



Szent István University

Doctoral School of Management and Business Administration Sciences

PhD Thesis

**The Perceptions of Governmental Stakeholders towards the External
Auditors: Evidence from Jordan**

By

Hasan “Mohammad Anwar” Mansur

Gödöllő, HUNGARY

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Chapter 1: Introduction

1.1 Preface

In late 2001, people began to notice some accounting irregularities with a large publicly traded company. The company had a national reputation for consistency in both good times and bad, so it was classified as the most pioneering large company in America in Fortune magazine's survey of most well-regarded companies and considered a blue-chip stock, the name of this company was Enron (Healy-Palepu, 2003). Within weeks, Enron's image was in tatters and its stock went from over 90 dollars a share to being nearly worthless, this occurred because the management team tried to cover up losses from the previous years by altering the financial statements, the deception that occurred gave the public a reality check and in effect investors started taking a look into the financial records of other large corporations. Thus, Sarbanes-Oxley Act (SOX) was enacted (Landsman et al., 2009).

SOX act was introduced into Congress by US Senator Paul Sarbanes and US Representative Michael Oxley. Their intention was to create a law which would restore the faith of investors back into corporate America, by imposing stricter standards on financial reporting, there would be an increase in the reliability of the financial statements created by any given company (Act, 2002).

A deeper look at what the SOX Act includes:

1. Officers of the company are required to sign financial statements for accuracy, this holds them personally accountable for any misrepresented data.
2. Increase fined and or prison sentence was set for individuals who attempt to defraud investors or misrepresent actual figures.
3. The company must provide a description of its internal controls, this is an attempt to increase the confidence of the public in that organization, while allowing them to gain an insight into the company's procedures.
4. The company is responsible for hiring an independent accounting firm to come in and audit the accuracy of their financial reports. The financial reports are now required to have a section dedicated to the auditors' opinion as to the accuracy of the figures presented in the reports that the company is now mandated to report all off-balance sheet transactions on their reports. Finally, the Securities and Exchange Commission (SEC) is given more power to look into companies that are suspected

of wrongdoing. The SEC do random reviews of companies to ensure that they are complying with the SOX Act. The reports are then published and released to the public for viewing (Act, 2002; Sarbanes, 2002).

Before the collapse of Enron, it was de facto that the lack of sufficient disclosure of information by firms, were considered a bigger matter more than the corruption of business practices or the shortcoming of some accounting rules and procedures (Barth et al., 2003).

The failure of Enron and the collusion of Arthur Andersen audit firm which was considered one of the big-five audit firms at that time with Enron's managers, led to condemnation Arthur Andersen as it was the main reason of Enron's collapse (Nelson et al., 2008), and the inquest demonstrated that the responsibility of Arthur Anderson lies in two sides. First, Arthur Anderson participated in concealing Enron's losses by establishing unreal companies and proclaimed that Enron shares and gets (unreal) profits. Second, Arthur Anderson hid a lot of documents and papers during the investigation process (Handley-Schachler-Li, 2005).

Indeed, the collapse of Enron and WorldCom (Fearnley-Beattie, 2004), and then the financial failure of the large Italian company; Parmalat (Benedetto-Castri, 2005), increased the external auditors' responsibilities in recent years as they linked with some of lawsuits, where several well-known audit firms have been exposed to a sharp criticism because companies have failed and collapsed (Healy-Palepu, 2003). More importantly, the perceptions of public generally, and financial statements' users specifically, have been influenced towards the certified public accountant, and let them to give more attention towards the profession of external audit (Chen, 2016).

The financial crises in 2008 which started in the bankruptcy of one the biggest commercial banks in united states of America 'Lehman brothers' increased the accusation regarding the role of external auditors and their responsibilities, and led to increase the gap between the two main parties, financial statements' users and the external auditors (De Haas-Van Horen, 2012).

Some jurists and scholars believe that the public also played a role since decades, as they perceived that the external auditor is infallible person, and his signature means that everything is perfect, thus, it is superfluous to read the financial statements and appended documents. Therefore, the public to somewhat degree, has been shocked that the external

auditor could be fooled by smart criminals (Humphrey, 1997). Moreover, the sequence scandals in the current century, and the collusions between certified public accountants and the managers/financial managers in the biggest companies, added fuel to the fire, and stimulate the societies to be more interested regarding the role of external auditors towards the entities subject to question, and increased the debate about their independency, neutrality and the integrity of accounting figures. (Pontell et al., 2014)

Financial scandals haven't been stopped on, where a lot of scandals happened after that time such as a Madoff scandal, which led to incur losses around 1.5 Billion sterling pounds to one of the most financial institutions all over the world: Hong Kong Shanghai Banking Corporation HSBC (Zarrabi-Lunndberg, 2011).

Financial scandals have continued, where several companies in the United Kingdom have got financial failure such as BHS, Conviviality, Carillion, Quindell, Aero Inventory. These recent financial failures have been referred to big-four audit firms (Ernst & Young (E&Y), KPMG, Deloitte, and PricewaterhouseCoopers (PwC)), even though, more than 97 percent listed companies in The Financial Times Stock Exchange (FTSE) in London are audited by big-four accountancy firms. These accountancy firms get huge amounts from their clients, but they failed to spot the fragility of those businesses and their going-concern as well (Sekka, 2019).

Currently, the accumulation of these financial scandals motivates the public to give more attention about the main reasons that may create the audit expectation gap. Therefore, Porter and Gowthorpe (2004) defined the audit expectation as the differences between the public expectations of external auditors, and the external auditors' performance by the public. Whereas, Oxford (2010) defined it as the difference between the external auditors as expected by the auditors themselves, and the expectations of financial statements' users towards the external users.

The "expectation gap" reflects the difference in perceptions between what one is expected to perform by others and what one personally expects he must accomplish (McEnroe-Martens, 2001). For example, the airline industry believes an important percentage of flights to be delayed during the summer season, but passengers do not associate to this same expectation, so when their flights are delayed, expectation gap will have been exposed (Zikmund, 2008).

1.2 Research objectives

In the context of public Jordanian environment, a debate about the role of external auditors in implementing audit services to their clients. This study aims to investigate the perceptions of governmental stakeholders/financial statements' users towards the role of external auditors in several dimensions:

1. The role of external auditors' in term of independency and neutrality of the entity is question; the integrity of accounting figures; viability of the entity; detecting fraud in financial statements and disclosure in financial statements.
2. The effect of audit fees and remunerations on the quality of audit.
3. The effect of audit size firm on the quality of audit.

1.3 Problem statement and motivation

Literature suggests that the first step in investigating the perception of stakeholders towards the external auditors is specifying the main elements that influence on their expectations. Previous studies have revealed the main symptoms that are associated with audit expectation gap such as: auditors' independence and neutrality, auditors' responsibility towards the integrity of accounting figures, auditors' responsibility in term on entity's going concern.

Other literatures extended in its investigations about audit expectation gap taking into account auditors' responsibility towards disclosure of financial information, auditors' responsibility of detecting fraud in financial statements. More importantly, some literatures highlighted on audit quality, taking into consideration the effect of audit fees and remunerations and/or the effect of audit size firm on audit quality.

Porter and Gowthorpe (2004) determined the audit expectation performance in two dimensions. First, audit performance gap, which occurs between auditors' perceived performance and duties reasonably expected of auditors. Second, reasonableness gap which happens between society's expectation of auditors and duties reasonably expected of auditors.

Accordingly, the study is designed to answer the following questions:

1. What are the perceptions of governmental stakeholders/financial statements' users towards the external auditors' responsibility in terms of independency and neutrality of the entity is question?
2. What are the perceptions of governmental stakeholders/financial statements' users towards the external auditors' responsibility in terms of the integrity of accounting figures?
3. What are the perceptions of governmental stakeholders/financial statements' users towards the external auditors' responsibility in terms of viability?
4. What are the perceptions of governmental stakeholders/financial statements' users towards the external auditors' responsibility in terms of detecting fraud in financial statements?
5. What are the perceptions of governmental stakeholders/financial statements' users towards the external auditors' responsibility in terms of disclosure in financial statements?
6. What are the perceptions of governmental stakeholders/financial statements' users in terms of the effect of audit fees and remunerations on audit quality?
7. What are the perceptions of governmental stakeholders/financial statements' users in terms of the effect of audit firm-size on audit quality?

