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Original Article

CEO Origin and Ethical Commitment to Financial Reporting: The Mediating Role of Reporting Transparency in Audit Opinions

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Abstract

Introduction: This study focuses on examining ethical commitment to financial reporting transparency and its role in the process determining the type of audit opinion. In this regard, the effect of the CEO's succession origin (internal vs. external) on the type of audit opinion is investigated, and it is explained how ethical commitment to reporting transparency can mediate this relationship. The importance of the topic lies in the fact that the origin of a CEO's appointment can influence their ethical attitudes toward financial reporting and, consequently, affect auditors' perceptions of the risk of material misstatement.

Material and Methods: This is an applied study conducted using a descriptive–correlational approach. The statistical population includes all companies listed on the Tehran Stock Exchange. After applying screening criteria, 138 companies were selected as the sample over the period 2010–2023 (1389–1402). Raw data were collected through data extraction from the Tehran Stock Exchange Organization database, Rahavard Novin software, companies' financial statements, accompanying notes, the board of directors' activity reports, and independent auditors' reports. Data analysis was performed using multivariate regressions (logistic and ordinary least squares), while controlling for year and industry fixed effects.

Results: The results indicate that an internally appointed CEO increases the likelihood of receiving an unmodified audit opinion. In addition, internally sourced CEOs exhibit a higher ethical commitment to financial reporting transparency than externally sourced CEOs. Mediation analysis further shows that ethical commitment to financial reporting transparency mediates the relationship between CEO origin and the type of audit opinion; that is, an internal origin, by strengthening ethical reporting behaviors, reduces the auditor's perceived risk and lowers the probability of issuing a modified audit opinion.

Conclusion: For the first time in the Iranian institutional context, this study examines the effect of CEO origin on the type of audit opinion through the lens of ethical reporting behaviors. The findings demonstrate that the ethical dimensions of CEO performance play a fundamental role in shaping auditors' judgments and financial reporting outcomes.

Keywords: *Ethical commitment to reporting transparency, CEO origin, Professional ethics, Type of audit opinion.*

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INTRODUCTION

A growing body of research literature indicates that the CEO plays a pivotal role not only in decisions related to financial reporting, but also in shaping the ethical orientation of the disclosure process, the level of information transparency, and the audit process and its outcomes [1–7]. The CEO's high organizational position and ultimate decision-making authority mean that ethical commitment to financial reporting transparency at the firm level is largely influenced by the values, perspectives, and ethical culture promoted by the CEO [8]. In this regard, by setting financial policies, shaping an

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organizational culture based on transparency or concealment, overseeing internal control systems, and managing relationships with stakeholders, the CEO has a direct role in the organization's ethical commitment to honest and reliable disclosure of information - an element that, from auditors' perspectives, can significantly affect risk assessments and the type of audit opinion issued [6, 9]. In other words, the extent to which a company adheres to ethical principles in financial reporting determines how transparent, understandable, and free from opportunistic motives the financial statements are; if this adherence is weak, it manifests in the form of reporting complexity, information ambiguity, and an increased burden of auditor judgment.

However, an important point is that a CEO may be appointed from within the organization (internal) or from outside it (external). Since the origin of CEO succession affects ethical attitudes and behaviors in financial reporting, the question arises as to whether differences in CEO origin can lead to differences in ethical commitment to reporting transparency and, consequently, differences in the type of audit opinion. In this context, the effects of CEO succession origin on ethical reporting behaviors and the audit process can be examined through five main perspectives: earnings management incentives, managerial style, internal controls, agency conflict, and managerial independence.

