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

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Acronyms

ASE	Amman Stock Exchange
AT	Agency Theory
CMA	Certified Management Accountant
CPA	Certified Public Accountant
DV	Dependent Variable
GAAP	Generally Accepted Accounting Principles
GDP	Gross Domestic Product
IACMA	The International Arab Certified Management Accountant
IAS	International Standard on Audit
IESBA	International Ethics Standards Board for Accountants
IFRS	International Financial Reporting Standards
IFRS Expert	International Financial Reporting Standards Expert
ISTD	Income & Sales Tax Department
IV	Independent Variable
JACPA	Jordan Association of Certified Public Accountants
JCPA	Jordan of Certified Public Accountants
JSC	Jordan Securities Commission
MoF	Ministry of Finance
OECD	The Organization for Economic Co-operation and Development
PAT	Positive Accounting Theory
PCAOB	The Public Company Accounting Oversight Board
PGSEA	

PwC	PricewaterhouseCoopers
PPP	Purchasing Power Parity
SDC	Securities Depository Center
SOX	Sarbanes-Oxley Act
ST	Stakeholder Theory
Stat. No.	Statement number
TE	Tax Expert
WTO	The World Trade Organization

Dedication

I dedicate this work to my Father's soul who taught me persistence and hardworking to achieve my goals; and my Mother for her encouragement and prayer for me every time to finalize this thesis.

Special thanks to my sweet Wife for her support, patience, inducement all times and her faith; and I cannot forget my lovely daughters and son Tamara, Leen, Sarah and Kareem who has been giving me a special hope to achieve the success in my life.

I also dedicate this work to my Brothers, Sisters and all my beloved ones.

Abstract

This study aimed to investigate the perceptions of governmental stakeholders towards the external auditors in Jordan context. The governmental stakeholders from income tax and sales department, Amman stock exchange, Jordan securities commission and securities depository center mainly focused on the perceptions of financial statements' users towards the external auditors in terms of auditor's independency and neutrality, auditor's responsibility about the integrity of accounting figures, auditor's responsibility about the viability of an entity subject to auditing, auditor's responsibility in detecting fraud, auditor's responsibility about the disclosure in financial statements, the effect of audit fees on audit quality and the effect of audit firm-size on audit quality.

A questionnaire survey was designed and distributed to 416 respondents, 262 valid responses were returned yield 62 percent. Descriptive analysis, analysis of variance (ANOVA) and multiple linear regression model were used in analyzing data.

The main results indicated that there is a significant statistical relationship regarding the perceptions of the financial statements' users in terms of auditor's independency and neutrality, integrity of accounting figures, viability (going-concern) of an entity, auditor's responsibility in detecting fraud, auditor's responsibility about the disclosure in financial statements and the effect of audit firm-size on audit quality. In contrast, it was found that the perceptions of the financial statements' users in the four governmental department towards the external auditors in terms of the effect of audit fees on audit quality was insignificant relationship.

On the other hand, respondents ranked auditor's independency and neutrality as the most influential factor followed by auditor's responsibility in terms of integrity of accounting figures and disclosure in financial statements, whereas audit firm-size and audit fees were ranked by respondents in the last two places in terms of the degree of significance and influence among the other factors.

Keywords: Auditor's independency, Integrity of accounting figures, Detecting fraud, Viability, Audit fees, Audit firm-size.

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, leaded 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 Arther Anderson lies in two sides. First, Arther Anderson participated in concealing Enron's losses by establishing unreal companies and proclaimed that Enron shares and gets (unreal) profits. Second, Arther 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 leaded to incur losses around 1.5 Billion sterling pounds to one of the most financial institution all over the world: Hong Kong Shangahai 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 amount from its clients, but they failed to spot the fragility of those businesses and its going-concern as well (Sekka, 2019) .

Currently, the accumulation of these financial scandals motivate 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 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
    a. independency and neutrality.

   b. integrity of accounting figures.
   c. Viability (Going concern).
   d. detecting fraud in financial statements.
   e. disclosure in financial statements.
2. What are the perceptions of governmental stakeholders/financial statements' users in terms of the effect of audit fees and remunerations on audit quality?
3. What are the perceptions of governmental stakeholders/financial statements' users in terms of the effect of audit firm-size on audit quality?

This study is the first research in Jordan that highlights on the perceptions of governmental stakeholders towards the external auditors.

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 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 the following:

Figure 1: Research hypotheses

$H_0$1: There is no significant relationship regarding the perceptions of governmental stakeholders towards the external auditor's in terms of:

$H_0$1a Independency and neutrality.

$H_0$1b Integrity of accounting figures.

$H_0$1c Viability (going-concern) of the entity.

$H_0$1d Detecting fraud in financial statements.

$H_0$1e Disclosure in financial statements.

***$H_0$2*:** There is no significant relationship regarding the perceptions of governmental stakeholders in terms of the effect of audit fees on audit quality

$H_0$3: There is no significant relationship regarding the perceptions of governmental stakeholders in terms of the effect of audit firm-size on audit quality

Source: Author's own

1.6 Research Organization

After the current introductory chapter, this study proceeds as follow: chapter two presents an overview of Jordan. It provides a discussion regarding its business and legal environment, developments of the capital market and its ownership structure, accounting and tax regulations, and CG adoption in Jordan. Chapter three displays the theoretical framework of this study. It explains the reasons behind employing Positive Accounting Theory (PAT) and Agency Theory (AT) in the Jordanian context. Chapter four highlights on literature review and hypothesis development. Chapter five focuses on research methodology, sample selection and data collection. Chapter six combines data analysis, results, discussion the main findings and conclusions.

