

DETERMINANT GOVERNANCE MECHANISMS AFFECTING THE QUALITY OF AUDITING: THE EXTERNAL AUDITORS' PERCEPTIONS

NASHAT ALMASRIA

Assistant Professor, Philadelphia University, Business School

Abstract

Audit quality and corporate governance mechanisms are significant aspects of today's business practices. Recently, these issues have evoked interest and received attention of regulators, researchers and practitioners and have become the centre of the argument, due to their role in boosting investor's confidence and improving the reliability of financial reports. This research aims to investigate the factors that affecting audit quality includes the board of director's characteristics and performance, the audit committee responsibilities, internal audit factors and performance and the quality of the external audit.

Methodology: This study expanded the previous research that have used different proxies to measure audit quality, this study employed questionnaire to measure audit quality and internal governance mechanisms by adopting some practical indicators from previous literature which could reflect and effect audit quality.

Findings: According to the regression results, it has been found that there is a strong positive relationship which is statistically significant between work performance of internal auditors and the audit quality ($\beta = 0.280$, $p = .000$), the strongest relationship was between audit quality and work performance and it contributes to the model and this is consistent with prior studies. Further, the board of director's responsibilities has been determined to have a significant impact on audit quality where the coefficient of determination is .085 at significant level.

Originality: The external auditor highlighted the significant related role which played by the audit committee in by in discussing the ways and methods the external auditors can communicate with internal governance (e.g. internal audit)

Practical implications: The findings of this study have implications for the practitioner and regulators who are assessing the role of internal governance mechanisms in improving the external audit process. The results also have significant implications at international level because the Jordanian companies follow and apply the international standards and principles that related to audit and governance system

1. INTRODUCTION AND BACKGROUND

The failure of auditing and the weakness of internal governance system have called for improving the ICGM in general and EAQ in particular. The demand for EAQ was emphasised considering that corporate scandals were caused mainly as an outcome of the failure of the audit services to discover these scandals. This is supported by Kilgore et al. (2014) who highlighted that perceptions concerning the quality of audit have been the main concern with audit failures recently to the users of the audit. Moreover, the failure of corporate governance have resulted in the audit failure (Elson and Gyves, 2003; Nigel and Fedapo, 2018), as recent examinations regarding corporate and audit failure have made reference to governance mechanisms (e.g. audit committee) as having fundamental role (Wu et al., 2016). These scandals also have raised concerns regarding the role of an effective board of directors in the monitoring process to prevent these scandals from occurring (Hsu and Wu, 2014).

Moreover, demand for effective internal mechanisms and the need to rely on internal governance have been more due to both the increased error risk in the understanding of the external auditor to client control setting and the dangers of substantial misstatement (Spira and Page, 2003; Gramling et al., 2004; Alawaqleh and Almasria, 2021; Getie Mihret, 2007). The

board of directors and audit committee members have influence over the decision on how much to invest in control mechanisms, which include investment in internal and external mechanisms (Knechel and Willekens, 2006; Hay et al., 2008), and as a result, the recent regulations stated that the audit committee and board members must exert enough efforts to invest in several lines of defence in order to protect shareholders' interests and protect their reputation (Willekens and Simunic, 2007). This crisis confirms that the majority of corporations among Asian countries did not have an effective governance structure (Zanani et al., 2008), since developing countries, like Jordan, have different corporate governance code and corporate culture that may possibly lead to different influences on EAQ (Alawaqleh and Almasria, 2021). It can be obviously perceived that the Jordanian Code has focused on the significant role of governance mechanisms (external audit, audit committee board of directors and internal audit) in improving the level of control within the firms. The Jordanian code was issued by the Jordan Securities Commission (JSC), in 2006 (Marashdeh, 2014), in alignment with the national vision; it is designed to protect stakeholders and develop the economy. At the level of stakeholders the Jordanian code issued principles and rules in order to protect and safeguard the rights of all stakeholders in general and shareholders' interests in particular (JCGC, 2006). This study further expands the literature base in EAQ and may show how EAQ is influenced by ICGMs, especially such studies after the mandatory adoption of corporate governance code in Jordan. There are some examples of mini-Enron cases in Jordan. These cases have led to an increase in the demand for establishing monitoring agencies, activating governance mechanisms and enacting regulations that aim to protect shareholders' investments and enhance the level of control over business activities as well as improve the level of disclosure (Ababnih, 2012; Bekhet and Matar, 2013). These frauds and collapse incidents have led investors to lose confidence in the financial reporting process and become more careful (Abdullah et al., 2008; Hor, 2008). Therefore, the users of financial statements depend on the auditors' reports and companies' financial reports to make their decisions, the quality of financial reporting can be improved through auditing this financial information (Cohen et al., 2004). However, the quality of auditors' reports is questionable, after some collapses of large companies around the world (Fan and Wong, 2005; Köhler and Quick, 2018). The corporate failure cases lead to raising questions about the audit service quality and governance system (Garrow and Awolowo, 2018; Köhler and Quick, 2018). Hence, in the Jordanian context the board of directors and audit committee play a crucial role in assessing and checking the external audit process. Professional standards, for instance, ISA (International Standards on Auditing) allow the internal mechanisms to contribute to the external audit service (ISA 610, ISA 260 ISA 265, 110; Hay et al., 2008; Saidin, 2010; Mat Zain et al., 2015). In recent years, ICGM and EAQ have become the vital issue for both academics (O'Sullivan, 2000; Cohen et al., 2002; Nicolaescu, 2013; Kikhia, 2014; Beisland et al., 2015; Anafiah et al., 2017; Ghafran and O'Sullivan, 2017; Ben-Hassoun et al., 2018) and business practitioner and regulators (Cadbury report, 1992; Sarbanes-Oxley Act 2002; OECD, 2004, JCGC 2006; ISA 260; ISA 265), The ambition of the research is to offer a better understanding concerning the relationships between ICGM and EAQ and what are the governance mechanisms that can influence some aspects of EAQ. Thus, the following study questions have been developed:

1. What is the perception/insight of the Jordanian external auditor regarding the impact of internal audit factors on EAQ?
2. What is the influence of the board of directors' composition and responsibilities on

- EAQ from the perception of the Jordanian external auditors?
3. What are the perceptions of the Jordanian audit firm respondents concerning what effects the audit committee work performance and responsibilities have on EAQ in Jordan?

2. REGULATORY FRAMEWORK FOR THE AUDITING PRACTICES IN JORDAN

In 1961, the regulators in Jordan started giving attention to audit profession by issuing some laws and regulations as well as establishing some agencies that aimed to regulate and organise the audit profession, according to these regulations (Al-Farah et al., 2015; Al-Akra et al., 2009), the auditors and audit firms should follow specific requirements to perform audit profession. In 1985, the Jordanian regulators paid more attention to the audit profession especially after some scandals which happened in some big companies, some regulations and laws have been issued by the regulators such as the Certified Accounting Profession Law, as a consequence of this law the audit profession is well regulated and JACPA was established in 1987, after this law the audit profession witnessed some improvements in terms of the independence of the auditor and its member competence as well as applying the ISA (Al-Farah et al., 2015; Obaidat, 2007). In 2003, the Jordanian regulator issued new Certified Accounting Profession Law, this is considered as a significant step in improving the audit profession in Jordan, this law provided to the JACPA more authority and it allowed the JACPA to adopt and explain the IFRS/ISA (Al-Omari, 2010; Shanikat and Abbadi, 2011). Adopting auditing standards and establishing JACPA led to improve the audit profession and ensure the application of the ISA, this reflected on improving the economic condition and professional level of the practitioner (Obaidat, 2007). Based on the international standards which apply in Jordan the auditor should have a professional certificate (e.g. JACPA) and an academic degree to be able to practice and perform audit service and the auditors should attend at least 20 hours for training every year as a continuous learning (Obaidat, 2007). The JCGC (2006) identifies the principles that related to the external auditor requirements in terms of auditor's qualification either professional or academic and professional experience and based on these principles all the external auditors should register as a member with the JACPA to be eligible to perform auditing service in Jordan context (Obaidat, 2007). The JCGC (2006) highlights the role of the ICGMs in the external audit service. According to the Jordanian regulations, the public shareholding companies should prepare their financial reports according to IFRS (Al-Akra et al., 2009), similarly, the adoption of ISA by the audit companies became mandatory in Jordan in 1998 to enhance the financial report and auditor report quality and transparency, article 22 of the companies law of 1997 compels all public shareholding companies to present and prepare financial report and auditor's report in accordance with IFRS and ISA (Al-Farah et al., 2015). The JACPA is responsible for monitoring the audit and accounting firms to ensure they apply and comply with ISA (Naser and Nuseibeh, 2008). In order to attract international investment and protect the shareholders the Jordanian companies started following international standards and regulations such as IFRS and ISA. This adoption led to improve the corporate disclosure and control system. The companies Act 1997 emphasizes on the requirements of the adoption of ISA and IFRS. JACPA aims to enhance the audit practice in Jordanian companies through emphasizing on independent auditors and the requirements to perform the audit service in terms of the qualifications and competency of the auditors, in 2003 JACPA enacted the new certified accounting profession law to organise the audit profession and the audit firms have to follow and apply ISA this encourages some international audit firms to