1.4 Research Contribution and Aim

The current study provides a novel contribution to audit expectation gap through focusing on the perception of governmental stakeholders/financial statements' users towards external auditors.

This research will make a new contribution, where most literatures, whether western or some of local studies, highlighted on the perceptions of stakeholders/financial statements' users from private sector such as and not exclusive on; investors, financial managers, credit officers, bankers, academics, professional and certified accountants, and even the external auditors themselves. Whereas, this research focus on the perceptions of governmental stakeholders as they are considered one of the most important parties among different stakeholders and financial statements' users who are interested in firms' audited financial statements.

This study will focus on some of related accounting and auditing terminologies, such as audit expectation gap, bridging the audit expectation gap and some of audit standards

which are interpenetrated with the main topic of research that addresses and discusses the perceptions of governmental stakeholders/financial statements' users towards the external auditors.

Based on the above-mentioned facts, it is expected that this research will fill up the gap pertaining with the perceptions of stakeholders and financial statements' users who are out of the private sector, which may have reflected positively on audit environment in the context of Jordan, as well as enhanced the public trust towards the profession of audit.

1.5 Hypotheses

Based on literatures, the hypotheses will be shown in figure 1 as follow:

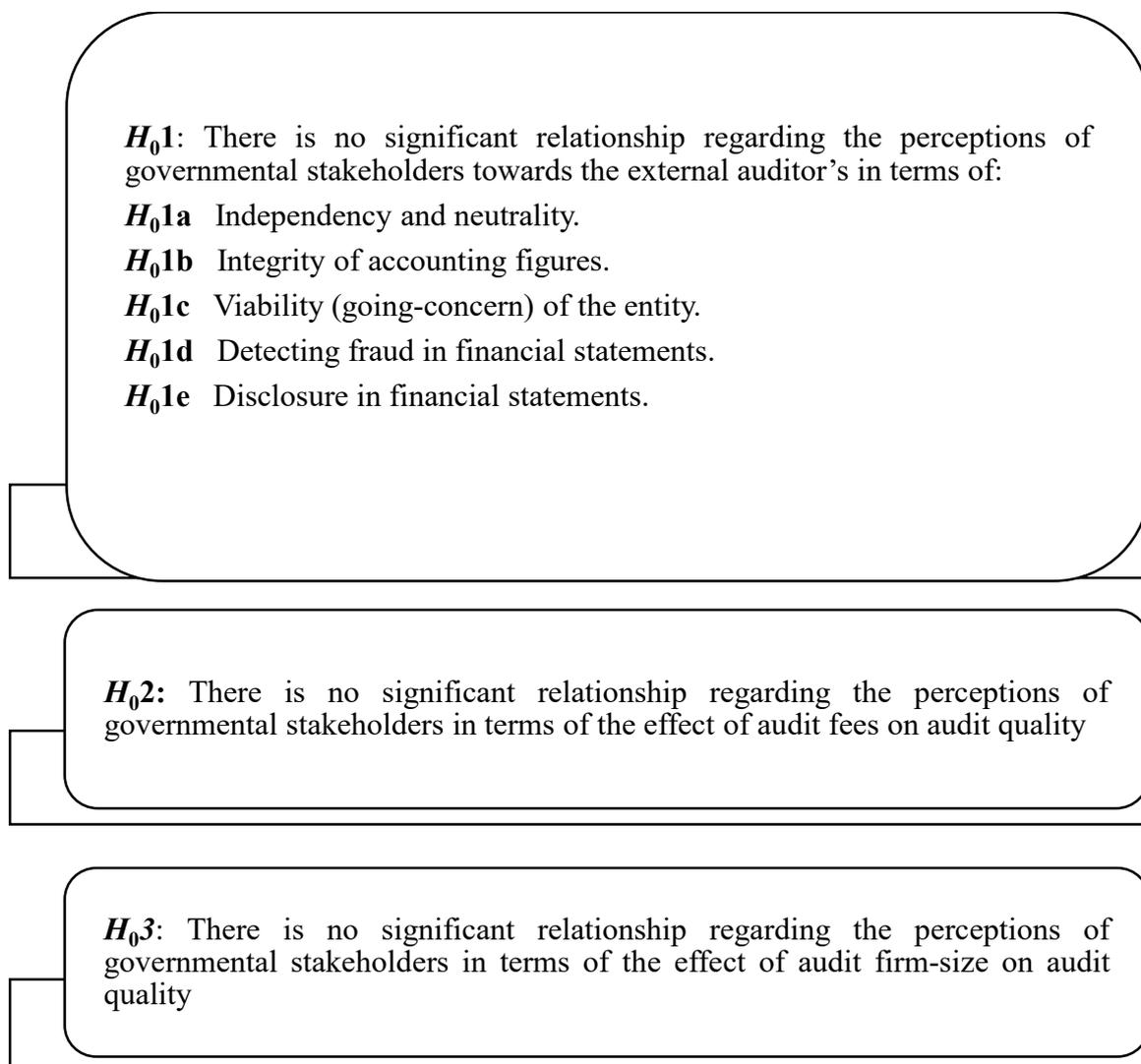


Figure 1: Research hypotheses

Source: Author's own

Chapter 2: Literature Review and Hypothesis Development

2.1 Introduction

This chapter reviews the literatures and develops the hypotheses associated with the research questions. Beginning with an overview of external audit in Jordan and theoretical framework followed by literatures review and hypothesis development. The following three questions motivating this study are:

RQ1: What are the effects of external auditor's responsibilities in term of independency and Neutrality, Integrity of accounting figures, Going-Concern, Detecting fraud, Disclosure in financial statements on the perceptions of governmental stakeholders/financial statements' users?

RQ2: what is effect of audit fees on audit quality based on the perceptions of governmental stakeholders?

RQ3: what is the effect of audit firm's size on audit quality based on the perceptions of governmental stakeholders?

Each research question will discuss and highlight the previous literatures review, and take into account, the main purposes/objectives, results and the most important methodologies that were followed in some of literatures.

On the other hand, each research question, will try to look for the factors that might effect on the perceptions of financial statements' users as a whole, and then to formulate the hypotheses which are going to be convenient to the subject of this research.

Additionally, all hypotheses will be summarized to ease the understanding of research hypotheses, demonstrating the variables; Independent and dependent variables. In the end of this chapter, model/graph will demonstrate the relationship between independent and dependent variables.

2.2 Overview of External Audit in Jordan and Theoretical Framework

Jordan Association Certified Public Accountant (JACPA) was established in 1987, independent managerial and financial entity. JACPA has the right to own all types of assets and practice all necessary laws to achieve its objectives. The chairman of JACPA represent it in front of all authorities (JACPA, 2018).

The general Committee of JACPA comprise of 596 members who are practitioner Certified Public Accountants. The general Committee of JACPA discusses the annual report of association, and attests the financial statements, select the external auditor in order to audit its records, elects the chairman as well as board members, and review the related legislations to audit profession (JACPA, 2018).

The main functions of JACPA represents in: disseminating the related information about audit profession among certified auditors (certified public accountants), holding conferences, training certified public accountants on accounting and auditing standards and updating their information, issuing magazines and books. Furthermore, JICPA founding a strong relationship with regional and international bodies and chartered in relation to the audit and accounting profession(JACPA, 2018).

JACPA regulates the audit profession to ensure the compliance with accounting and audit standards in order to protect the national economy and financial statements' users as well (JACPA, 2018).