With respect to internal CEOs, the earnings management perspective emphasizes that, due to a sense of belonging, deep familiarity with organizational processes, and alignment with the firm's long-term vision, these managers have less incentive to manipulate earnings and present opportunistic reports [10, 11]. This characteristic strengthens their ethical commitment to financial reporting transparency, leading them to prioritize sustainability and long-term shareholder interests over short-term gains [12]. From a managerial style perspective, internal CEOs tend to adopt cautious and continuity-oriented approaches, maintaining simple, stable, and transparent reporting structures rather than introducing abrupt changes [13]. This simplicity and stability are not merely the result of proper structuring, but rather reflect ethical orientation and adherence to fair disclosure - factors that, from auditors' viewpoints, reduce ambiguity, strengthen internal controls, and lower perceived audit risk. From the internal control's perspective, internal CEOs, due to their extensive knowledge of organizational processes and mechanisms, show a greater tendency to preserve and strengthen controls, thereby enhancing disclosure reliability, although in some cases this may lead to neglecting the reform of inefficient structures [14, 15]. From the perspective of managerial independence, although long-standing ties between internal CEOs and employees may limit their relative independence and seemingly create incentives for concealment [16], value alignment with the organization and adherence to ethical principles often prevent such behavior. Consequently, the presence of internal CEOs is usually associated with ethics-oriented, transparent, and reliable financial reporting, which reduces auditors perceived risk and facilitates the issuance of more favorable audit opinions [3, 17, 18]. In contrast, in firms with external CEOs, the earnings management perspective highlights the strong pressure on these managers to demonstrate immediate effectiveness. According to the horizon problem theory, external CEOs, due to unstable tenure and initial unfamiliarity with the organization, have stronger incentives to achieve rapid results and gain board approval-an incentive that often leads to reduced ethical commitment to transparency and a greater tendency toward earnings management [19-21]. From a managerial style perspective, these managers tend to pursue extensive changes and rapid innovations; if such

behavior lacks a solid ethical framework, it results in increased information ambiguity, reporting complexity, and reduced disclosure reliability [3, 22, 23]. Auditors facing such environments adopt more extensive and conservative audit procedures, which increases their perceived risk. From an internal controls perspective, the inclination of external CEOs to rapidly redesign systems weaken control coherence in the short term and heightens ethical uncertainty in financial reporting [24]. Moreover, from the perspective of managerial independence, although external CEOs appear more independent, their lack of deep understanding of the organizational environment and stakeholders leads to behavioral instability and reduced ethical commitment to fair disclosure [25]. Finally, from the agency conflict perspective, external pressures and the need to demonstrate effectiveness increase opportunistic incentives among external CEOs [26], which directly reflects a decline in ethical adherence in reporting.

As a result, the presence of external CEOs not only increases the likelihood of earnings management, but also, due to relatively weaker ethical commitment to financial reporting transparency, leads to more complex disclosure practices and higher perceived audit risk [25]. Accordingly, the literature suggests that audit processes and outcomes reflect the ethical quality and transparency of financial reporting [6, 7, 27, 28]. Therefore, it is expected that appointing an internal CEO, through stronger ethical commitment to transparent reporting, will result in simpler, more understandable, and less ambiguous information, thereby reducing perceived audit risk and increasing the likelihood of issuing an unmodified audit opinion. Conversely, the presence of an external CEO is associated with relatively lower ethical commitment to transparency and greater information ambiguity, increasing perceived audit risk and the likelihood of issuing a qualified or modified opinion [29, 1]. Thus, ethical commitment to financial reporting transparency functions as a mediating variable that transmits the effect of CEO succession origin to the type of audit opinion. That is, the stronger the CEO's ethical commitment to transparent disclosure, the fairer and more reliable the financial reporting, and the higher the likelihood of a favorable audit opinion; whereas a reduction in this commitment creates ambiguity, higher perceived risk, and more conservative audit opinions.

Accordingly, the objective of the present study is to examine the effect of CEO succession origin (internal vs. external) on the type of audit opinion, with an emphasis on the mediating role of ethical commitment to financial reporting transparency. More precisely, the study seeks to clarify how selecting a CEO from within or outside the firm can directly or indirectly-through strengthening or weakening ethical commitment to transparent reporting-affect the type of audit opinion.

Based on the theoretical foundations and empirical literature, the hypotheses of the present study are formulated as follows:

Hypothesis 1: An internally sourced CEO, compared to an externally sourced CEO, is associated with a higher likelihood of receiving an unmodified audit opinion.

Hypothesis 2: An internally sourced CEO, compared to an externally sourced CEO, demonstrates a higher ethical commitment to financial reporting transparency.

Hypothesis 3: Ethical commitment to financial reporting transparency mediates the relationship between CEO origin and audit opinion quality, such that internally sourced CEOs, by increasing ethical commitment to reporting transparency, increase the likelihood of receiving an unmodified audit opinion.