enter the Jordanian market, such as KPMG and Ernst and Young. Furthermore, according to the sales tax laws 1994 and income tax laws 1985, require all companies have to prepare and submit their financial reports in accordance with IFRS and ISA and send a copy of their external auditor report to the tax department, thus, these rules and standards require all listed companies to have their account audited by the external auditor (Al-Shiab, 2003). Furthermore, the Jordanian audit firms follow and apply the ISA; which highlighted the role of the ICGMs in the external audit service, this is consistent with the (JCGC, 2006; ISA). The ISA 610 deals with the role of internal audit in the external audit service and the external auditor's responsibilities relating to the audit service, it also states the opportunity and ways that external auditor can interact and communicate with the internal auditor, in other words, to what extent the internal audit can contribute to the external audit work, ISA 610 mainly issued to organise the relationship between the internal and external auditor, this standard is related to the ISA 200 that states the key aims of the external auditor and conduct the audit with accordance to ISA. Specifically, the ISA 610 states and identifies the opportunities and ways of cooperation between internal and external auditor.³³ According to the provision of this standard the external auditor must take into account whether the internal audit department perform a good and sufficient work that addresses all areas in the company and whether the internal audit department effective in achieving it is objectives as well as the external auditor. The scope of ISA 610 focuses on the external auditor's responsibilities concerning to the work of internal auditors, this standard determine two main levels of the requirements of the external auditor to depend on the internal audit work; the external auditor must assess the objectivity and competency of the internal auditor and whether internal audit perform their work properly with due professional care. After that the external audit determines the influence of internal audit factors on the extent, nature and timing on the external auditor's actions and processes. Further, ISA 315 is related to evaluate and determine the risk of material misstatement then understand the internal control system, this standard states that the internal audit can offer direct support to the external audit service. The ISA organise the relationship between external and internal mechanisms. ISA 315 state that the external auditors is allowed using the evidence and findings of the internal audit to adjust the timing, extent and nature of the work of external audit, this influence on the audit process to be performed effectively, thus, this will effect on the quality of external audit service.

3. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT:

3.1 The Influence of the Board of Directors Characteristics and Performance on Quality of Audit Process: Previous Empirical Evidence

The corporate governance literature indicates attempts to investigate the relationship between some aspects of board of director composition and responsibilities and EAQ (Chizema et al., 2015; Kikhia, 2014; Saidin, 2010). Furthermore, the recent literature argue that effective board enhances the board level of contribution and effort in the monitoring role (Lin and Liu, 2009; Bettinelli, 2011).

Moreover, the previous studies highlight that effective board tend to employ high EAQ in order to ensure the management use the resources effectively and they are doing their job properly to the best interest of the shareholders (Kikhia, 2014; Chizema et al., 2015), effective board also ensure good governance within any organisation and this extends to being responsible for improving the level of the control and ensuring high level of EAQ (Bettinelli,

2011; Abdullah et al., 2016). Furthermore, according to the JCGC (2006), board of director sets a disclosure policy that ensure high level of transparency, board of directors take necessary actions to ensure the compliance with the relevant regulations in force. This is supported by Cohen et al. (2012) results, they found the board's monitoring role is vital to enhance the level of monitoring process and financial transactions reliability, the members of the board are accountable to handle the main financial decision in terms of disclosure and avoid any conflict of interest in the business. Moreover, the JCGC (2006) states that the directors are responsible for reviewing main decision and information that related to the company's monitoring procedures and disclosure policy. They are also responsible to ensure that other monitoring bodies fulfil their tasks properly in a way that protect shareholders interest (Daily and Dalton, 1993; Abdullah et al., 2016).

Basiruddin (2011) assessed the correlation between corporate governance structure and the quality of audit after having studied empirically. In his work, he examined a 350 selected companies listed in the UK from 2005 to 2008. The results revealed that there was a significant positive relationship between quality of an audit and the percentage of independent directors on the board. Furthermore, using a sample of 184 listed Chinese businesses from 2001 to 2004, (Lin and Liu, 2009) investigated the consequence of corporate governance regarding selecting large audit companies. The results obtained from their study of logistic regression analysis established that companies with CEO duality and a high proportion of majority shareholders are less liable to recruit a high-quality auditing company. The previous literature indicate efforts to investigate the perception of different parties who involved in the corporate practices such as external auditors, board members and investors about the efficiency of the corporate governance practice including the board of director, Goodwin and Seow (2000) have conducted an empirical research by employing survey questionnaire to get understanding about the effectiveness of the corporate governance system from the perception of external auditors, investors and board members in Singapore, the participants have been asked to identify their point view about the effectiveness of the corporate governance practice by indicating their view about the influence of the ICGMs on the EAQ and financial reporting quality, they were asked to identify how of the effectiveness of audit committee, the strength of an internal audit factors and the effectiveness of a corporate code of conduct could influence the financial reporting quality (Masadeh et al., 2021).

In their study, Boo and Sharma (2008) investigated the influence of governance structure on the audit method in relation to audit fees. Their study employed a sample of 357 banks based in the USA for the duration of 2001. They ascertained that there is an important association with regards to client size, audit complexity, audit risk and auditor-related variables with audit fees. Conversely, their research also established a negative correlation between audit fees and the independence of audit committees. Furthermore, collecting data from 162 companies listed on the Istanbul Stock Exchange (ISE) from 2005 to 2009, Karaibrahimoglu (2013) undertook a study on the correlation between auditor choice and corporate governance. His work determined that ownership concentration, in addition to the independence and size of the board are crucially linked with the choices that the Big-4 audit companies make. Moreover, Karaibrahimoglu (2013) determined that the size of the board and board independence, as well as institutional ownership and CEO duality have a considerable effect regarding the choice of an industry- specialized auditor. Additionally, he reported that corporate governance had a substantial effect on the choice of the auditor by the Big-4 companies in comparison with the choice of industry- specialized auditor. The Jordanian

code states the member of the board should set mechanisms and tools to ensure the shareholders get the right information in the good time to enable them to make the right decision, the member of the board of the director are responsible to provide the shareholders with their recommendations and suggestions in the key actions on the agenda of the general assembly meeting.

In summary, this research proposes as identified in the following hypothesis that the board of director responsibilities and qualifications can help promoting the EAQ service through improving the interaction with the external auditors and monitoring system inside the company. Hence, the foregoing discussion indicates that there is a relationship between boards of directors and EAQ. The following hypotheses were developed:

H 1: The board of director's characteristics has a significant effect on EAQ in Jordan.

H 2: The responsibilities of the board of directors have a significant effect on EAQ in Jordan.

3.2 The influence of audit committee responsibilities and work performance on the quality of external audit process: Previous Empirical Evidence

The significance of the audit committee and its responsibilities in terms monitoring the financial reporting process and external auditor service were emphasized in the prior empirical studies (Stewart and Munro; 2007; Wu et al., 2016; Al-Shaer, et al. 2017). The audit committee is responsible to contact and interact with the external auditor, having active communication and effective interaction with external auditors through the audit period (Carcello and Neal, 2000; Soliman and Ragab, 2014; Eng and Johansson, 2016). One of the key tasks for the audit committee is to coordinate and organize the relationship between internal and external audits (Ismail et al., 2016). Moreover, the audit committee is accountable for reviewing the internal audit work and ensuring the management apply the internal audit recommendations. The board of directors establishes the audit committee to monitor the financial reporting system and to provide financial supervision over the company transactions (Menon and Williams, 1994). According to the Jordanian Code "the board of directors should provide a formal description of the efforts, qualifications, and time commitment estimated from committee members and set up committee mandates that address the scope and objective of each committee." (JCGC, 2012: p. 11).

Kamel and Elkhatib (2013), illustrated developing markets in their study, in their empirical research in Egypt, they used a survey to investigate the participants' perceptions; these respondents include financial managers, external auditors and senior accountants relating to the role of audit committees and their probable effect on the quality of financial reporting, the results suggest that "revising important changes in accounting policies" is the most significant role for an effective audit committee, followed by internal control evaluation. Their findings also reveal that most respondents considered the financial experience and independence of audit committee members should be measured when choosing members to join an audit committee.

The JCGC (2006) highlighted that the audit committee should conduct the monitoring tasks over the auditing activities and internal control, these tasks include discussing the issues that related to hiring and firing the external auditors. Moreover, the audit committee members are engaged in discussing and revising matters that related to the external auditors works which include the evidence and observations that collected by the external auditors (Abbott and Parker, 2000; Carcello and Neal, 2000).