In order to be a Jordan Certified Public Accountant (JCPA) and to get the license to practice the profession inside Jordan, the applicant must have a university degree in accounting, or diploma in accounting, or a university degree in any subject related to the profession but with minimum numbers of accounting courses, or a certificate in the profession from the professional institution of certified public accountants provided that recognized by the supreme authority if s/he holds a university degree (JACPA, 2018).

The applicant must fulfill the training requirements stipulated in JACPA law and passing the exam from two parts (regulations and financial accounting & audit) conducted by Licensing committee in order to be a Certified Public Accountant (CPA) in Jordan and member at JACPA (JACPA, 2018).

CPAs in Jordan can apply the same work of accountants as well as practice as an External auditor in accordance with laws, by-laws and legislations. Moreover, the can achieve technical review tasks, audit financial statements and verification of soundness the financial reports and information (JACPA, 2018).

The role of an external auditor is to ensure that firms' financial statements are prepared on acceptable accounting standards (Wang-Yang, 2012). External auditor confirms the stakeholders' reliance that financial statements reflect the actual financial position of companies. Therefore, AT posits that an external auditor, as a monitoring mechanism, has an effective role in reducing the information asymmetry and increase the confidence between the company's managers and stakeholders (Lin-Hwang, 2010) and in monitoring over the unprincipled and opportunistic behavior of managers (Alves, 2013).

Investopedia (2018) defines the external auditor: "An independent auditor is a certified public accountant or (CPA) or chartered accountant (CA) who examines the financial records and business transactions of a company with which he is not affiliated. An independent auditor he is typically used to avoid conflicts of interest and to ensure the integrity of performing an audit".

Generally, firms tend to rely on a well-known external auditor with high quality and reputation (Chi et al., 2011). A theorists believe that "high-quality external auditor act as an effective constraining to earnings management because management's reputation is likely to be damaged and firm value reduced if misreporting is detected and revealed" (Becker et al., 1998, p. 6).

Lin and Hwang (2010) found that several proxies were used to measure audit quality, such as auditor independence, auditor specialization, audit firm size, auditor tenure, and audit fees. However, the most common proxy employed in prior research was audit firm size as a measure of the firms' audit quality. Jordan et al. (2010) examined a sample of US companies and found that companies with big 4 audit firms are subject to higher audit quality and less probable to manipulation earnings compared to companies with non-Big 4 audit firms, because audit firms will lose their reputation and their clients, if a poor audit is discovered. Another study was consistent with these results, Davidson III et al. (2006) found a higher level of earnings' manipulations in companies used audit firms that moved from Big 6 to non-Big 6 audit firms (Now big 4). Moreover, Rutledge et al. (2014) showed that after SOX act period the degree of manipulations decreased in companies using the Big 4 audit firms.

Balsam et al. (2003) examined the association between. auditor specialization of audit quality and earning management using a sample of US firms. They found that auditor specialization plays a big role in reducing the magnitude of firms' discretionary accruals.

Eshleman and Guo (2013) examined the effect of audit fees on audit quality and found that the companies use of discretionary accruals to manipulate its earnings decreases with higher audit fees, which explained that higher fees mean higher efforts being exerted by auditor to constrain manipulation activities. Other studies such as Dimitras et al. (2015), Francis et al. (2013), Asthana et al. (2015) reinforced suggestions that higher audit quality is associated with lower level of manipulations in companies' earnings.

Chapter 3: Research Methodology

3.1 Introduction

After developing the hypotheses in the previous chapter, which are elaborated based on the relevant theories to this study, this chapter presents how these hypotheses will be tested. Considering that the main aim of this study is to examine the perceptions of governmental stakeholders towards the external auditors. This chapter provides information regarding governmental department. In particular, it shows how the study selects its sample, and data sources. It also illustrates the measurement of dependent variable and independent variables that will be used in the next chapters in ANOVA analysis. This study uses a research design “graph” to facilitate the understanding of relationship between dependent variable and independent variables in order to test its hypothesis.

This chapter proceeds as follows: Section 4.2 describes the sample selection criteria which are used to determine the final sample. It also provides detailed information regarding the number of observations from each governmental department. Section 4.3 explains how the sources of observations will be collected. Section 4.4 determines the required detailed information regarding with each independent variable based mainly on audit standards. Section 4.5 explains statistical methods that should be used to test the hypotheses associated with the research questions. Section 4.6 is a chapter summery.

Figure 3 shows the statistical tests that would be used in this study, and the purpose of use for each.

STATISTICAL TEST	USED FOR
Cronbach's alpha	Check the reliability
Normality (Skewness)	Check if the data are normally distributed (Symmetric or asymmetric)
Normality (Kurtosis)	Measure of peakedness of a distribution
Descriptive analysis	Frequencies, Means Standard deviations
ANOVA	Check the differences between groups' means
Post Hoc (Scheffe or Tukey)	Find out which pairs of means are significant after rejecting the null hypotheses
Regression model	R^2 : Represent the proportion of variance in DV that can be explained by the IVs
ANOVA (F ratio)	Check the fitness of data

Figure 2: Statistical tests and the purpose of usage
Source: Author's own

3.2 Sample selection

This study uses observations from four governmental departments subject to research, ITSD, ASE, JSC and SDC. The number of observations among these departments are different based on the total number of financial statements users' in each department, which tends to ITSD favor as it has the largest number of employees.

The total number of employees in ISTD, ASE, JSC and SDC (380, 60, 70, 44) respectively (GBD, 2017a, 2017b).

As the total of employees in each department doesn't represent the financial statements users', this study uses a purposiveness sampling, because it's important to get information from specific target groups, where sampling is confined to people who are provide the desired information, and they are either the only ones who use it - (audited financial statements) - or conform to criteria set by researcher (Sekaran-Bougie, 2016, p. 296). More importantly, purposiveness sampling will be quota sampling in this study, to ensure that each group are adequately represented in the study, where each group - (governmental department) - is based on the total numbers of each in the population (Sekaran-Bougie, 2016, p. 297).

Based on the above, the researcher takes into account that sample size should be complied with some criteria such as: research objective, the extent the precision desired, cost and time constraints, and size of population itself (Sekaran-Bougie, 2016). Therefore, the number of chosen samples in this study are (253, 56, 63, 44) from ITSD, ASE, JSC and SDC respectively.

3.3 Data collection

The current study uses primary data to examine the perceptions of governmental stakeholders towards the external auditors. Even-though the use of primary data consume time and need a lot effort to distribute questionnaire and collect it. However, administering questionnaires is less expensive and need less time than making interviews. According to Sekaran and Bougie (2016, p. 197), the advantage of questionnaire is that the researcher can gather completed all responses within a short time, allow to clarify the main points; it is efficient when the researcher knows what is needed and the most useful mechanism to gather responses when the number of respondents very large and in different locations.

The questionnaires are administered personally as the targeted groups are determined in four governmental departments ITSD, ASE, JSC and JSC.

The second type of sources are secondary data that help in developing hypotheses and formulating the questionnaire. Secondary data such as: related essays from well know journals and books subject to current research, books related to audit standards as well as some books that are important to certain chapters in this research.

The administered questionnaire has two types of questions. First, personal questions related to respondents such as: academic certificates, years of experience, position. Second, questions cover the seventh hypotheses which are related to the perceptions of governmental stakeholders towards the external auditors.

The second type of questionnaire adopt closed questions, which means that respondents choose an answer for each question among set of alternatives (in the first part of questions), whereas in the second part, respondents rank the seven statements from one to seven, where each statement represents one independent variable, to measure which variable affect more on their perceptions towards the external auditors.

In this questionnaire, seventh scale is used. Therefore, the measurement mean is 4.