MATERIAL AND METHODS

This study adopts an applied approach based on a quasi-experimental analytical design to collect the required data.

The statistical population consists of all companies listed on the Tehran Stock Exchange (TSE). To be included in the sample, firms were required to have been continuously listed on the exchange during the study period and to have a fiscal year ending on March 20. Firms were excluded if, during the period under review, they changed their fiscal year or line of business, had incomplete financial information, or experienced a trading suspension of more than three months. After applying these criteria, 138 firms, representing a total of 1,932 firm-year observations, were selected as the final sample for statistical analysis.

Raw data were extracted using a data-coding approach from the Tehran Stock Exchange Organization database, Rahavard Novin software, firms' financial statements, accompanying notes, board of directors' activity reports, and independent auditors' reports.

Hypothesis testing was conducted using multiple regression and logistic regression models through specialized statistical software packages, namely Stata (version 17) and EViews (version 13).

Consistent with prior studies (1), the following regression models are employed to test the study hypotheses. These models are designed to examine the relationships among CEO origin, ethical commitment to financial reporting transparency, and the type of audit opinion.

Model (1): Test of Hypothesis 1

$$AUD_OP_{i,t+1} = \beta_0 + \beta_1 CEO_Origin_{i,t} + \sum \beta_k Controls_{i,t} + IndustryFE + YearFE + \varepsilon_{i,t}$$

Model (2): Test of Hypothesis 2

$$Ethical_Commitment_{i,t} = \beta_0 + \beta_1 CEO_Origin_{i,t} + \sum \beta_k Controls_{i,t} + IndustryFE + YearFE + \varepsilon_{i,t}$$

Model (3): Test of Hypothesis 3 (Mediation Model)

$$AUD_OP_{i,t+1} = \beta_0 + \beta_1 CEO_Origin_{i,t} + \beta_2 Ethical_Commitment_{i,t} + \sum \beta_k Controls_{i,t} + IndustryFE + YearFE + \varepsilon_{i,t}$$

In Models (1) to (3), the dependent variable AUD_OP represents the type of audit opinion and is considered an indicator of the auditor's assessment of the reliability of the firm's financial statements. The variable Ethical Commitment reflects the degree of management's commitment to transparency and honesty in financial reporting and serves as the mediating variable in the relationship between CEO origin and audit opinion type. The variable CEO Origin, as the main independent variable of the study, indicates whether the CEO is internally or externally appointed.

In addition, a set of control variables-including corporate social responsibility disclosure, firm size, market-to-book ratio of equity, return on assets, financial leverage, and board independence-is incorporated into the models. To control for structural differences across industries and period-specific effects, industry and year fixed effects are included in all models.

Dependent Variable: In this study, the type of audit opinion is measured as a binary variable. An unmodified (clean) audit opinion is coded as 1, as it reflects informational transparency and adherence to ethical principles in financial reporting. In contrast, qualified, adverse, or disclaimer opinions are coded as 0, indicating limitations in transparency, higher reporting risk,

and auditors' ethical concerns regarding the firm's financial statements.

Independent Variable: Consistent with prior studies (5, 30, 31), CEO origin is determined based on the individual's employment history with the firm prior to appointment. Specifically, if the CEO had served in the firm for at least two fiscal years before official appointment, either in a key managerial position or as a member of the board of directors, the CEO is classified as internally appointed. This time span allows the board to adequately evaluate the individual's performance and competencies. Conversely, if the CEO had no prior managerial role or board membership in the firm before appointment, the CEO is classified as externally appointed. Accordingly, CEO_ORG is a dummy variable that takes the value of 1 for internal CEO appointments and 0 for external CEO appointments.

Mediating Variable: In this study, discretionary accruals are used as a proxy to measure ethical commitment to financial reporting transparency. In line with approaches adopted in prior research [7], discretionary accruals are calculated as the discretionary and manipulable component of financial reporting - namely, the portion that managers can use to adjust reported outcomes for opportunistic purposes. To interpret this measure within the ethical framework of the present study, the absolute value of discretionary accruals obtained from the estimation model is multiplied by negative one. As a result, higher values of this variable indicate lower levels of manipulation, greater transparency, and stronger ethical commitment by managers to faithful reporting, whereas lower values reflect greater information asymmetry and a higher likelihood of unethical reporting behavior. Accordingly, this index effectively captures managerial behavioral differences in adherence to ethical reporting principles and clarifies its mediating role in the relationship between CEO origin and audit opinion type.