JCGC (2006) states that public listed firms in Jordan must have an audit committee; according to agency theory the majority of audit committee members must be independent

directors to reduce the conflict of interest and improve the level of control over management activities (Jensen and Meckling, 1976). The previous studies highlighted that companies with effective audit committee, specifically when the member of the audit committee are qualified, independent and perform their monitoring role effectively, the companies are less likely to confronted scandals (Mcmullen, 1996; Beasley et al., 2000). Moreover, Sarbanes Oxley Act (2002) focused on strengthen the communication and interaction between external auditor and audit committee (Cohen et al., 2012). This is supported by Goodwin and Seow (2000) reported that auditors considered the effective audit committee plays vital monitoring role in enhancing the financial reporting quality. On the another hand, Cohen et al. (2002) investigated the influence of certain ICGM, such as the audit committee and the board of directors on the audit process from the perception of external auditors, this study argues that the auditors take into consideration these factors in conducting audit service, this study conducted interview with external auditors in order to understand how these mechanisms can impact on audit process, their findings also report the auditor perceived the board as main monitoring mechanisms which could help improving the financial reporting quality.

Previous literature highlighted the significant of the audit committee in promoting the financial reporting quality (Ghafran and O'sullivan, 2013). There have been some attempts that investigated the association between governance practice and audit service by employing secondary data (Turley and Zaman, 2004; Zaman et al., 2011; Kikhia, 2014). On another hand, there is a lack of studies that used primary data to measure this relationship since the survey questionnaire approach provide more reliable implications (Contessotto and Moroney, 2014). The audit committee should evaluate and review the firm's communication with external auditors then provide the board of director with comments and feedback based on the interaction with external auditors (Abbott and Parker, 2000).

To conclude, the research stated that a well-functioning audit committee is recognised as effective ICGMs in reducing incidences of financial report fraud. Furthermore, it is worth mentioning that literature indicates that the characteristics of both the client and it's auditor, in combination with their existing relationship, are likely to be significant with respect to improve EAQ and auditor independence. In summary, the significance of the audit committee and the role of the audit committee in the financial and monitoring process highlighted in the previous literature, this research propose as identified in the following hypothesis that the audit committee performance can help promoting the EAQ through improving the interaction with the external auditors and monitoring system inside the company.

H3: The audit committee responsibilities have a significant influence on EAQ in Jordan.

3.3 The influence Internal Audit Factors on the Quality of Audit Service: Previous empirical evidence Internal audit factors have been established to investigate and evaluate the level of internal control and monitoring process in the company (Zain and Subramaniam, 2007). Previous empirical results and auditing standards acknowledge that internal audit can contribute to the external audit work in various ways (Abbott et al., 2012; Mohamed et al., 2012; Mat Zain et al., 2015). More especially, in the recent years in responding to the governance failure, the regulators search for ways to promote the effectiveness of the internal audit in preventing any fraud and emphasis that the internal audit is accountable for fraud reporting for both externally and internally (Khelil et al., 2018), as the recent scandals showed that the internal audit was involved in these scandals (Khelil et al., 2016). Specifically, the ISA 610 highlighted that the extent of this contribution depends on the quality of internal audit as assessed by the external auditor (Felix Jr and Gramling, 2001;

Abbott et al., 2012; Mat Zain et al., 2015). There are some professional standards and principles highlighting the relationship between internal and external audit such as the ISA. Hence, these standards regulate and organize the relationship and interaction between external and internal audit to maximize the benefit from their tasks. Despite the distinctive roles of internal and external audit, there are several ways in which cooperation and coordination between the two of them exist to provide systematic outcomes (Mohamed et al., 2012; Abbass and Aleqab, 2013) and the common aims for both of them is to discover the material misstatements and weakness and then report them. They also seek advice and help from each other (Goodwin-Stewart and Kent, 2006; Edge and Farley, 1991).

In recent years, internal auditing has become more and more identified as an essential control mechanism that can be utilised to help the board of directors and audit committee to achieve the objectives of the business (Gramling et al., 2004, Spira and Page, 2003). In the post-Sarbanes-Oxley era, this is revealed by the increased requirement for internal auditing to take place (Carcello et al., 2005). Jordanian governance code states and identifies internal audit as a vital technique of the internal mechanisms to measure internal control. Moreover, it plays an important part in fulfilling an effective governance system (Sarens and Abdolmohammadi, 2011; Ho and Hutchinson, 2010). Internal audit is considered one of the key ICGMs (Adams, 1994; Mat Zain et al., 2015). It focuses on the relationship between internal audit activities, characteristics and audit quality. Since the main role of the external auditor is different from the main role of the internal auditor, there are many ways for collaboration and coordination between the two roles; this may lead to improving the level of control and audit quality (Gramling et al., 2004; Goodwin-Stewart and Kent, 2006; Mat Zain et al., 2015). There are common interests and purposes between the two of them since the main aim for both of them is to discover the material misstatements and weakness and then report that as well as both of them seek advice and help from other (Goodwin-Stewart and Kent, 2006; Edge and Farley, 1991).

In addition, internal audit plays a vital part in applying an effective governance structure (Sarens and Abdolmohammadi, 2011; Ho and Hutchinson, 2010), thus, this study intends to investigate the significance of internal audit as one of the key ICGMs (Mat Zain et al., 2015). For example, prior studies have utilized internal competency as one of the essential dimensions of internal audit (Said Suwaidan and Qasim; 2010; Abbass and Aleqab, 2013).

Auditing standards acknowledge that internal audit can contribute to the external audit work in various ways (Mohamed et al., 2012), specifically, the ISA 610 highlighted that the extent of this contribution depends on the quality of internal audit as assessed by the external audit (Felix Jr and Gramling, 2001; Abbott et al., 2012; Mat Zain et al., 2015). There are some professional standards and principles highlighting the relationship between internal and external audit such as ISA. Hence, these standards regulate and organize the relationship and interaction between internal and external mechanisms to maximize the benefit from their tasks. Despite the distinctive roles of internal and external audit, several ways in which cooperation and coordination between the two of them exist to provide systematic outcomes (Mohamed et al., 2012; Abbass and Aleqab, 2013).

The internal auditors are responsible for performing various duties that are related to the company's accounting system by employing techniques to produce a high quality financial reporting system (Moeller, 2009). According to Ho and Huthch (2010) the main tasks of the internal auditor are to assess, test and make recommendations regarding any deficiency aspect identified in the company's monitoring system or internal control procedures (Ho and

Hutchinson, 2010). As result of this, the task of internal auditor helps to prevent fraud, decreases the risk of corruption and improves control over company's transactions (Lin et al., 2011; Abbott et al., 2016). Similarly, the external auditors are responsible for performing similar tasks and actions with similar purposes and benefits. Therefore, the overall control over the company's financial transactions would improve when external and internal audits work together (Margheim, 1986; Krishnamoorthy, 2002).

As a consequence of that, the external auditor evaluates the internal audit to identify the value of internal audit activities and competency before deciding to rely on the internal audit work (Ho and Hutchinson, 2010). According to Zain et al. (2009) the economic outcome of this association between the external and internal audits is still unclear and has mixed results (Mohamed et al., 2012). Moreover, the literature claimsthat there is scant and mixed results on the relationship between internal audit and external audit (Abbass and Aleqab, 2013); hence, examining the relationship between ICGMs and EAQ still needs more investigation.

In their study, Prawitt et al. (2011) looked at whether the reduction in external audit fees was primarily caused by external auditors' dependence on internal audit work or as a result of the direct assistance that the internal audit were providing during external audits. Their findings, which were constructed on survey information obtained during (2001–2006), imply that external audit fees are only diminished when external auditors acquire direct help from the internal audit and not when they rely on the work carried out by the internal audit.

However, study by Al-Twaijry (2004) and Said Suwaidan and Qasim (2010) found work performance is the least significant factor. They mentioned the objectivity of internal audit is the most important factor for internal audit function. Furthermore, studies by Haron et al. (2004) and Edge and Farley (1991) found objectivity to be the least significant factors. In recent studies, Mohamed et al. (2012) done a research on the developing market in Malaysia. In this case, they concentrated on the influence of the internal audit work contribution in relation to external audits and internal audit competency. As a result, they establishedthat the dependence of external auditors on internal audit work was in fact related to the reduction in fees. Nevertheless, their research did not concentrate on the value of the internal audit and moreover, how the relationship between the quality and contribution of the internal audit and external audits has an influence on audit fees.

These studies offered mixed findings and are inconclusive in terms of ranking of theses internal audit factors; these factors are bases of external auditor assessment of internal audit work and all these factors influence external auditors' decisions. Thus, according to the above argument it is reasonable to assume these factors impact on EAQ.

H4: There is significant relationship between the internal audit competency and the quality of external auditin Jordan.

H5: There is a significant relationship between the internal audit work performance and EAQ in Jordan.

H6: There is a significant relationship between the independence of internal auditor and EAQ in Jordan.

4. RESEARCH DESIGN

This research uses questionnaire, the questionnaire design was done after reviewing previous studies, relevant professional standards and regulations as well as doing the pilot study with professional auditors and academics. The questionnaire uses Likert scales which are an interval scale, the dependent and independent constructs is scaled on 5 point likert scale which

is treating as interval scale. The questionnaire employed in this research was designed to capture the internal governance mechanisms that could influence EAQ in Jordan; the indicators have been adopted from related literature. The participants were requested to specify their views on the significance of the indicators given in the questionnaire that contains five Point Likert-scales. Questionnaires are commonly employed for collecting data in the EAQ research to determine the factors affecting EAQ.