Furthermore, the researcher adopts some statements/questions from two major studies, which have been adopted by a lot of researchers in same field. These studies are (McEnroe et al., 2017; McEnroe-Martens, 2001; Nazri Fadzly-Ahmad, 2004). Notwithstanding, as the questionnaire has been modified in several statements/questions, so it becomes necessary to referee the questionnaire. Therefore, statements have been referred by three academic professors (Two from Yarmouk university and one from Jadara university), and one certified auditor (CPA & JCPA) from Ernst and Young (E&Y) - Jordan to emphasize the validity and accuracy of statements, and to remove any ambiguity that could mislead the respondents in their responses.

3.4 Variables design and measurement

Based on hypotheses development, figure 4 has been drawn in order to illustrate variables design between independent variables and dependent variable, and to simplify the relationship.

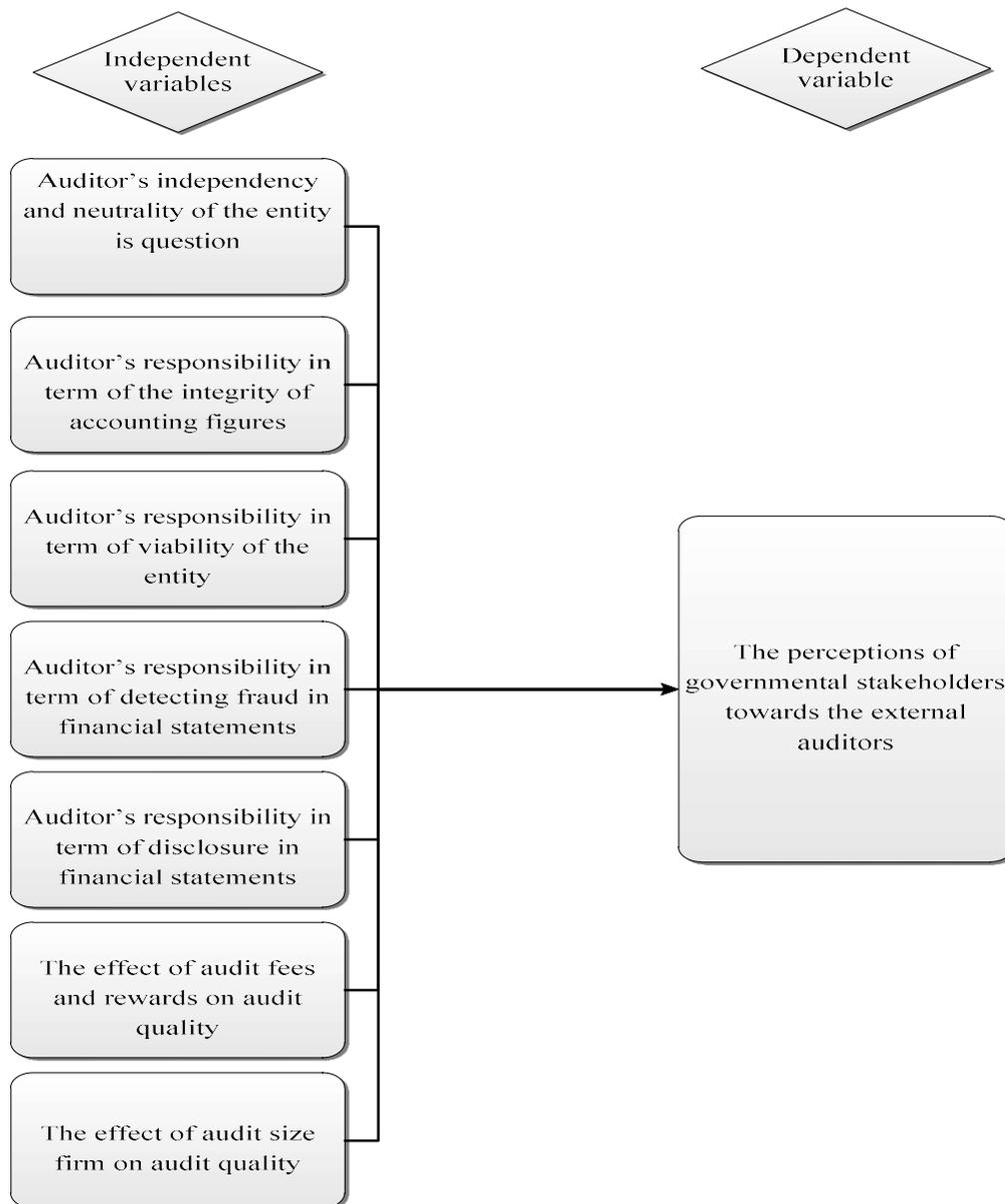


Figure 3: Variables design - Independent Variables (IV) and Dependent Variable (DV)
 Source: Author's own

3.5 Data analysis methods

IBM SPSS Statistics 25 is used to analyze data. In this study, the following statistical method are used:

1. Descriptive analysis: to calculate means, standards deviations, frequencies, and percentages.
2. Analysis of variance (ANOVA): ANOVA test is used to calculate whether there are any significant differences among the means of two or more unrelated

(independent) groups. One-Way ANOVA is used when the distribution is normal (Bluman, 2014).

3. Scheffé and Tukey tests: this test is used to find out which pairs of means are significant after rejecting the null hypotheses. The Scheffé test modifies alpha for simple and complex mean comparisons. Complex mean comparisons involve comparing more than one pair of means simultaneously. Therefore, if a certain hypothesis is rejected, Scheffé test should be run, to know where the difference among means is (Bluman, 2014, p. 660). Tukey test works in the same function of Scheffé test. Therefore, both tests are accepted.

Accordingly, the resolution for testing each one of seven hypotheses stipulates is: If probability value (P. value) is less than 0.05 (degree of significance), the null hypothesis must be rejected, and accept the alternative hypothesis which indicates that there is a significant difference among means of three independent groups (StatisticsHowTo, 2018).

4. Multiple regression: this test is used to determine if there is a significant relationship between independent variables and dependent variable. Therefore, R in a multiple regression correlation must be calculated to clarify the significance in relationship between independent variables and dependent variables. Moreover, This technique could be used to increase the precision of expectations for the dependent variable over one of the independent variables (Bluman, 2014, p. 593).

From the foregoing, the multiple regression coefficient model will be formulated as follows:

$$PGSEA = \alpha + \beta_1 INDEP + \beta_2 INTEG + \beta_3 VIABL + \beta_4 DETEC + \beta_5 DISCL + \beta_6 AFSIZE + \beta_7 AFEES + \epsilon$$

PGSEA	The perceptions of governmental stakeholders towards external auditors
INDEP	External auditor's independency and neutrality of the entity is question
INTEG	External auditor's responsibility in term of the integrity of accounting figures
VIABL	External auditor's responsibility in term of the viability (going-concern) of the entity

DETEC	External auditor's responsibility in term of detecting fraud in financial statements
DISCL	External auditor's responsibility in term of disclosure in financial statements
AFSIZE	The effect of audit size firm on audit quality
AFEES	The effect of audit fees and rewards on audit quality
α	Constant; and
ε	Disturbance term

5. Validity and reliability: the questionnaire has been refereed by three academic professors who are specialized in audit filed and one certified external auditor as well. Their notes have been discussed with supervisor, where some statements have been modified. After considering all recommendations, a pilot test was applied on a sample of 20 governmental employees from the field of study. Cronbach Alpha which is the interim consistency reliability used to test the consistency of respondents' answers to all items, where the degree that items are independent measure to same item, it means that there are correlated to each other" (Sekaran-Bougie, 2016, p. 182). According to Hair Jr et al. (2015, p. 212); Sekaran and Bougie (2016), to accept the reliability, Alpha value should be over 60%.

Chapter 4: Data Analysis and Results

4.1 Introduction

This chapter presents the results of data analysis. This chapter presents sampling characteristics for the four groups (ISTD, ASE, JSC and SDC), shows the reliability of each variable, descriptive analysis such as frequencies, means and standard deviations. Then, it presents the normality test through skewness and kurtosis to ensure if the available data are normally distributed or not. Moreover, this chapter presents analysis of variance (ANOVA) and post-hoc test through Scheffé or Tukey test. Finally, it shows the multiple regression model and testing hypotheses.