To estimate discretionary accruals, the Francis et al. (2005) model is employed, as presented in Equation (1). In this model, non-discretionary accruals are estimated using the modified Jones model, and the residual term represents discretionary accruals.

Equation (1):

$$TA_{i,t}/A_{i,t-1} = \alpha_0 + \alpha_1(1/A_{i,t-1}) + \alpha_2(\Delta REV_{i,t} - \Delta REC_{i,t})/A_{i,t-1} + \alpha_3(PPE_{i,t}/A_{i,t-1}) + \varepsilon_{i,t}$$

where:

$TA_{i,t}$: Total accruals

$A_{i,t-1}$: Total assets in the previous year

$\Delta REV_{i,t}$: Change in revenues

$\Delta REC_{i,t}$: Change in accounts receivable

$PPE_{i,t}$: Property, plant, and equipment

$\varepsilon_{i,t}$: Discretionary accruals (DA)

In the next step, to define the ethical commitment variable, the absolute value of discretionary accruals is multiplied by −1, so that the final index assigns larger values to higher ethical transparency and lower manipulation.

Control Variables: The control variables included in the models are defined as follows:

Firm Size (SIZE): Natural logarithm of total assets.

Market-to-Book Ratio (MTB): Ratio of market value to book value of equity.

Return on Assets (ROA): Net income divided by total assets.

Corporate Social Responsibility Disclosure (CSR_D): This variable equals 1 if the firm discloses social responsibility reports in the board of directors' activity report, and 0 otherwise (28).

Financial Leverage (LEV): Ratio of total debt to total assets.

Board Independence (B_IND): A dummy variable equal to 1 if the number of non-executive directors exceeds executive directors, and 0 otherwise.

RESULTS

Table (1) presents the descriptive statistics for the continuous variables of the study. Regarding the ethical commitment to financial reporting quality variable - measured based on the Francis et al. (2005) model using the absolute value of discretionary accruals multiplied by negative one - the mean (−0.106) and median (−0.091) indicate that most firms are clustered near zero. Consistent with the study's theoretical framework, this suggests a general tendency toward lower manipulation and more transparent reporting. The negative skewness (−0.603) indicates that the distribution is tilted toward values close to zero, with a large proportion of observations concentrated in the higher ethical commitment range. Meanwhile, the kurtosis value of 2.985 reflects a relatively compressed distribution with several outlying observations toward lower ethical commitment. In other words, although a substantial number of firms exhibit relatively ethical reporting behavior, the presence of outliers around −0.764 suggests that some firms remain exposed to less transparent or more opportunistic reporting practices. Firm size, with a mean of 14.487 and a standard deviation of 1.552, indicates that most sample firms are relatively large, with limited dispersion in size. Positive skewness (0.445) and kurtosis of 3.015 suggest that a small number of very large firms have increased the upper tail of the distribution. For return on assets, the mean of 0.171 and median of 0.139 indicate that the financial performance of most firms is positive and relatively homogeneous. However, positive skewness (0.598) and kurtosis (2.733) show that a minority of firms achieved exceptionally high returns, pulling the mean upward. Financial leverage, with a mean of 0.528 and median of 0.547, suggests that firms, on average, use a moderate level of debt in their capital structure. Negative skewness (−0.241) indicates a slight concentration toward lower leverage values, while kurtosis of 2.192 implies that in some firms, debt levels are substantially higher, increasing dispersion. Regarding the market-to-book ratio, the mean of 5.946 and median of 4.851 indicate that most firms have market values exceeding their book values. Positive skewness (0.894) and kurtosis (2.746) suggest that a few firms with exceptionally high ratios stretch the distribution to the right, likely reflecting higher growth expectations or superior market performance.