The content of each of section of the questionnaire is set out as follows; the questionnaire involves eight sections. The first section aimed to understand each respondent's profile, which involves personal background and demographics such as professional qualifications, principal role in audit and working experience. The second section measured the respondent's (external auditor) point of view about possible attributes of an audit which could reflect EAQ in the Jordanian context (i.e. the auditors collect enough evidence to backing an audit opinion, the audit work is established mainly based on an evaluation of the risks related with the client's control zesty. the audit is completed in a timely manner. Moreover, this section attempts to elicit respondents' perceptions about the assessment of EAQ, to some extent, in practice. The third section dealt with the point of view of the external auditors on the impact of the competency of internal audit on audit quality. This section attempts to obtain practical information from the respondents about the role competency of internal audit (i.e. professional certification, working experience, training) on improving EAQ.

The fourth section aims to collect information about the effect of work performance and due professional care of internal audit on EAQ in practice as, based on the auditor's evaluation of the work of the internal auditors. Section five aimed to obtain data about the objectivity of the internal auditor and organizational status and how they can improve EAQ. This section attempts to elicit respondents' perceptions about the influence of the objectivity of the internal auditor on EAQ, based on the external auditor experience and in relation to the Jordanian business environment. The sixth section aimed to collect data about the point of view of the external auditors concerning the effect of board of director compositions on audit quality in practice. This section attempts to obtain practical information from respondents about the role of the board of directors' compositions in improving EAQ. Section seven aimed to elicit the perceptions of the auditors about the role of director in monitoring and financial activities in improving the audit quality, several indicators have been asked about the board of director compositions and qualifications, these factors comprise the role of the board of director in organising and disclosing the company's monitoring and financial affairs. The importance of the board of director and it's role in the financial and monitoring process that highlighted in the previous literature, thus, this section is designed to get the auditors' perceptions about to what extent the board of director work performance can improve the level of EAQ.

The section eight aimed to understand the importance of the audit committee work performance in terms of the financial and monitoring process in improving the level of EAQ as perceived by the external auditors.

5. DATA AND EMPIRICAL FINDINGS

5.1 Sample Composition and Empirical Statistics

This study addressed the whole population of the Jordanian external auditors for the survey, the following criteria were used to develop this sampling strategy, survey the whole population instead of taking sample since it is short cut, it allows generalize the results, in the

case of the Jordanian external auditors population size is small and reachable as well as the researcher has access to all external auditors and all their contact details emails, phone number and audit firms location and name, thus, practically the researcher can address the whole population. The terms of “census” which related to address the whole population, it is short cut instead of taking sample and generalise to the whole population, the researcher address the whole population from the beginning, in this case the whole population was addressed. Reliability analysis was performed and the results revealed reliability coefficients for the questionnaire scales ranged from 80.8% to 95.7%, which indicates that the constructs are highly reliable. George and Mallery (2003; p. 231) offer the subsequent rules of thumb: “.9-1 indicates Excellent, .8-.9 indicates Good, .7-.8 indicates Acceptable, .6-.7 indicates Questionable, .5-.6 indicates Poor, and below .5 indicates Unacceptable.

Table 1: Result of the internal consistency of the study’s instrument tested by using Cronbach’s alpha

Studys’ variables- Construct	Number of indicators	Cronbach's Alpha based on the pilot study results
1.Instrument for indicating attributes of an audit quality- (EAQ)	14	92%
2.Instrument for indicating competency of internal audit -(COM)	5	91.8%
3.Instrument for measuring the work performance and due professional care (WOP)	9	95.7%
4.Instrument for measuring independence of internal auditor and organizational status-(OBJ)	6	95.4%
5. Board of director responsibilities	5	93.3%
6. Board of director compositions	7	90.4%
7. Audit committee responsibilities	8	80.8%
Overall	54	93%

Cronbach’s coefficient alpha is employed extensively to measure the reliability of the questionnaire construct. The scales were established after reviewing related theoretical and empirical evidence, which provided some indication of their content validity. Besides that, in Nunally and Bernstein’s (1978) standard, scale reliability of 0.70 and above is favored. The findings of this research show that the values of Cronbach’s alpha for scales are varies according to the data analysis, Cronbach’s alpha was computed for the scales and the values were on the acceptable level as presented in the table 11.

This section provides descriptive data of background information of the questionnaire participants and their responses to the questionnaire questions and indicators. The questionnaire provided background information about four aspects of the respondents addressed by their highest level of education, education major, role in audit inspection, and number of years as an auditor. Table 13 illustrates that the background results about the respondents. It can be observed that the majority of respondents 69% hold Bachelor’s degrees, 23% hold Master’s degrees, while only 7% has Doctoral degrees. According to the descriptive statistics, it can be also noted that the majority of respondents are well educated and near to third 30% of respondents have post-graduate education. With respect to respondents’ specialization, most respondents 60% specialize in accounting which is the area of the study, 17% specialize in Finance, and 8% specialize in Business Administration. Also,

15% of respondents specialize in other majors (CPA). Descriptive statistics used to summarize respondents' background information are frequencies and percentages of the different categories of respondents with respect to their highest level of educational qualification, their major in their highest educational qualification, their principal role in audit inspection, and their overall experience in auditing practice.

Table 2: Descriptive Statistics of Background Information (N = 206)

Background Information	Frequency	Percent
Highest Level of Academic Qualification		
Bachelor degree	142	68.93
Master degree	47	22.82
Doctoral degree	15	7.28
Other	2	.97
Education Specialization (Major)		
Accounting	123	59.71
Finance	36	17.48
Bus-Admin	17	8.25
Other	30	14.56
Principal Role in Audit Inspection		
Staff assistance audit	20	9.71
Senior	67	32.52
Manger	29	14.08
Partner	90	43.69
Years of Overall Experience in Auditing Practice		
Less than 2 years	21	10.19
2 to 5 years	33	16.02
6 to 10 years	55	26.70
More than 10 years	97	47.09

Ordinary Least-Squares Regression This research employed multiple regression to ascertain the factors that influence the EAQ in the model (Field, 2009), the regression equation used in this research is represented by the following cross-sectional regression model which allows testing the hypothesis:

$$EAQ = \alpha + \beta_1 IAC + \beta_2 IAP + \beta_3 IAI + \beta_4 BDP + \beta_5 BDC + \beta_6 ACP + \varepsilon$$

Where

β_i = the regression coefficient

EAQ = External Audit Quality,

IAC = Internal audit competency,

IAP = Internal audit work performance and due professional care,

IAI = Internal audit independence and organizational status,

BDP = Board of director responsibilities,

BDC = Board of director characteristics,

ACR = Audit committee responsibilities,

ε = Error term.

The correlation analysis measures and explores if there is association between two variables. It

is considered a preliminary test and the outcomes of the correlation coefficients are between -1 and +1. In addition, correlation analysis is conducted in order to examine the relationship between ICGM and EAQ, since the correlation analysis is considered a preliminary test to measure the association between the study's variables and to verify for the presence of multicollinearity issues. Table 24 presents the results of the Pearson correlation analysis between the variables.

Table 1: Results of the correlation analysis

Pearson correlation

Variables	IAC	IAP	IAI	BDR	BDC	ACR
EAQ	.725**	.709**	.741**	.737**	.597**	.722**
IAC	1	.787**	.753**	.735**	.446**	.709**
IAP		1	.772**	.683**	.491**	.689**
IAI			1	.753**	.526**	.772**
BDR				1	.659**	.847**
BDC					1	.604**
ACR						1

** Correlation is significant at the 0.01 level (2-tailed).

Correlation coefficients Pearson's offer a numerical summary of the strength and direction of the linear association between a pair of variables. Moreover, the Pearson correlation coefficient offers an indication of the linear association between variables. The correlation coefficients for the research's variables are provided in table 24. As suggested by Hair et al. (2009) the Pearson's R correlation coefficient between each pair of independent variables must not go beyond 0.80; otherwise, independent variables with a coefficient in excess of 0.80 may be doubted as demonstrating multicollinearity issues. Thus, multiple regressions have been done because the dependent construct is scaled on 5 point Likert scale which is treating as interval scale. Regression assumptions were checked and validated, as follows:

Regression results:

The purpose of multivariate regression analysis is to evaluate the influence of two or more independent variables on dependent variable. For the purpose of this study, the main purpose for using regression analysis is to examine if the independent variables (ICGM) affect the dependent variable (EAQ).

- **Linearity**

To assess linearity, partial residuals were plotted (graphical method) which show the relationship between the independent construct and the dependent construct given the other independent variables in the model against the independent variable (Field, 2005). If the independent variable has a linear effect on the dependent variable, the dots should follow the red linear line. Examining the partial residual plots shown in figures 15 to 20, it can be perceived that the relationships between the dependent variable and the predictors seem linear. This indicates that there is no violation of the linearity assumption.

