the total governance effect on FRQ (0.724). In the single-mediation models, the governance core → perceived independence → FRQ (0.166) and governance core → audit committee effectiveness → FRQ (0.131) effects are larger, while the direct effect is substantial (0.348). Thus, audit committee effectiveness represents one internal pathway through which governance affects perceived auditor independence, but it is not the primary pathway.

Table 8: Additional analysis – serial mediation decomposition of the governance mechanism

Path / indirect channel	β	95% CI	Share of total
Governance core → Audit committee effect.	0.711	—	—
Audit committee effect. → Perceived ind.	0.328	—	—
Perceived ind. → FRQ	0.340	—	—
Governance core → FRQ (Direct)	0.348	—	48.1%
Indirect: → Perceived ind. → FRQ	0.166	—	22.9%
Indirect: → Audit committee → FRQ	0.131	—	18.1%
Serial: → Audit committee → Perceived ind. → FRQ	0.079	[0.045, 0.119]	10.9%

Note: Governance core = Board independence + transparency and disclosure. Standardized coefficients; serial indirect effect bootstrapped with 5,000 resamples. Total effect = 0.724. All variance inflation factors ≤ 2.6 , indicating no multicollinearity. This decomposition is supplementary and does not replace the primary second-order model.

DISCUSSION

The results support an intervening-mechanism framework linking governance to reporting quality through perceived auditor independence. Consistent with agency theory, governance mechanisms are significantly associated with FRQ (H₁). More specifically, governance enhances FRQ partly by strengthening the perceived independence of the auditor (H₂ and H₃). The mediating pathway accounts for approximately one-third of the total governance effect on FRQ (variance accounted for [VAF] = 34.1%). Audit committees and independent boards may therefore help protect perceived auditor independence, providing a channel through which internal governance strengthens the credibility of external assurance.

The study also has a focused sustainability implication. It does not provide evidence that the examined mechanism directly improves ESG reporting quality. Nevertheless, governance mechanisms that strengthen confidence in FRQ are institutionally compatible with a culture of transparency that supports credible sustainability communication. Boards should therefore maintain visible safeguards relating to auditor appointment, remuneration, and professional discretion, while regulators should align governance and independence reforms with the broader disclosure framework.

The theoretical contribution extends agency-theory reasoning by identifying an indirect relationship between governance and FRQ. Perceived independence in appearance provides a credibility-assurance pathway because it reflects the conditions under which stakeholders believe that auditors are free from management pressure. Perceived independence is not equivalent to independence in fact, nor does it substitute for archival evidence of auditor quality.

The findings indicate partial mediation because a substantial direct effect remains after controlling for the mediator ($\beta = 0.497$). Governance therefore contributes to FRQ through other channels, including control systems, disclosure incentives, and direct board monitoring. The additional decomposition identifies audit committee effectiveness as another channel through which governance affects perceived auditor independence, although the serial effect is limited to approximately 11% of the total effect. The audit committee is thus an important, but not unique, channel.

More broadly, the governance–perceived-independence relationship operates through multiple dimensions rather than through the audit committee alone. The policy implication is that governance mechanisms and safeguards for auditor independence are complementary, not substitutes. Multigroup evidence further indicates that this mechanism does not depend on whether firms operate in the financial or non-financial sectors, suggesting that the governance–independence–reporting relationship is a general feature of the study context.

By focusing on independence in appearance, the study contributes to, rather than duplicates, archival audit-quality research. Archival proxies, such as discretionary accruals, capture independence in fact but not how informed parties perceive auditor independence, an important determinant of reporting credibility. The findings are consistent with prior evidence that the interaction between governance and audit quality affects reporting outcomes (Cohen et al., 2004; DeFond & Zhang, 2014; Klein, 2002) and extends this literature by examining the perceived-independence pathway in a Gulf market shaped by simultaneous CMA and SOCPA reforms under Vision 2030.

CONCLUSION, IMPLICATIONS, AND LIMITATIONS

This study examines whether perceived auditor independence mediates the relationship between corporate governance mechanisms and financial reporting quality (FRQ) in Saudi Arabia. Using PLS-SEM and survey data from 316 well-informed professionals, the analysis finds that governance is positively associated with perceived auditor independence and FRQ, and that perceived auditor independence is positively associated with FRQ. The indirect effect is statistically significant and robust to bootstrapping, with perceived auditor independence accounting for 34.1% of the total governance effect, indicating partial mediation. The mediation mechanism is invariant across sectors.

Future research could use longitudinal designs to establish temporal ordering; multi-informant data linked to firms to reduce common-source bias; prespecified markers or latent method-factor models to identify method bias; and archival indicators, including accruals, restatements, modified audit opinions, audit fees, and rotation rates, to triangulate perceptions. Comparative studies across Gulf Cooperation Council countries could also examine whether enforcement, ownership concentration, and ESG disclosure regulation moderate the proposed indirect association.

The findings have implications for regulators and boards. For regulators seeking to advance Vision 2030 disclosure objectives, governance mechanisms and auditor-independence protections should be developed simultaneously rather than separately. Boards and audit committees are responsible for safeguarding perceived auditor independence to support reporting quality.

Several limitations qualify the conclusions. First, because the design is cross-sectional, the mediation effect should be interpreted as an association-based intervening structure rather than as evidence of causation. Longitudinal and archival triangulation would support stronger causal inferences. Second, both principal constructs are perception-based and were measured using a single instrument. Although full-collinearity VIFs are acceptable, Harman's single-factor test accounts for 50.6% of the variance, indicating that future research should include a marker variable or a measured method factor. Third, the study measures independence in appearance; combining perceived independence with archival proxies, such as discretionary accruals, would enable comparison of the two dimensions. Fourth, the governance dimensions are highly correlated (high HTMT).

Although the second-order measurement model addresses this issue, it also indicates limited empirical separability among the dimensions. Fifth, the serial mediation result is exploratory; future research should treat it as a supplementary decomposition of the governance effect rather than as an alternative model. Finally, the evidence is drawn from one country, and replication in other institutional settings is needed to establish the external validity of the findings. Future research could also examine respondent roles and firm characteristics as moderators of the indirect effect.

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TRANSPARENCY: The author confirms that the manuscript is an honest, accurate, and transparent account of the study; that no vital features of the study have been omitted; and that any discrepancies from the study as planned have been explained. This study followed all ethical practices during writing.

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