Table (2) reports the frequencies of the study's binary variables. According to this table, modified audit opinions are observed in 61.9% of all observations (1,196 out of 1,932), indicating that a substantial proportion of firms faced non-clean audit opinions during the study period. Corporate social responsibility disclosure is observed in 69.7% of cases, suggesting that most firms comply with social disclosure requirements or expectations, which reflects a relatively higher ethical commitment to reporting and responsible performance. The internal CEO origin variable equals one in approximately 79.9% of observations (1,544 out of 1,932), indicating that in the majority of firms, CEOs are appointed from within the organization. Furthermore, board independence is present in 81.2% of observations (1,569 out of 1,932), suggesting that most sample firms have boards with a majority of non-executive and independent directors.

Table 1: Descriptive analysis of research variables

Variable	Mean	Median	Max.	Min.	SD	Skewness	Kurtosis
Ethical commitment to financial reporting	-0.106	-0.091	0.0001	-0.764	0.101	-0.603	2.985
Firm size	14.487	14.369	18.922	11.399	1.552	0.445	3.015
Return on Assets	0.171	0.139	0.509	-0.071	0.141	0.598	2.733
Financial leverage	0.528	0.547	0.987	0.096	0.222	-0.241	2.192

Market-to-book ratio	5.946	4.851	18.483	-0.669	4.107	0.894	2.746

Table 2: Table 2: Frequency of dichotomous variables

Variable	Total observation	Frequency of observation 1	Frequency of observation 0	Percentage of observation
Auditor's Opinion (Modified)	1932	1196	736	0.619
Social Responsibility Disclosure	1932	1348	584	0.697
CEO-origin	1932	1544	388	0.799
Board Independence	1932	1569	363	0.812

Because the dependent variable in the first and third hypotheses is dichotomous in nature, logistic regression models are employed to test these two hypotheses. In these models, only year and industry fixed effects are included in order to control for temporal variations and industry-specific characteristics. Hypothesis 2, by contrast, is estimated using the ordinary least squares (OLS) method, as its dependent variable is continuous. To prevent the occurrence of spurious regression in the OLS model, the stationarity of the study variables was first examined to ensure the absence of unit roots. Accordingly, the Levin–Lin–Chu unit root test was applied to all variables. The results indicate that none of the variables contains a unit root and that all variables are stationary. Given that year and industry effects are already controlled for in the model, there is no need to conduct tests for selecting the type of effects. Moreover, to address potential issues of heteroskedasticity and serial correlation, cluster-robust variance correction is applied in estimating the second model (2).

Table (3) reports the estimation results of the regression model for the first hypothesis. This model is estimated using logistic regression because the dependent variable (type of audit opinion) is dichotomous. As shown in the table, the model exhibits an adequate fit; the likelihood ratio (LR) statistic and its corresponding significance level indicate the statistical validity of the model. In addition, the percentage of correctly classified observations (approximately 73%) suggests satisfactory predictive power. According to the results, CEO origin (internal) has a positive and statistically significant effect on the type of audit opinion, implying that firms with internally appointed CEOs are more likely to receive an unmodified audit opinion. Therefore, the first hypothesis of the study is supported at the 95% confidence level.

Table 3: Results of estimating the logistic regression relationship

Dependent variable: Type of auditor's opinion					
Variable	Variable coefficient	Standard error	t value	α	VIF
CEO-origin	0.692	0.151	4.58	0.0001	1.29
Firm size	0.135	0.038	3.49	0.0001	1.78
Social responsibility disclosure	1.699	0.487	3.48	0.0001	1.66
Financial leverage	-0.237	0.279	-0.85	0.396	1.46
Return on assets	0.254	0.314	0.81	0.417	1.45
Board independence	1.866	0.132	14.13	0.0001	1.42
Market to book ratio	0.064	0.011	5.61	0.0001	1.17
y-intercept	-0.177	0.658	-0.27	0.787	-
LR value	472.31				
α	0.0001				

Total of observation	1932
Frequency of observation 1	1196
Frequency of observation 0	736
No. correct prediction	1236
Percentage of correct prediction	72.67
Mc Fadden coefficient	0.19

Table (4) presents the estimation results of the regression model for the second hypothesis. This model is estimated using the OLS method because the dependent variable - ethical commitment to financial reporting - is continuous. The value of the F-statistic and its significance level indicate that the model has a satisfactory overall fit and that the explanatory variables jointly explain variations in the dependent variable. Furthermore, the adjusted coefficient of determination (0.25) indicates that approximately 25% of the variation in ethical commitment to financial reporting is explained by the independent and control variables. Year and industry fixed effects are included in the model, and diagnostic test results confirm that issues related to serial correlation and heteroskedasticity have been effectively addressed. According to the results reported in the table, CEO origin (internal) has a positive and statistically significant effect on ethical commitment to financial reporting (coefficient = 0.107, p-value = 0.006). This finding indicates that firms with internally appointed CEOs exhibit a higher level of ethical commitment to financial reporting. Accordingly, the second hypothesis of the study is also supported.