Figure 1: Partial Regression Plot of “Internal Audit Competency(IAC)”and “External Audit Quality (EAQ)”

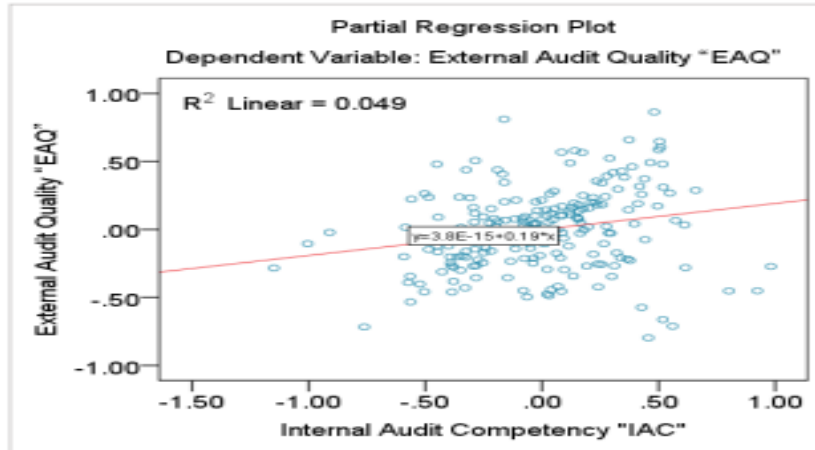


Figure 2: Partial Regression Plot of Internal Audit Performance(IAP)”and External Audit Quality (EAQ)”

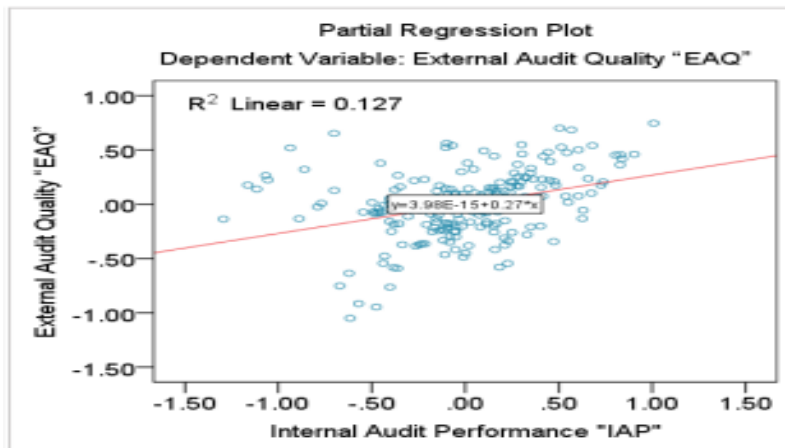


Figure 3: Partial Regression Plot of “ Internal Auditor Independence” and “External Audit Quality (EAQ)”

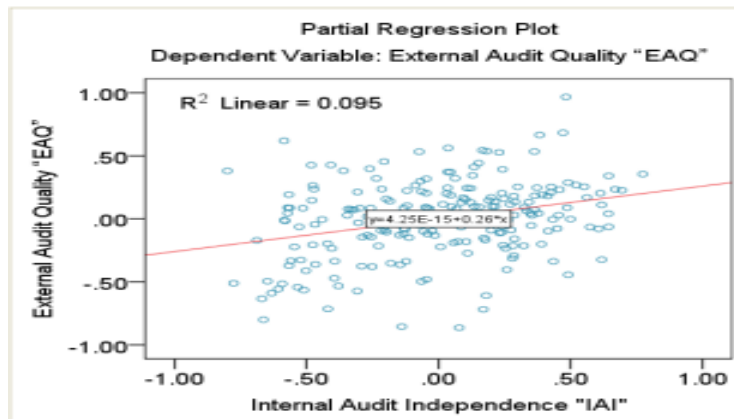


Figure 4: Partial Regression Plot of “The Board of Directors’ Characteristics (BOC)” and “External Audit Quality (EAQ)”

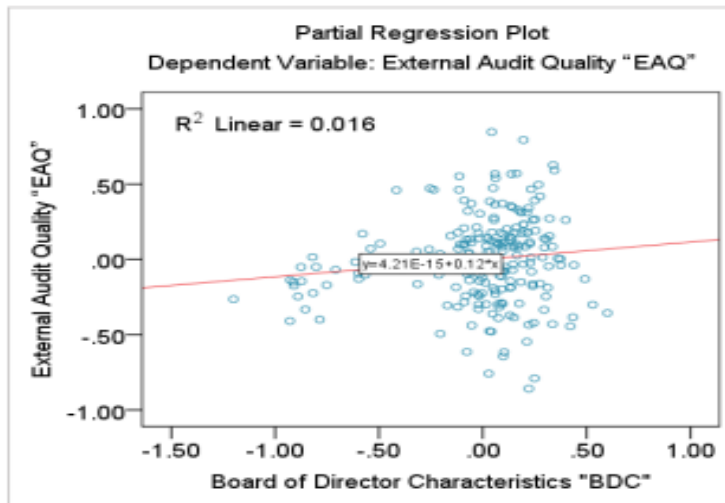


Figure 5: Partial Regression Plot of “the Board of Director Responsibilities and “External Audit Quality (EAQ)”

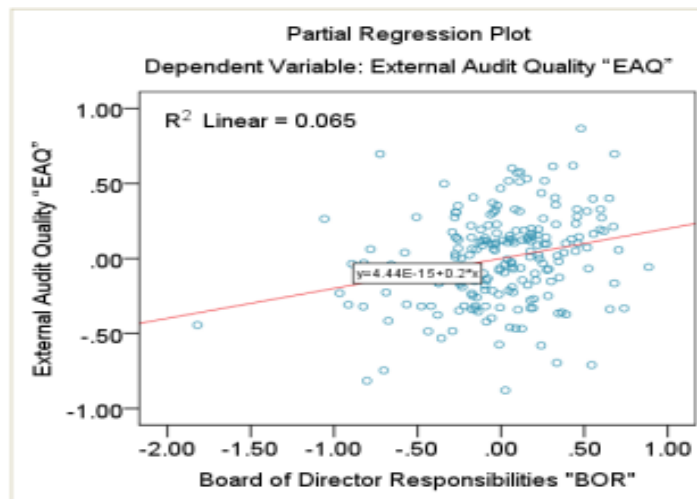
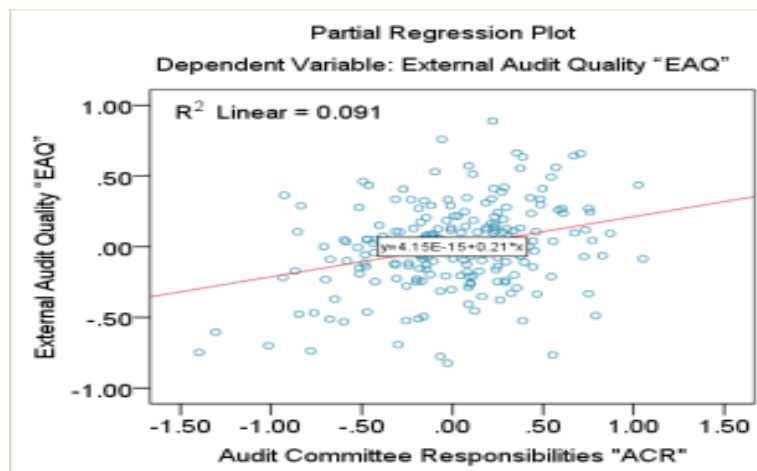


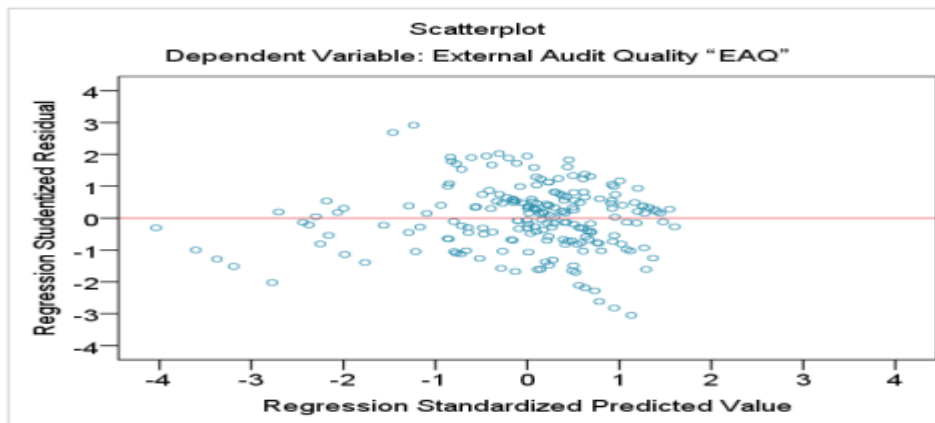
Figure 6: Partial Regression Plot of “Audit Committee Responsibilities and “External Audit Quality (EAQ)”



- **Homoscedasticity**

Homoscedasticity means that the variance of the error term is unrelated to the independent variables (the variance of the error term is constant). This assumption can be verified by graphic investigation of a plot of the standardized residuals by the regression standardized predicted value, residuals should be randomly scattered around 0 (the horizontal line). Examining the plot in Figure 21, no particular shape was detected for the scattering of residuals around the zero line (good model is the error term should be around zero and there is no outliers); the residuals seem to be randomly scattered. Hence, no heteroscedasticity was detected. The scatter plot is effective method to test whether the data are homoscedastic that means the residuals are equivalent around the regression line; it is considered the most reliable method to check homoscedasticity (Hair et al., 1998).

