Investors’ confidence in the quality of corporate financial reporting has been seriously damaged. This paper provides a first empirical evidence for these hypotheses and represents a first partial step in the investigations on the relation between accounting fraud nature and incentives, corporate governance systems, with particular attention to control mechanisms, and environmental variables. In fact, one of the most important issues of corporate governance systems is related to the mechanisms that provide shareholders with information about the corporate business, and the legal rules establishing responsibilities for managers and boards of directors. Poor quality of earnings reporting can mislead the users, resulting in wrong decision making (Myers, Myers & Omer 2003). The usefulness of earnings reporting depend on a number of factors that are of interest to researchers including - firm characteristics, governance and control, capital market incentives, financial reporting practices, auditors and external factors (Dechow, Patricia, Ge & Schrand 2010). An effective risk management system is seen to help the organisation achieve its business objectives, safeguard its reputation as well as enhance its financial reporting. Do the mechanisms of corporate governance impact firm value directly or indirectly? Quality of corporate governance system and quality of reported earnings: evidence from CEE companies. Julia Bistrova, Natalja Lace. Abstract. Previous research on Central and Eastern European countries showed that the lower is corporate governance quality the better is the firm’s financial performance. One of the explanations for this phenomenon is that weak corporate governance is associated with the low earnings quality, which the present study looks into. Net income and operating cash flow discrepancy also detect lower than average earnings quality if a company has weak corporate governance system, while sufficiently good earnings plausibility in case of the well-managed companies.