Table 4: Results of estimating the regression relationship

Dependent variable: Ethical commitment to financial reporting					
Variable	**Variable coefficient**	**Standard error**	**t-value**	**α**	**VIF**
CEO-origin	0.107	0.036	2.98	0.006	1.29
Firm size	0.017	0.006	2.89	0.008	1.78
Social responsibility disclosure	0.281	0.125	2.24	0.034	1.66
Financial leverage	-0.038	0.101	-0.38	0.706	1.46
Return to assets	0.196	0.091	2.16	0.041	1.45
Board independence	0.065	0.038	1.71	0.101	1.42
Market to book ratio	0.0044	0.0014	3.15	0.004	1.17
y-intercept	-3.581	0.146	-24.43	0.0001	-
f-value	2137.74				
α	0.0001				
Effect of year and industry	Controlled				
Serial autocorrelation and variance heterogeneity	Removed				
Adjusted R^2	0.25				

Table (5) reports the estimation results of the regression model for the third hypothesis. This model is estimated using logistic regression to examine the mediating role of ethical commitment to financial reporting in the relationship between CEO origin and the type of audit opinion, given the dichotomous nature of the dependent variable. The likelihood ratio (LR) statistic and its significance level indicate that the model has an appropriate fit and strong statistical validity. Moreover, the percentage of correctly classified observations (approximately 73%)

reflects the model's adequate discriminative power in predicting the type of audit opinion. According to the results presented in the table, CEO origin (internal) continues to have a positive and statistically significant effect on the type of audit opinion. However, in this model, ethical commitment to financial reporting is also included as a mediating variable, and its coefficient is positive and statistically significant. This finding indicates that higher ethical commitment to financial reporting increases the likelihood of receiving an unmodified audit opinion. Accordingly, ethical commitment to financial reporting can be regarded as a mechanism through which CEO origin influences auditors' evaluations. In other words, internally appointed CEOs reduce the likelihood of issuing a modified audit opinion by strengthening ethical adherence and commitment in financial reporting. To assess the significance of the mediating path, the Sobel test is employed, and its results are reported in Table (6). The Sobel test statistic (0.769) and its corresponding significance level (p-value = 0.005) indicate that the mediating pathway from CEO origin (internal) through ethical commitment to financial reporting to the type of audit opinion is statistically significant.

Table 5: Results of estimating the logistic regression relationship

Dependent variable: Type of auditor's opinion					
Variable	**Variable coefficient**	**Standard error**	**t-value**	**α**	**VIF**
CEO-origin	0.725	0.154	4.71	0.0001	1.33
Ethical commitment to financial reporting	1.731	0.230	7.51	0.0001	1.33
Firm size	0.168	0.039	4.26	0.0001	1.80
Social responsibility disclosure	1.537	0.497	3.09	0.002	1.69
Financial leverage	-0.241	0.286	-0.84	0.401	1.47
Return on assets	0.258	0.320	0.80	0.421	1.46
Board independence	1.899	0.134	14.07	0.0001	1.24
Market to book ratio	0.0649	0.0117	5.53	0.0001	1.18
y-intercept	-0.182	0.625	-0.113	0.821	-
LR value	533.48				
α	0.0001				
Total of observation	1932				
Frequency of observation 1	1196				
Frequency of observation 0	736				
No. correct prediction	1232				
Percentage of correct prediction	73.29				
Mc Fadden coefficient	0.21				

Table 6: Sobel test results

Mediator path	Sobel value	α
CEO-origin→Ethical commitment to financial reporting→ Type of auditor's opinion	2.769	0.005

DISCUSSION

The present study aims to examine the effect of CEO succession origin (internal versus external) on the type of audit opinion and the mediating role of ethical commitment to financial reporting transparency in firms listed on the Tehran Stock Exchange during the period 2010–2023. Based on theoretical foundations and prior empirical evidence, CEO origin is considered a

fundamental factor in shaping reporting behavior, information transparency, and managers' ethical commitment to providing truthful and reliable information. Several studies [15, 12] suggest that whether a CEO is internally or externally appointed can play a decisive role in disclosure quality and auditors' perceptions of misstatement risk.