Figure 7: Homoscedasticity Scatterplot of Standardized Residuals x Standardized Predicted



Normally Distributed Residuals

Multiple regressions assume that the residuals are normally distributed. A histogram and a P-P plot of the residuals (errors) in the study model can be used to check that they are normally distributed, probability plot is the most suitable approach to check normality, figure 22 and 23 as can be seen in the P-P plot, the expected and observed cumulative probabilities, while not matching perfectly, are fairly similar. Moreover, the histogram shows a bell-curved distribution suggesting a normal distribution of the residuals. This suggests that the residuals are approximately normally distributed.

Figure 8: Histogram of Regression Residuals

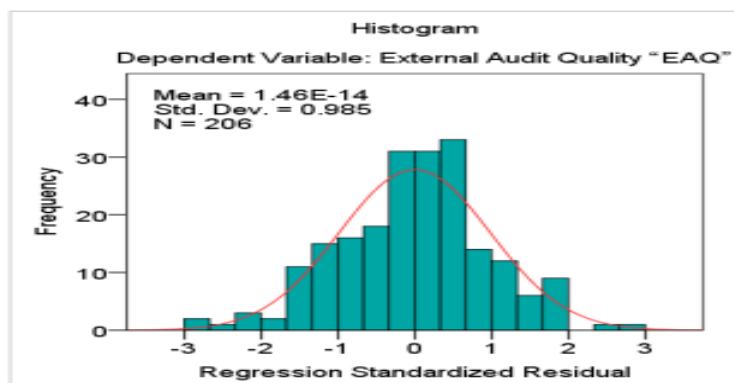
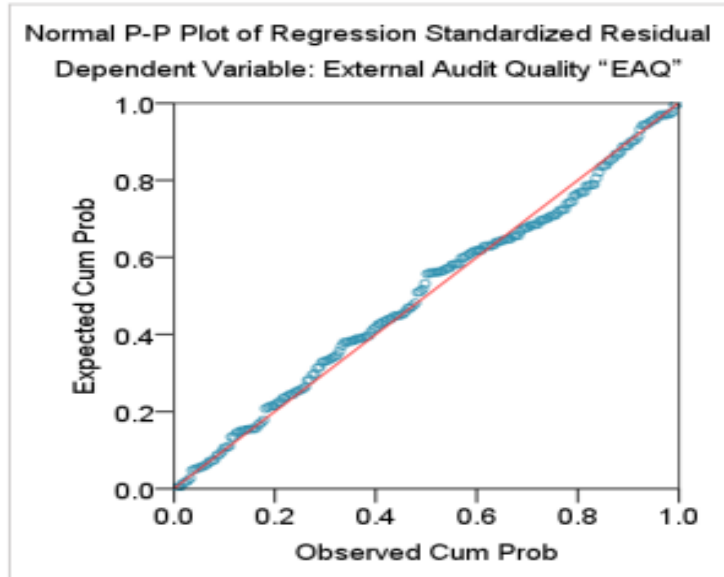


Figure 9: P-P plot of Regression Residuals



• **Collinearity**

Multicollinearity happens once independent constructs are extremely connected. It can be detected employing measures of tolerance and variance inflation factors (VIF). Tolerance values were all above .6 and VIF values were all below 2 as presented in table 6.16, suggesting low collinearity (O’Brien, 2007; Pallant, 2013).

• **OLS Regression Analysis Findings**

As regression assumptions were examined and validated as explained earlier, regression analysis could be eligible to be applied. Correlation and OLS regression were performed to investigate the relationship between EAQ and the six ICGM as highlighted in the research objectives. Initially, the correlation between the variables was measured by calculating Pearson’s r correlation coefficients (Nahler, 2009). All ICGMs were positively correlated with the EAQ, demonstrating that participants with greater scores on these variables (ICGM) tend to have higher scores on EAQ. The OLS regression model with all six predictors indicated that the six predictors explained 59% of the variance in EAQ ($R^2 = .590$, $p < .001$). As can be perceived from the results in the table 24, the predictor coefficients had significant positive regression loads, demonstrating that respondents with scores measures on these constructs were anticipated to have greater scores on EAQ.

Table 2: The results of the full OLS regression analysis

EAQ = $\alpha + \beta_1$ IAC + β_2 IAP + β_3 IAI + β_4 BDR + β_5 BDC + β_6 ACR + ϵ								
	Descriptive Statistics			OLS Regression			Collinearity Statistics	
	Mean	S.D	Median	Beta	T	Sig	Tolerance	VIF
(Constant)	-	-	-	-	1.927	.055		
IAC	4.01	.542	4.03	.166	3.187	.002	.757	1.320
IAP	4.02	.644	4.04	.280	5.385	.000	.762	1.312
IAI	4.13	.580	4.18	.249	4.562	.000	.692	1.446
BDR	3.92	.534	3.98	.085	1.782	.076	.901	1.110

ACR	3.95	.529	4.00	.181	3.713	.000	.863	1.158
	3.91	.494	3.95	.226	4.452	.000	.801	1.248
Model Summary	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	Sig. F Change	
	.768	.590	.577	.29544	.590	47.677	.000	

Referring back to the research hypotheses, these regression results indicate that the hypotheses H2, H3, H4, H5, and H6 were supported, and it can be concluded that there is a significant effect of “internal audit competency”, “work performance & due professional care”, “objectivity on internal auditor & organizational status”, “work performance & responsibilities the board of directors”, and “audit committee work performance & responsibilities” on “audit quality attribute”. On the other hand, the hypothesis H1 was rejected, concluding that there is no significant effect of “the board of directors’ composition & qualifications” on “audit quality attribute”, which means these mechanisms have significant influence on the EAQ for companies and this is support the hypothesis suggestions. Thus, the study hypotheses were tested through evaluating the strength, direction and level of significance of the coefficient, all the hypothesis are supported by the empirical evidence except hypothesis 1 was not supported through the empirical evidence. For example, as hypothesized by the researcher, the board of director responsibilities has been found to be significantly influence on EAQ at significant level where the coefficient of determination of the influence of this variable on EAQ is .179, indicating that board of director responsibilities has mechanisms that influence EAQ. According to the coefficient of determination, there is a positive association between the ICGM and EAQ. The result shows a strong evidence for the positive relationship between board characteristics and EAQ. This suggests the Jordanian firms that have a higher proportion of independent directors on board likely demand broader audit scope (EAQ in turn) to maintain shareholders’ wealth to protect their reputation by ensuring more honest reporting produced by executives. This is consistent with the notion that independent directors utilize more extensive audits to complement their own monitoring of managerial behaviour. Regarding audit committee characteristics, the findings are consistent with our expectation that higher proportional of independent members as well as proportion of members who have financial expertise lead to higher audit quality.

6. PRACTICAL AND THEORETICAL CONTRIBUTION

The contribution of this research will, in a sense, be to the empirical aspects. The provision of results and empirical evidence can improve researcher, regulator and practitioner ability to gain better understanding of mechanisms that support and improve the EAQ. The findings of the research highlighted the most important factors that can influence different aspects of EAQ as discussed in details in chapters six and seven. The research results offer practical suggestions while the practitioners and policy makers have been giving significant attention to the relationship between ICGMs and EAQ (Karaibrahimoglu, 2013; Kikhia, 2014; Beisland et al., 2015). This study addresses this relationship which is vital to the progress of companies by helping them preventing any fraud or audit failure and by improving the financial reporting quality and transparency for which the Jordanian regulators issued the Code recently after scandals in Jordan. Moreover, the findings of this study are vital to the regulatory and monitoring bodies, such as JACPA, and practitioners, such as external auditors.

The researcher has already presented part of the research in a JACPA workshop and has contacted them to present the results of the whole PhD in the future to disseminate the research results and provide recommendations concerning how external auditors can improve the quality of the external audit process through interacting with the ICGM (Almasria, 2018). Practical implications can be drawn through reconciling the results of this study with prior practical and theoretical evidence (Almasria, 2018). The results of this study reveal that external auditors perceive that internal audit factors are important for their work. The findings also demonstrate that internal audits are the important factor as they perform similar tasks in the external audit. Specifically, the performance of internal audit is perceived as the internal audit reports and results help the external auditor in identifying the main risky areas and provide valuable guidance based on their results.