4.2 Instrument reliability

As mentioned in chapter five that it is very important to ensure from the validity of the questionnaire items (Instrument validity). In this chapter, the reliability of the instrument of this study was tested using Cronbach's alpha. Table 1 shows the reliability coefficient for the overall variable. According to Sekaran and Bougie (2016) the instrument is deemed to be acceptable when the alpha values are between 0.6 and 0.7, and has high reliability if it is above 0.7.

Table 1: Reliability Statistics

Cronbach's Alpha	N of Items
.684	8

Source: Author's survey

Table 1 shows that Cronbach's alpha is 0.684 exceeds than 60 percent which means that overall responses on variables are reliable.

In the following Table 2, it shows Cronbach's alpha for each variable; Independency and neutrality of external auditor, integrity of accounting figures, viability (going-concern), detecting fraud, financial disclosure, audit fees, audit firm-size and the influential dimensions on the perceptions of external auditors.

Table 2: Cronbach's alpha for each variable

Variable	Cronbach's Alpha
Independency and neutrality	.655
Integrity of accounting figures	.638
Viability (Going-concern)	.608
Detecting fraud	.619
Financial disclosure	.627
Audit fees	.664
Audit firm-size	.686
Influential dimensions on the perceptions	.714

Source: Author's survey

As shown above in Table 2, Cronbach's alpha for each variable, where percentages are accepted as they exceed than the minimum percentage which is 60 percent (Sekaran-Bougie, 2016, p. 324). In other words, responses on the above variables are reliable to continue the data analysis.

4.3 Normality (Skewness and Kurtosis)

An assessment of normality of data is a prerequisite for statistical tests as normal data (normal distribution) is a fundamental assumption in parametric testing. Therefore, skewness and Kurtosis are used to test the normality (Sekka, 2019).

Skewness

According to International Monetary Fund (2018), skewness is the degree of distortion from the symmetrical bell curve, or normal distribution in a set of data. The acceptable range to describe the normality is ± 1.96 . Out of this range, data is not normal and asymmetric (Hair et al., 2006).

Table 3: Skewness

	Independency	Integrity	Viability	Fraud	Disclosure	Fees	Size	Influential
Skewness	-.329	-.456	-.781	-1.033	-1.113	-.167	.211	.013
Std. Error of Skewness	.150	.150	.150	.150	.150	.150	.150	.150

Source: Author's survey

As shown in the above Table, all variables' skewness values place within the range ± 1.96 , which indicate that data for all variables are normally distributed.

Kurtosis

kurtosis is a measure that is used to describe the distribution. Kurtosis is a measure of the combined weight of a distribution's tails relative to the center of the distribution. In other words, Kurtosis is a measure of peakedness of a distribution (Kenton, 2019). The acceptable range to describe the normality of data is ± 2.58 . Out of this range, data is not normal (Hair et al., 2006).

Table 4: Kurtosis

	Independency	Integrity	Viability	Fraud	Disclosure	Fees	Size	
Kurtosis	.132	-.186	.815	1.508	1.495	-.548	-.769	-.128
Std. Error of Kurtosis	.300	.300	.300	.300	.300	.300	.300	.300

Source: Author's survey

Table 4 presents the Kurtosis values for each variable which indicate that all values lie in the acceptable range ± 2.58 and refer to the normality of data distribution.

4.4 Regression model

This section highlights on three tables. First, Table summary which displays R, R Square and adjusted R square. Second, F ratio in ANOVA test to determine whether the overall regression model is a good fit for the data. Finally, the estimated model coefficients, by which, calculating the unstandardized coefficients **B**. In addition, hypotheses will be testing for the statistical significance of each independent variable.

4.4.1 Model summary

Table 5 presents model summary of R (*R*), R square (R^2) and adjusted R square (*Adj. R²*).

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.528	.279	.259	.88743

Source: Author's Survey

As shown in Table 5, *R* measures the quality of prediction of the dependent variable "The perceptions of the governmental stakeholders towards the external auditors" (PGSEX). A value of *R* 0.528, indicates a good level of prediction.

R^2 is the proportion of variance in dependent variables that can be explained by the independent variables. The value of R^2 0.279 indicates that the independent variables explain 27.9% of the variability of the dependent variable.

4.4.2 ANOVA (F ratio)

Table 6 below presents ANOVA test to check the fitness of data.

Table 6: ANOVA

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	77.426	7	11.061	14.045	.000
	Residual	200.035	254	.788		
	Total	277.461	261			

Source: Author's Survey

As shown in Table 6 presents, F ratio in ANOVA checks whether the overall multiple regression model. The Table displays that the Independents variables predict statistically significantly the dependent variable, $F(7,254) = 14.045$, $P < 0.05$. Accordingly, the regression model is a good fit for the data.

4.4.3 Estimated model coefficients

Table 7 shows the unstandardized coefficients **B** and Significant (Sig.) of each predictor. Moreover, Beta Values (Standardized coefficients) and t values are shown in this Table.

Table 7: Coefficients

Model	IVs	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.271	.592		2.145	.033		
	INDEP	.175	.068	.153	2.577	.011	.804	1.243
	INTEG	.147	.064	.141	2.301	.022	.754	1.327
	VIABL	.170	.069	.172	2.460	.015	.580	1.725
	DETEC	.153	.068	.155	2.263	.024	.606	1.649
	DISCL	.100	.048	.122	2.096	.037	.834	1.199
	AFSIZE	.106	.050	.121	2.119	.035	.871	1.148
	AFEES	-.004	.098	-.002	-.037	.970	.983	1.018

DV (Criterion): PGSEA | Source: Author's Survey

Unstandardized coefficients **B** indicate how much the criterion (dependent variable) varies with a predictor (independent variable) when all other predictors (independent variables) are held constant.

4.4.4 Hypotheses testing

This part highlight on testing the developed hypothesis, depending on Significant Values (P. value) in Table 7.

As mentioned before in hypotheses development chapter, there are three main hypotheses, the first main hypothesis contains five sub-hypotheses.

Testing the first sub-hypothesis:

***H_{01a}**: There is no significant relationship regarding the perceptions of governmental stakeholders towards the external auditor in terms of independency and neutrality*

As shown in Table 7, P. value (Sig.) related to auditor independency and neutrality (INDEP) 0.011 which is lower than the significance at 0.05 level. This means that the null hypothesis is rejected and alternative hypothesis accepted. Thus, the alternative hypothesis becomes:

There is a statistically significantly relationship regarding the perceptions of governmental stakeholders towards the external auditors in terms of independency and neutrality

Testing the second sub-hypothesis:

***H_{01b}**: There is no significant relationship regarding the perceptions of governmental stakeholders towards the external auditor's responsibility in terms of Integrity of accounting figures.*

As shown in Table 7, P. value related to Auditor's responsibility in terms of integrity of accounting figures (INTEG) 0.022, which is lower than the significance level at 0.05. Therefore, the null hypothesis is rejected and accept the alternative one, which becomes:

There is a statistically significantly relationship regarding the perceptions of governmental stakeholders towards the external auditor's responsibility in terms of Integrity of accounting figures.

Testing the third sub-hypothesis:

H_{01c}: There is no significant relationship regarding the perceptions of governmental stakeholders towards the external auditor's responsibility in terms of viability (going-concern) of an entity.

As shown in Table 7, P. value pertain to the auditor's responsibility in terms of viability (going-concern) of an entity 0.15 lower than the significance at 0.05 level. Hence, the null hypothesis is rejected and alternative is accepted. Therefore, the hypothesis becomes:

There is a statistically significantly relationship regarding the perceptions of governmental stakeholders towards the external auditor's responsibility in terms of viability (going-concern) of an entity.