The results related to the first hypothesis indicate that an internal CEO origin has a positive and statistically significant effect on the likelihood of receiving an unmodified audit opinion. This finding can be attributed to the fact that internal CEOs, due to their longer tenure within the firm, deeper understanding of operational and financial processes, and greater familiarity with control systems, tend to adopt more ethical, cautious, and responsible reporting behaviors. This interpretation is consistent with findings reported in prior studies [12, 14, 23], which emphasize the stronger adherence of internal CEOs to ethical principles and their lower propensity toward opportunistic behavior. In contrast, external CEOs, due to their unfamiliarity with the firm's internal environment, pressure to demonstrate competence in the early stages of tenure, and tendency to implement rapid changes, often produce more complex and less transparent reporting, which increases auditors perceived risk and the likelihood of issuing a modified audit opinion [32]. The results of the second hypothesis show that an internal CEO origin has a positive and statistically significant effect on ethical commitment to financial reporting transparency. This result corroborates prior research [32, 33] that characterizes internal CEOs as having a stronger sense of ethical responsibility, greater commitment to informational honesty, and lower incentives for earnings management. Based on this evidence, internal CEOs, owing to their accumulated knowledge of internal organizational relationships, stronger loyalty to organizational values, and avoidance of high-risk behavior, are more inclined to present financial reporting in a simple, understandable, and ethically grounded manner. Conversely, external CEOs, due to cognitive and cultural distance from the organization, are more exposed to complex or ambiguous reporting behaviors, which may adversely affect their level of ethical commitment. The results of the third hypothesis indicate that ethical commitment to financial reporting transparency plays a statistically significant mediating role in the relationship between CEO origin and the type of audit opinion. This finding suggests that internal CEOs influence the likelihood of a modified audit opinion not only directly, but also indirectly by strengthening ethics-oriented financial reporting behaviors. This result is consistent with prior research [25], which demonstrates that transparency and honesty in financial reporting reduce auditors perceived risk and enhance their confidence. From a theoretical perspective, this finding highlights the linkage among agency conflict theory, internal control perspectives, and professional ethics, indicating that both the reduction of conflicts of interest and the reinforcement of ethical commitment contribute to improved transparency and greater auditor trust.

In light of the study's findings, it is recommended that corporate boards of directors, in the process of CEO selection and succession, pay particular attention not only to technical competence and performance indicators, but also to the ethical and informational implications associated with CEO origin. The results suggest that internal CEOs, due to their stronger ethical commitment to financial reporting transparency, help reduce audit risk and enhance stakeholder trust [27]. Moreover, auditors are advised to consider CEO origin as an influential behavioral and ethical indicator when assessing inherent risk and internal controls, as managerial ethical

commitment to transparency plays a critical role in reducing information ambiguity and the likelihood of misstatement. At the policy level, it is recommended that regulatory bodies strengthen ethical reporting requirements, develop more comprehensive transparency-oriented disclosure guidelines, and closely monitor managerial changes in order to enhance financial reporting quality and stability in the audit process.

CONCLUSION

In summary, the findings of the present study confirm that CEO succession origin is not merely a structural characteristic, but also an important ethical indicator in the processes of financial reporting and auditing. Internal CEOs, by virtue of their deep organizational knowledge, alignment with organizational values, and stronger ethical commitment, enhance information transparency, reduce reporting ambiguity, and strengthen auditor confidence. By contrast, external CEOs - particularly in the early years of their tenure - are more susceptible to less transparent or more complex reporting behaviors, which can increase auditors perceived risk and the likelihood of issuing a modified audit opinion.

ETHICAL CONSIDERATIONS

Ethical issues (such as plagiarism, conscious satisfaction, misleading, making and or forging data, publishing or sending to two places, redundancy and etc.) have been fully considered by the writers.

CONFLICT OF INTEREST

The authors declare that there is no conflict of interests.

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