The findings of this study have an impact on the understanding of ICGM and EAQ that can benefit policymakers through recommending the provision of strict regulations in providing non-audit services and developing the JCGC based on the updated international standards and regulations (Almasria, 2018). They can use the results and recommendations of this study to enhance the interactions between different mechanisms to better equip external audit function for their role in corporate governance effectiveness. The outcomes of the research also have significant implications for the companies in ensuring the reliability of financial reports and EAQ. Thereby, this research has addressed gaps that emerged by reviewing previous empirical studies in order to expand the empirical evidence.

The use of agency theory to investigate this relationship allowed for interpreting and explaining the results of the study due to the fact that the JCGC was written based on agency theory perspectives and it highlighted the importance and role of the ICGMs. Thus, it is considered as a theoretical framework to explain these relationships. This research provides more insight to agency theory as it proposes the audit quality as a solution for agency problems (e.g. improving disclosure practice). This research has found that present theorising is limited in the provision of sufficient guidance as to how agency theory could explain the factors that can enhance EAQ (Almasria, et al., 2021). Furthermore, the original features of knowledge in this research are the implications of measuring EAQ and the mechanisms that have an impact on EAQ. The findings raise issues that are prominent to contemporary debates about the relationship between internal corporate governance mechanisms and the quality of external audit services in Jordan. Hence, this research proposes to make a significant theoretical contribution to knowledge in terms of EAQ as a solution of agency problem, as the findings of this study suggest most of the aspects of EAQ can reduce agency problems.

7. CONCLUSION AND OPPORTUNITIES FOR FUTURE RESEARCH

The findings of this study offered inferences and implications for the regulators. Specifically, in the light of the recent regulations, the participants recommended that the Code should be rewritten in order to reflect the recent updates and improvements in the governance principles and auditing standards, as the last version of the JCGC was issued in 2006 and dramatic improvements have been made since this date in the international standards and governance regulations, specifically, the regulations regarding the non-audit service, the auditor responsibility in terms of evaluating the internal control and providing the recommendations about the weakness in the control procedures. The participants recommend this role as one of the main responsibilities that should be added to the auditors' responsibilities, as they

highlighted that this role is considered one of the key responsibilities in the developed countries such as USA after the Sarbanes Oxley Act, as these regulations stated that external auditor must assess and report the effectiveness of the internal governance system. The regulatory body in Jordan such as JACPA and JSC put in a lot of effort in improving the effectiveness of monitoring mechanisms. Audit quality supports financial reporting quality and enables investors to rely on the auditor's independent checking of financial reports (Almasria, et al., 2021).

The findings of the study are necessary for academics, professional and regulatory bodies in Jordan such as JSC, JACPA to organise regular workshops to increase the awareness about the importance of the interaction between the ICGMs and external auditors in improving the quality of the audit service and financial reporting. Furthermore, they need also to activate the role of the audit committee, board of directors, and internal audit through establishing a specialist body for these mechanisms like JACPA for external auditor.

Therefore, the auditor should consider the work and evidence of the ICGM in performing their service effectively. The regulators in Jordan and other countries established the governance Code and followed the international professional standards to avoid the audit failure and the weakness of the governance mechanisms from reoccurrence (Almasria et al., 2021). Thus, EAQ allows avoiding the audit failure and reduce the risk that is connected with litigation; the audit plays a significant role in protecting the investor from fraud and scandals. Outright audit failures are difficult to highlight with certainty but can be inferred from different sources including business failures and auditor litigation, as the main evidence of audit failure can create possibly important litigation risk for auditors. These prohibitions and litigations identify the auditor the most vital monitoring bodies in checking the firms' financial positions and transactions.

The study relies on the data questionnaires survey. However, future research can use different approaches such as focus groups or observations which could provide richer understanding and more details and comprehensive interpretations about the responsibilities of audit committees, internal audits and board of directors, and the role of these mechanisms in ensuring higher audit quality. These opportunities need more effort and resources to be able to get inside the board of directors and audit committee to address them in the future.

The findings of this study offered inferences and implications for the regulators. Specifically, in the light of the recent regulations, the participants recommended that the Code should be rewritten in order to reflect the recent updates and improvements in the governance principles and auditing 293 standards, as the last version of the JCGC was issued in 2006 and dramatic improvements have been made since this date in the international standards and governance regulations, specifically, the regulations regarding the non-audit service, the auditor responsibility in terms of evaluating the internal control and providing the recommendations about the weakness in the control procedures. The participants recommend this role as one of the main responsibilities that should be added to the auditors' responsibilities, as they highlighted that this role is considered one of the key responsibilities in the developed countries such as USA after the Sarbanes Oxley Act (DeFond, 2005; Abbott, 2007), as these regulations stated that external auditor must assess and report the effectiveness of the internal governance system (Almasria, 2022). The regulatory body in Jordan such as JACPA and JSC put in a lot of effort in improving the effectiveness of monitoring mechanisms. The significant value of EAQ for various parties such as the investors in the capital market as it is the key basis for making investment decisions through relying on audited financial statements

in making their decisions. Audit quality supports financial reporting quality and enables investors to rely on the auditor's independent checking of financial reports (Gaynor, 2016; Shahzad et al., 2018). The economic decision of the investors would influence by the auditor opinion, in this case the work performed by the auditor should be reliable and trustable. Thereby, high EAQ lead to improve investor's confidence and protect shareholders. The findings of the study are necessary for academics, professional and regulatory bodies in Jordan such as JSC, JACPA to organize regular workshops to increase the awareness about the importance of the interaction between the ICGMs and external auditors in improving the quality of the audit service and financial reporting. Furthermore, they need also to activate the role of the audit committee, board of directors, and internal audit through establishing a specialist body for these mechanisms like JACPA for external auditor. The findings suggested the regulators must enhance the auditor's independence especially for the small local firms to prevent any scandals in the firms that exist in the Jordanian market through setting effective monitoring system over the work of the audit firms. As the findings highlighted those small local firms are not fully independent, the regulators need to work together with the external auditor to improve the independence of the auditors. Hence, there must be a 294 professional body for internal auditors and boards of directors in Jordan as the study results indicate that there is no active professional body for internal auditors, boards of directors and audit committee. The findings of the study highlighted that there are some governance bodies and guidelines which organise and monitor the governance process and mechanisms in Jordan such as JACPA and JCGC. These regulations govern and regulate the board of director, audit committee and internal and external audit work which reflect on the effectiveness of the monitoring process of these firms. The findings indicate that the Jordanian monitoring bodies such as JACPA must provide stricter monitoring over the audit firms especially small local audit firms and offering non-audit service. These findings allow the regulators to recognise the starting point for the improvements that need to be made in the auditing profession. Therefore, the auditor should consider the work and evidence of the ICGM in performing their service effectively. The regulators in Jordan and other countries established the governance Code and followed the international professional standards to avoid the audit failure and the weakness of the governance mechanisms from reoccurrence. The results intend to contribute to the Jordanian monitoring business environments regarding EAQ and financial reporting quality as well as offering the basis of evaluating the ICGM in improving the external audit process and accountability system (Almasria, 2022).

Further investigation needs to be done in order to examine the effectiveness of the governance mechanisms in reducing the reasons that lead to corporate failure (Hsu and Wu, 2014). Different research methods can be used to address different aspects of this relationship (behavioural and legal factors) which could influence the relationship between ICGM and EAQ; for example, auditors' incentives which might prevent the auditors from challenging the management or the audit committee. It would be also a worthy opportunity for future research to investigate the influence of the ICGM (e.g. audit committee and board) on the association between the EAQ and investors' capability to anticipate the future prospects of the company (Hussainey, 2009; Abdulnafa et al., 2021).

Future research can use different approaches such as focus groups or observations which could provide richer understanding and more details and comprehensive interpretations about the responsibilities of audit committees, internal audits and board of directors, and the role of these mechanisms in ensuring higher audit quality (Masadeh et al., 2021). These

opportunities need more effort and resources to be able to get inside the board of directors and audit committee to address them in the future. Furthermore, board and audit committee members must perform an active role in selecting and monitoring the external auditors (e.g. how directors successfully take decisions and actions in meetings is vital in improving EAQ). Thus, going inside the audit committee and board of directors, and then observing their interactions with the external auditor, in turn, could offer a deep understanding into their communications during meetings with the auditors. Thus, an opportunity for future research might be addressed in other context in order to highlight the differences between different institutional settings.

Therefore, despite the extensive empirical and theoretical contributions which were made to address most of the aspects of the relationship between these variables, there are some limitations of this study in terms of the research design and methodology, context, generalizability and variables; thus, attention is needed in future investigation to address these limitations.