Testing the fourth sub-hypothesis:

H_{01d}: There is no significant relationship regarding the perceptions of governmental stakeholders towards the external auditor's in terms of detecting fraud.

Table 7 shows that P. value related to auditor's responsibility in terms of detecting fraud (DETEC) 0.024 where its lower than the significance at 0.05 level. Hence, the null hypothesis is rejected and alternative hypothesis accepted as follows:

There is a statistically significantly relationship regarding the perceptions of governmental stakeholders towards the external auditor's in terms of detecting fraud.

Testing the fifth sub-hypothesis:

H_{01e}: There is no significant relationship regarding the perceptions of governmental stakeholders towards the external auditor's in terms of disclosure in financial statements.

As shown in Table 7, P. value related to auditor's responsibility in terms of detecting fraud in financial statements (DISCL) 0.037 which is lower than the significance value at 0.05 level. Accordingly, the null hypothesis is rejected and alternative hypothesis accepted as follows:

There is a significantly statistically relationship regarding the perceptions of governmental stakeholders towards the external auditor's responsibility in terms of disclosure in financial statements.

Testing the second main hypothesis:

H₀₂: There is no significant relationship regarding the perceptions of governmental stakeholders towards the effect of audit firm- size on audit quality.

As shown in Table 7, P. value pertained the effect of audit firm-size (AFSIZE) on audit quality 0.035 which is lower than the significance at 0.05 level. Therefore, the null hypothesis is rejected and alternative hypothesis accepted as follows:

There is a statistically significantly relationship regarding the perceptions of governmental stakeholders towards the effect of audit firm- size on audit quality.

Testing the third main hypothesis:

H₀₃: There is no significant relationship regarding the perceptions of governmental stakeholders towards the effect of audit fees and rewards on audit quality.

As shown in table 7, it is obvious that P. value related to audit fees and rewards (AFEES) 0.97 which is larger than the significance at 0.05 level. Therefore, the null hypothesis is accepted and remains as mentioned above:

There is no statistically significantly relationship regarding the perceptions of governmental stakeholders towards the effect of audit fees and rewards on audit quality.

Return to the unstandardized coefficients **B** in Table 7, putting all together in the regression model, the general form of the equation to Predict **PGSEA** from **INDEP**, **INTEG**, **VIABL**, **DETEC**, **DISCL**, **AFSIZE**, **AFEES** is:

$$\text{Predicted } PGSEA = 1.271 + (0.175 \times INDEP) + (0.147 \times INTEG) + (0.170 \times VIABL) + (0.153 \times DETEC) + (0.100 \times DISCL) + (0.106 \times AFSIZE) + (-0.004 \times AFEES) + \epsilon$$

Finally, the results of regression model could be rewritten up as follows:

A multiple regression is run to predict PGSEA from INDEP, INTEG, VIABL, DETEC, DISCL, AFSIZE, AFEES. These variables statistically significantly predicted PGSEA except AFEES, $F(7,254) = 14.045$, $p < 0.0005$, $R^2 = 0.279$. All six variables added statistically significantly to the prediction, $p < 0.05$.

4.5 Discussion and conclusion

This research highlight on the perceptions of the governmental stakeholders towards the external auditors in Jordan.

Based on the results, it is found that the governmental stakeholders have had similar perceptions towards the external auditors in terms of auditor independency and neutrality, integrity of accounting figures, detecting fraud, viability of an entity subject to auditing, disclosure in financial statements and the effect of audit firm-size on audit quality. In contrast, the stakeholders' perceptions had differences in term of the effect of audit fees on audit quality.

Regarding the auditor independency and neutrality, it is obvious that the governmental stakeholders perceive that on the association between the auditor and a firm for a long time affects on his independence and neutrality. It could be explained that the governmental stakeholders fear to arise informal relationship in case the external auditor introduces audit services to clients for long time. Several studies stressed on audit tenure which refers to the length of external auditor-client association that might weaken the neutrality of external auditors.

On the other hand, stakeholders perceive that changing the auditor - auditor rotation - after a period of time increases his independence towards the audited firm. However, some respondents, to somewhat disagree with whether auditor tenure and auditor rotation, as they perceive the more auditor-client relationship and the more auditor tenure give and help the external auditor to understand his clients (auditee firms) in the right way, as changing the external auditor to another new one, might not give the auditors sufficient time to be conversant about audited firm transactions.

In addition, respondents perceive that auditor shall not provide advisory services to the audited firm. In spite of the fact that the international audit standard refers that the auditor shall not provide non-audit services to his clients.

Regarding the auditor responsibility in terms of integrity of accounting figures. Even though around three fourth of respondents perceive that whether management has not been overly aggressive in arriving accounting estimates that would impact positively on the financial statements, and management has not been overly aggressive in the application of accounting principles that would impact positively on the financial statements respectively,

there are more or less one fourth of them perceive that there are some of interventions from managements whether in the arriving accounting estimates and the application of accounting principles that would distort the financial statements, which means that the governmental stakeholders and financial statements users' perceive the role of external auditors needs to be more effective to detect that there is no intervention from managements in terms of accounting estimations that would impact positively on the financial statements.

On the other hand, the financial statements' users have been well perceived about the role of the external auditors in terms of the important items that should be disclosed in the financial statements.

Respondents' perceptions in respect to auditor responsibility in terms of going-concern have been scattered and bear some of ambiguity towards the role of external auditor in terms entities going-concern. While most of respondents perceive that the external auditor shall ensure that management of an audited firm prepares its financial statements based on going-concern assumption in the foreseeable future, other respondents to somewhat agree perceive that management of an audited firm prepares its financial statements based on going-concern assumption in the indefinite future. these responses do not match with what is mentioned about the going-concern assumption.

According to IFAC (2016, p. 577) "It's the responsibility of management to assess the company will continue for foreseeable future based on going concern assumption". IAS 577 stipulates that the auditor's responsibilities are to obtain sufficient appropriate audit evidence regarding, and conclude on, the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements.

Indeed, Porter (1993) referred to reasonableness gap, which indicates to the difference between society's expectations of auditors and the duties reasonably expected of auditors. When the society's expectation of auditors exceeds than duties reasonably expected of auditors, it is described as "unreasonable expectations".

The unreasonable expectations emerge when the public in general and financial statements' users in specifically are unaware about the responsibilities and duties of the external auditor. In this case, the respondents who perceive that auditor shall ensure that financial statements are prepared based on going-concern assumption in foreseeable future, their responses are to

somewhat degree the same, when they roughly answered about the same question but in the indefinite future, which means the governmental stakeholders' perceptions (expectations) are unreasonable as they are unaware exactly the essence of IAS 577.

Regarding the auditor's responsibilities in terms of detecting fraud, the paradox is only the in fourth statement "The auditor is not responsible for preventing fraud and error in the audited firm", while half of respondents support this statement, the other half have opposite opinions as they perceive that the auditor is responsible for preventing fraud and errors in audit firm.

Even though, IAS 240 determines the role of the external auditor in terms of detecting fraud in identifying and assessing the risks of material misstatement of the financial statements due to fraud as well as Obtaining sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud (IFAC, 2016, p. 168).

IAS 240 does not stipulate the external auditor to prevent fraud, while half of respondents perceive the external auditor is responsible for preventing fraud, which indicates that there are some of lack of awareness among the financial statements' users towards the external auditors' responsibilities on terms of detecting fraud.

In respect to the disclosure in financial statements, most of respondents perceive that the preparation of financial statements and disclosure about each item in financial statements is the responsibility of an entity's management, as their perceptions support the auditor shall ensure that the change in the application of accounting policies has been disclosed and the reasons for the change in the application of accounting policies have been disclosed. Indeed, these actions must be done by the management, and the role of external auditor shall emphasize that the disclosure for each important item in financial statement is disclosed in rational and systemic manner.

On the other hand, based on the perceptions of governmental stakeholders, it is implied from their responses they affirm that the external auditor has to assess whether the presentation and disclosure are complied with IFRS, to ensure that the entity is fully complied to disclosure requirements according to international financial reporting frame (IFAC, 2016).