References

1. Ababnih, M. (2012). The adequacy of the provisions of the Jordanian Companies Law No. 22 of 1997, as amended, to the achievement of corporate governance public shareholding in Jordan in light of the principles of international corporate governance. *Studies: journal of Science and law*, vol.39,no.1
2. Abdullah, R., Ismail, Z. & Smith, M. (2018). Audit committees' involvement and the effects of quality in the internal audit function on corporate governance. *International Journal of Auditing*.
3. Abdullah, W. Z. W., Ismail, S. & Jamaluddin, N. (2008). The impact of board composition, ownership and ceo duality on audit quality: The malaysian evidence. *Malaysian Accounting Review*, vol.7,no.2.
4. Abdullah, W. Z. W., Ismail, S. & Jamaluddin, N. (2016). The impact of board composition, ownership and ceo duality on audit quality: The malaysian evidence. *Malaysian Accounting Review*, vol.7,no.2
5. Abbott, L. J., Parker, S., Peters, G. F. & Raghunandan, K. (2003). The association between audit committee characteristics and audit fees. *Auditing: A journal of practice & theory*, vol.22,no.2, pp.17-32.
6. Abbott, L. J., Parker, S., Peters, G. F. & Rama, D. V. (2007). Corporate governance, audit quality, and the sarbanes-oxley act: Evidence from internal audit outsourcing. *The Accounting Review*, vol.82,no.4, pp.803-835.
7. Abbott, L. J., Parker, S. & Peters, G. F. (2012). Internal audit assistance and external audit timeliness. *Auditing: A journal of practice & theory*, vol.31,no.4, pp.3-20.
8. Abbott, L. J., Parker, S. & Peters, G. F. (2012). Audit fee reductions from internal audit provided assistance: The incremental impact of internal audit characteristics*. *Contemporary Accounting Research*, vol.29,no.1, pp.94-118.
9. Abbott, L. J., Daugherty, B., Parker, S. & Peters, G. F. (2016). Internal audit quality and financial reporting quality: The joint importance of independence and competence. *Journal of Accounting Research*, vol.54,no.1, pp.3-40.
10. Abbass, D. A. & Aleqab, M. M. (2013). Internal auditors' characteristics and audit fees: Evidence from egyptian firms. *International Business Research*, vol.6,no.4, pp.67
11. Abbott, L. J., Parker, S., Peters, G. F. & Raghunandan, K. (2003). The association between audit committee characteristics and audit fees. *Auditing: A journal of practice & theory*, vol.22,no.2, pp.17-32.
12. Abbott, L. J., Parker, S., Peters, G. F. & Rama, D. V. (2007). Corporate governance, audit quality, and the sarbanes-oxley act: Evidence from internal audit outsourcing. *The Accounting Review*, vol.82,no.4, pp.803-835.
13. Abbott, L. J., Parker, S. & Peters, G. F. (2012). Internal audit assistance and external audit timeliness.

- Auditing: A journal of practice & theory, vol.31,no.4, pp.3-20.
15. Adeyemi, S. B. & Fagbemi, T. O. (2010). Audit quality, corporate governance and firm characteristics in nigeria.
 16. Adeyemi, S. B., Okpala, O. & Dabor, E. L. (2012). Factors affecting audit quality in nigeria. *International Journal of Business and Social Science*, vol.3,no.20.
 17. Abbott, L. J., Parker, S. & Peters, G. F. (2012). Audit fee reductions from internal audit provided assistance: The incremental impact of internal audit characteristics*. *Contemporary Accounting Research*, vol.29,no.1, pp.94-118.
 18. Abbott, L. J., Daugherty, B., Parker, S. & Peters, G. F. (2016). Internal audit quality and financial reporting quality: The joint importance of independence and competence. *Journal of Accounting Research*, vol.54,no.1, pp.3-40
 19. Abbass, D. A. & Aleqab, M. M. (2013). Internal auditors' characteristics and audit fees: Evidence from egyptian firms. *International Business Research*, vol.6,no.4, pp.67
 20. Abbott, L. J. & Parker, S. (2000). Auditor selection and audit committee characteristics. *Auditing: A journal of practice & theory*, vol.19,no.2, pp.47-66.
 21. Abdulnafea AL-Zararee, Nashat Ali Almasria and Qasim Ahmad Alawaqleh (2021). The effect of working capital management and credit management policy on Jordanian banks' financial performance. *Banks and Bank Systems*, 16(4), 229-239. doi:10.21511/bbs.16(4).2021.19.
 22. Abdulnafea, A. L., Almasria, N. A., & Alawaqleh, Q. (2022). The effect of working capital management and credit management policy on jordanian banks' financial performance. *Banks and Bank Systems*, 16(4), 229-239.
 23. Al-Shaer, H., Salama, A. and Toms, S. (2017), "Audit committees and financial reporting quality: Evidence from UK environmental accounting disclosures", *Journal of Applied Accounting Research*, Vol. 18No. 1, pp. 2-21. <https://doi.org/10.1108/JAAR-10-2014-0114>
 24. Alawaqleh, Q. A., & Almasria, N. A. (2021). The Impact of Audit Committee Performance and Composition on Financial Reporting Quality in Jordan. *International Journal of Financial Research*, 12(3), 55-69.
 25. ALAWAQLEH, Q. A., ALMASRIA, N. A., & ALSAWALHAH, J. M. (2021). The Effect of Board of Directors and CEO on Audit Quality: Evidence from Listed Manufacturing Firms in Jordan. *The Journal of Asian Finance, Economics, Business*, 8(2), 243-253.
 26. Almasria, N., Airout, R. M., Samara, A. I., Saadat, M., & Jrairah, T. S. (2021). The role of accounting information systems in enhancing the quality of external audit procedures. *Journal of management Information and Decision Sciences*, 24(7), 1-23.
 27. Almasria, N. A. (2018). The relationship between internal corporate governance mechanisms and the quality of external audit process-empirical evidence from Jordan.
 28. Almasria, N. A. (2022). Corporate Governance and the Quality of Audit Process: An Exploratory Analysis Considering Internal Audit, Audit Committee and Board of Directors. *European Journal of Business and Management Research*, 7(1), 78-99.
 29. Alzoubi, E.S.S. (2016), "Audit quality and earnings management: evidence from Jordan", *Journal of Applied Accounting Research*, Vol. 17 No. 2, pp. 170-189. <https://doi.org/10.1108/JAAR-09-2014-0089>
 30. Al-Farah, A., Abbad, S. & Al Shaar, E. (2015). The accounting and auditing profession in jordan: Its origin and development. *Developing Country Studies*, vol.5,no.8, pp.167- 179.
 31. Afify, H.A.E. (2009), "Determinants of audit report lag: Does implementing corporate governance have any impact? Empirical evidence from Egypt", *Journal of Applied Accounting Research*, Vol. 10 No. 1, pp. 56-86. <https://doi.org/10.1108/09675420910963397>
 32. Al-Akra, M., Ali, M. J. & Marashdeh, O. (2009). Development of accounting regulation in jordan. *The*

- International Journal of Accounting, vol.44,no.2, pp.163-186.
33. Beasley, M., Carcello, J. & Hermanson, D. (1999). Fraudulent financial reporting: 1987- 1997. An analysis of US public companies. Committee of Sponsoring Organizations of the Treadway Commission.
 34. Beasley, M. S. (1996). An empirical analysis of the relation between the board of director composition and financial statement fraud. *Accounting Review*, pp.443-465.
 35. Beasley, M. S., Carcello, J. V., Hermanson, D. R. & Lapides, P. D. (2000). Fraudulent financial reporting: Consideration of industry traits and corporate governance mechanisms. *Accounting Horizons*, vol.14,no.4, pp.441-454.
 36. Beasley, M. S. & Petroni, K. R. (2001). Board independence and audit-firm type. *Auditing: A journal of practice & theory*, vol.20,no.1, pp.97-114.
 37. Beasley, M. S., Carcello, J. V., Hermanson, D. R. & Neal, T. L. (2009). The audit committee oversight process. *Contemporary Accounting Research*, vol.26,no.1, pp.65-122.
 38. Basiruddin, R. (2011). The relationship between governance practices, audit quality and earnings management: Uk evidence. Durham University
 39. Beisland, L. A., Mersland, R. & Strøm, R. Ø. (2015). Audit quality and corporate governance: Evidence from the microfinance industry. *International Journal of Auditing*, vol.19,no.3, pp.218-237
 40. Bekhet, H. A. & Matar, A. (2013). The influence of global financial crisis on jordanian equity market: Vecm approach. *International journal of monetary economics and finance*, vol.6,no.4, pp.285-301
 41. Bettinelli, C. (2011). Boards of directors in family firms: An exploratory study of structure and group process. *Family Business Review*, vol.24,no.2, pp.151-169.
 42. Ben-Hassoun, A., Aloui, C. & Ben-Nasr, H. (2017). Demand for audit quality in newly privatized firms in mena region: Role of internal corporate governance mechanisms audit. *Research in International Business and Finance*.
 43. Ben-Hassoun, A., Aloui, C. & Ben-Nasr, H. (2018). Demand for audit quality in newly privatized firms in mena region: Role of internal corporate governance mechanisms audit. *Research in International Business and Finance*, vol.45, pp.334-348.
 44. Cohen, D. & Crabtree, B. (2006). Qualitative research guidelines project.
 45. Bepari, M.K. and Mollik, A.T. (2015), "Effect of audit quality and accounting and finance backgrounds of audit committee members on firms' compliance with IFRS for goodwill impairment testing", *Journal of Applied Accounting Research*, Vol. 16 No. 2, pp. 196-220.