In terms of the effect of audit fees on audit quality, it is obvious the governmental stakeholders' responses have been scattered, where a consider percentage of them perceive

that the amount of audit fees does not affect on the quality of audited financial statements. It could be explained that they believe that the external auditors should be conscientious regardless the amount of audit fees. Whereas, the other part of them believe that there is an influence on audit processes.

In general, it could be taking into account that higher audit fees are linked with type of audit firm-size, whether the audit firm is local, regional or international or from big four firms or non-big four. In other words, some companies especially multi-national enterprises are obliged by the mother companies/holdings to appoint an audit firm from the big-four. As known, big four and international audit firms charge their clients higher audit fees than the others. So, it could not be explained that audit fees reflect higher audit quality.

In addition, significant numbers of respondents support that accepting fees less than other audit firms is not considered unethical if it is determined in an objective manner. The objective manner means that the audit firm specifies its audit fees based on audit processes, size of auditee, complexity of operations and type/nature of auditee. In line with that, if audit fees are not determined in objective manner and inadequate, then it poses a threat to subordination of judgment and independence, integrity and objectivity.

Concerning audit firm-size, most of respondents have negative perceptions in terms of the effect of audit firm-size on audit quality. Seems that respondents are still affected by the financial scandals occurred mostly after 2001 starting from Enron. Therefore, respondents neither linked the quality of audit with larger audit firms nor big-four audit firms. respondents have given their expressions based on their experiences in four governmental departments which are considered the most governmental stakeholders that benefit and use the audit financial statements. These perceptions reflect the respondents' evaluations to audited financial statements by local/regional audit firms compared with international/big-four audit firms.

Based on the above mentioned facts, respondents have not supported whether bigger audit firm deliver a higher audit quality than smaller counterparts; the audited financial statements by Big-4 audit firms reflects higher audit quality than non-big 4 audit firms; the bigger audit firms are not concerned in the same way as are smaller counterparts regarding the loss of an audit-client and the bigger audit firm size deliver higher audit quality because they are not afraid to be objective.

What is noticeable that several companies in Jordan like in other countries, especially the multinational enterprises are forced by their mother/holdings companies to appoint the auditors from big-four audit firms.

Other auditees companies appoint external auditors from large and big-four audit firms upon the decision of investors, as they might assume that the audited financial statements by large and big-four audit firms would be more credible as well as type of prestige in front of potential investors, creditors and other stakeholders.

The skepticism and lack of trust among the governmental stakeholders towards the effect of audit firm-size, specifically large and big-four audit firms, could be explained that respondents are not influenced with the aura of *BIG-FOUR* audit firms, and they might either have influenced in financial scandals that led to demise several companies, started in Enron in 2001, and continued until the failure of several companies in the United kingdom such as BHS, AERO inventory and Carillion in 2016, where the common thing among these companies that they were audited by Big-four audit firm, or they (respondents) might found that there are no extra-ordinary audit procedures that have been done by large and big-four audit firms, and then reflected positively on the quality of audited financial statements, in order to make the respondents to have positive perceptions towards the bigger audit firms at the expense of local, mid-tier and smaller audit firms.

The lack of confidence among respondents towards the bigger audit firm-size over two decades, might have motivated these audit firms to be complied with audit standards. Therefore, respondents have expressed that that the degree of audit compliance is correlated to the larger audit firm size, which could be explained that larger audit firms try to change the typical-dark image among different stakeholders, not only depend on its reputations and big names.

The respondents also ranked the seven variables based on its significance and influence. It is obvious that the respondents deemed the auditor's independency and neutrality as the most significant and influential factor among the other factors. It could be explained that they perceive any weakness in auditors' independency and neutrality such as providing non-audit services to their clients would be reflected negatively on their independency and could lead to disregard manipulations by managements in audited firms. In contrast, the respondents deemed that the effect of audit firm-size and audit fees on audit quality in the last two places based on its significance and influence, which means they did not link the

amount of audit fees with audit quality, as they could perceive that the big-four and international audit firms ask higher audit fees more than local audit firms.

In addition, several auditees are subordinates to holding companies outside Jordan, which could be imposed by their mother companies to appoint one of big-four or international audit firms, which means that financial statements' users don't perceive based on their experiences that audit firm-size whether they are big-four and international audit firms have extraordinary work more than non-big four and local audit firms. therefore, they ranked the effect of audit firm-size before the last position.

Finally, it would be better to say that these perceptions reflect the opinions of the governmental stakeholders, represented in four governmental departments, ISTD, ASE, JSC and DSC. As respondents' users of financial statements, their responses could be generalized on the governmental sector, as they are the most important financial statements' users.

Figure 4 shows ranking the variables upon the degree of influence and importance based on the perceptions of governmental stakeholders:

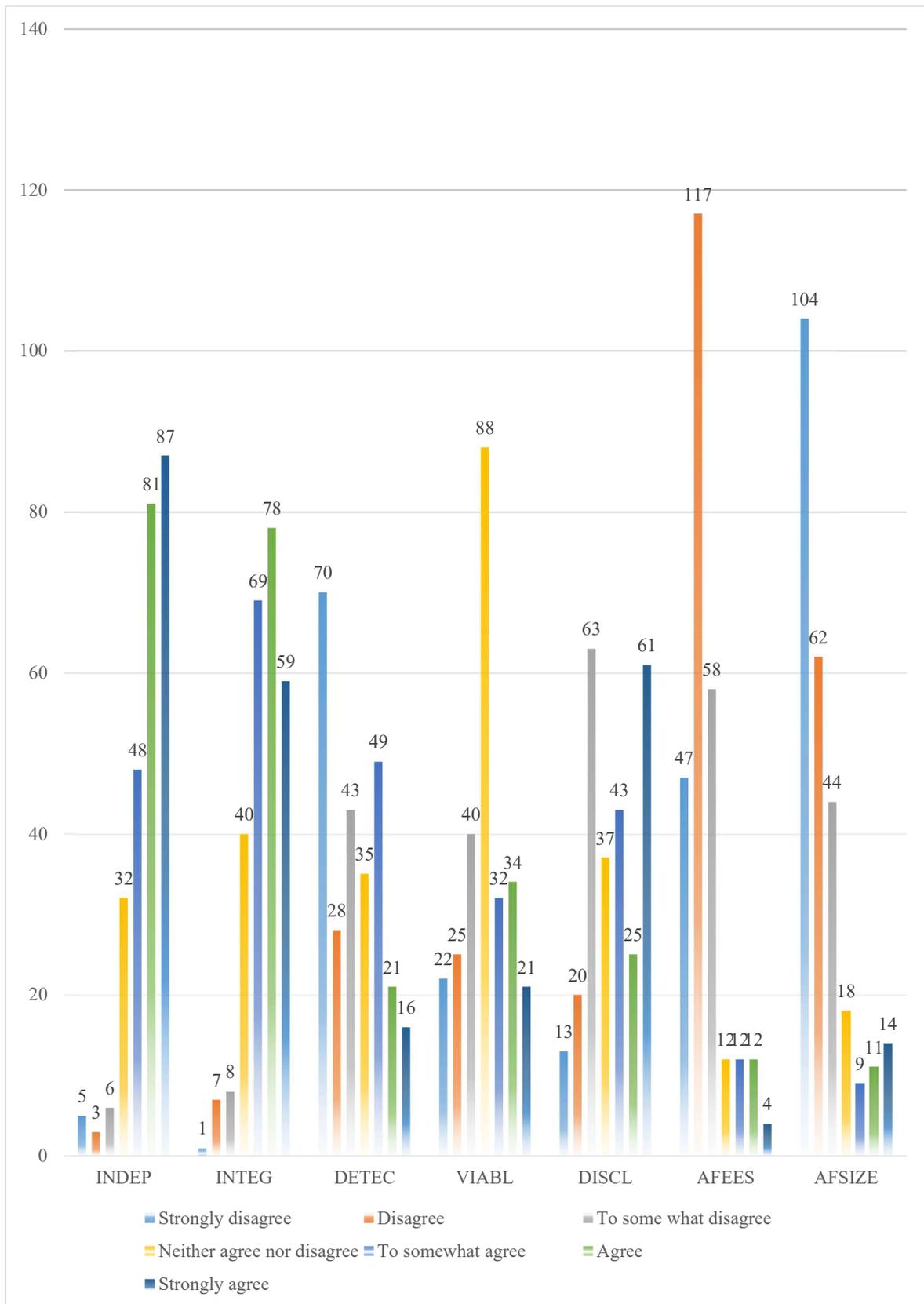


Figure 4: Ranking the variables

Source: Author's own

4.6 New scientific results based on the objectives-hypotheses

This study is the first research in Jordan that highlights on the perceptions of governmental stakeholders towards the external auditors and presents new results as follows:

1. The financial statements' users in governmental sector are realistic in their perception towards the external auditor in terms of the effect of audit fees on audit quality. This means that they did not build their opinions based on "the more audit fees, the more audit quality".
2. In spite of the fact that respondents perceive that there is a significant relationship between audit firm-size and audit quality, but financial statements users are less convinced that big-four audit firms deliver better audit services than non-big four audit firms (the whole hypothesis was rejected and accepted the alternative one, but the sub statements especially that related to big-four audit firms are scattered and distributed between agrees and disagrees perceptions.
3. Respondents ranked the effect of audit firm-size and audit fees in the last two positions as the least influential factors, which confirm what is mentioned in point (2).
4. Respondents show relatively lack of awareness about the role of external auditor in terms of the audited firm will continue as a going concern in the indefinite future.

Table 8 below shows the relationship between each research objective and each hypothesis with new results in Jordan context.

Table 8: Linking between the research objectives and hypotheses with new results

Objectives and hypotheses	Accepted / Rejected	New results
<i>H_{01a}</i> Investigate the perceptions of governmental stakeholders/financial statements' users towards the role of external auditors in terms of independency and neutrality	Rejected	There is a statistically significantly relationship regarding the perceptions of governmental stakeholders towards the external auditor's in terms of independency and neutrality in Jordan
<i>H_{01b}</i> Investigate the perceptions of governmental stakeholders/financial statements' users towards the role of external auditors in terms of integrity of accounting figures	Rejected	There is a statistically significantly relationship regarding the perceptions of governmental stakeholders towards the external auditor's responsibility in terms of Integrity of accounting figures in Jordan
<i>H_{01c}</i> Investigate the perceptions of governmental stakeholders/financial statements' users towards the role of external auditors in terms of viability (going-concern) of the entity	Rejected	There is a statistically significantly relationship regarding the perceptions of governmental stakeholders towards the external auditor's responsibility in terms of viability (going-concern) of an entity in Jordan

Objectives and hypotheses	Accepted / Rejected	New results
<i>H_{01d}</i> Investigate the perceptions of governmental stakeholders/financial statements' users towards the role of external auditors in terms of detecting fraud in financial statements	Rejected	There is a statistically significantly relationship regarding the perceptions of governmental stakeholders towards the external auditor's in terms of detecting fraud in Jordan
<i>H_{01e}</i> Investigate the perceptions of governmental stakeholders/financial statements' users towards the role of external auditors in terms of disclosure in financial statements	Rejected	There is a significantly statistically relationship regarding the perceptions of governmental stakeholders towards the external auditor's responsibility in terms of disclosure in financial statements in Jordan
<i>H₀₂</i> Investigate the perceptions of governmental stakeholders/financial statements' users in terms of the effect of audit firm-size on audit quality	Rejected	There is a statistically significantly relationship regarding the perceptions of governmental stakeholders towards the effect of audit firm- size on audit quality in Jordan

Objectives and hypotheses	Accepted / Rejected	New results
<i>H₀₃</i> Investigate the perceptions of governmental stakeholders/financial statements' users in terms of the effect of audit fees on audit quality	Accepted	There is no statistically significantly relationship regarding the perceptions of governmental stakeholders towards the effect of audit fees and rewards on audit quality in Jordan

Chapter 5: Recommendations and suggestions

This research focused on the perceptions of governmental stakeholders towards the external auditors in Jordan. Those governmental stakeholders are deemed among the most important governmental stakeholders as financial statements' users to audited financial statements.

This research could be applied to investigate the perceptions of financial statements' users from private sector. In private sector, there are several sectors such as banking, insurance, services, industrial companies, investment companies and brokerage. Moreover, the interested research can apply this research on academic instructors/professors to grasp their perceptions about the certified public accountants.

The financial statements' users in private sectors are diverse, such as financial managers, senior accountants, credit officers, internal auditors, financial analysts and even the investors and brokers. Therefore, it may reinforce the results of this research and prior researches in this field as well.

Future researchers would apply this type of research in different contexts in order to come up with new results and make comparisons. Therefore, it is recommended to make these comparisons between financial statements users from the same field (e.g. governmental financial statements users in certain context with the same financial statements' users in another context). Nevertheless, the future researchers can apply this study on the different stakeholders whether from private or public sector and compare it later with other researches in other contexts with different financial statements users.

Future researches would prefer to intense the researches on other variables that might affect on the perceptions of financial statements users. More importantly, they might use other variables as mediate and moderate variables (if needed) that might have an influence on the relationship between the independent and dependent variables.

This type of research could be expanded by collecting data through another instrument such as structured or semi-structured interviews. Moreover, future researchers have the opportunity to apply certain variables in this research based on the financial reports (secondary data) in one sector or different sectors. These variables could be extracted from financial reports such as audit fees, firms' capitals and total assets.

Chapter 6: Summary

This research highlights on the perceptions of governmental stakeholders towards the external auditors in Jordan. The research presents the problem statement and questions in terms of auditor neutrality and independency, auditor responsibility in terms of integrity of accounting figures, auditor responsibility in terms of going-concern, auditor responsibility in terms of detecting fraud, auditor responsibility in terms of disclosure in financial statements, the effect of audit firm-size on audit quality and the effect of audit fees on audit quality.

To implement this research, three main null hypotheses were formulated based on literature review, where the first hypothesis contains five sub hypotheses. The researcher gave a general background about the Jordanian government and Jordan's economy as well. Then, highlighted on development of governmental departments in Jordan, and concentrates on the four governmental departments ISTD, ASE, JSC and SDC.

In literature review chapter, the researcher overviewed the profession of external audit in Jordan, and then presented the main theories that are related to this research such as positive accounting theory, agency theory and stakeholder theory. More importantly, the researcher presented the most relevant literature review from different contexts, and reviewed it in order to develop the hypotheses. Literatures were chosen from different well know databases such as Scopus, Clarivate analytics, Taylor & Francis, Routledge, Emerald, EBSCOhost and other local source.

A survey questionnaire has been designed and distributed in the four departments, where 262 were valid for analysis. Several statistical tests were used to analyze data such as descriptive analysis, Instrument reliability, normality, ANOVA test, Scheffe and Tukey tests. Regression model was formulated contains the seven IVs and its relations with DV. The researcher tested the null hypotheses and found that the relationship between audit fees and audit quality was insignificant.

The researcher found also that the effect of audit firm-size on audit quality was significant as a whole hypotheses, but the perceptions of respondents towards the big-four audit firms and its effect on audit quality (in sub-statement) was questionable, which might represent the status quo towards the big-four audit firms.

Finally yet importantly, the researcher ranked which factor/variable is the most influential factor and which is the least influential factor based on the perceptions of respondents, and found that respondents ranked the auditor independency is the most influential factor, whereas the effect of audit firm-size and audit fees on audit quality were the least influential factors. The researcher came up with some recommendations and suggestions for future researches.

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