CHAPTER 2: OVERVIEW OF JORDANIAN GOVERNMENTAL DEPARTMENTS

2.1 Introduction

Jordan officially “The Hashemite Kingdome of Jordan”, is an Arab Country located on south western Asia, in the middle of east countries, on the southern part of Levantine region, and northern part of Arab peninsula. It has common borders with Syria from the north, historic Palestine (West Bank and Israel) from the west, Iraq from the east, bordered by the east and south by Saudi Arabia, and overlooking the Gulf of Aqaba in the south-west. The only maritime harbor of Jordan (Information about Jordan, 2015).

It was named Jordan in relation to the Jordan River which runs along its western border. Jordan is a country that combines Arab cultures and dialects remarkably, and is not separated by any natural borders from its Arab neighbors except the Jordan River and the Yarmouk River, which are respectively part of its borders with Palestine and Syria. The rest of the border is an extension of the desert of Sham in the north and east and the desert of influence in the south, Wadi Araba to the south-west. Moreover, The highest mountains in Jordan are the mountains of Ajloun in the north-west, and the mountains of the Shara in the south, the highest peak on Mount Umm al-Dami 1854 meters, and the lowest point in the Dead Sea, which is the lowest point in the world, 408 meters below sea level (Information about Jordan, 2015).

Figure 2: Jordan’s Map

Source: (Sherazade travel & tourism Jordan, 2019)

2.2 General background of Jordan

Jordan's area is 92.300 km^2, population numbering in last census showed 9,531,712 people (estimate 2016). Jordan's capital is Amman located in north central of Jordan, and the most important cities after Amman are Irbid the second largest populated city, Zarqa and Salt (Ghazal, 2016).

Jordan is a Sunni Islam country, practiced by 95% of the population, which is the prevailing religion in Jordan that lives with a Christian minority. Jordan is considered as among the safest of Middle East countries, even after the deteriorating political situations and dictator regimes of the region following the Arab spring in 2010s. Jordan prides on being an oasis of stability in a unsettled region (Dickey, 2013).

Jordanians are joined together as one family, with the different components of the society of various ethnicities and origins coming together in a melting pot that has grown into one uniquely cohesive and united family (The Royal Hashimite Court, 2018).

Jordanians, who represent diverse cultures, are a community characterized by tolerance, cohesion, generosity and acceptance of each other. They believe that hard work and dedication are the means of showing their patriotism, they believe in the search to build their country in spite of the fact various challenges, and they believe that knowledge and education are the pathways to raising their country locally, regionally and internationally. Above all, they look forward to the future with a sense of determination and resolution, taking strength from their faith in God Almighty and in their proud history, heritage and values (The Royal Hashimite Court, 2018).

Jordan was among the establishing member states of the Arab League in 1945. It also joined the United Nations in 1955 (The Royal Hashimite Court, 2018).

The system of government in Jordan is a hereditary parliamentary monarchy. The political and ideological basics of the Jordanian state are founded on Islam, the Constitution as well as the religious and historical legitimacy of the Hashemite leadership. Jordan's Constitution contains the basic rules that outline the shape of the Jordanian state and its system of government, in addition to the jurisdictions of the powers within that system, their duties and their relation to one another. It also specifies the rights and duties of individuals. The Constitution is the highest law of the land in Jordan. Therefore, no piece of legislation can contravene it, be it laws, by-laws or regulations (The Royal Hashimite Court, 2018).

Jordan economy is diversified between trade and finance, it forms one-third of Jordan’s gross domestic product (GDP). Communication and transportation, construction, public utilities, manufacturing and mining are the other main pillars in Jordan’s GDP. Jordan’s GDP-Purchasing power parity (PPP) estimated in 2016 is \$93 Billion, where GDP per capita is \$9,406 in the same year, which were ranked 87th and 86th respectively on all over the world (International Monetary Fund, 2018).

Jordan’s foreign debt reached in 2016 to \$35 billion, representing 93% of its GDP. Jordan is the first Arab country established trade agreement with The United states. Jordan also is a member in The World Trade Organization (WTO). In spite of the fact that Jordan attempts to enlarge the private sector, the state remains the dominant force in economy (OECD, 2016).

2.2 Development of governmental departments

Jordan is divided into 12 governorates, which are divided into districts and sub districts, each of which is headed by a governor appointed by the minister of the interior. Cities and towns each have mayors and partially elected councils (Encyclopedia Britannica, 2018).

The current monarch, Abdullah II, is the head of state, ratify laws and treaties, convene and close legislative sessions, call and postpone elections, dismiss the government and dissolve the parliament. King Abdullah II announced his intentions of turning The Hashemite Kingdome of Jordan into a parliamentary system, where the largest bloc in parliament forms a government, but the development of political parties, curbs such a move (Azzeh, 2016; The Royal Hashimite Court, 2018).

Currently, Jordan government consists of 24 ministries, some of it in charge of other governmental departments. For instance, Ministry of finance (MoF), in addition to its tasks, there are five subordinates’ departments by MoF which are; Jordan Customs, Income and Sales Tax Department, General Supplies Department, General Budget Department, Department of Lands and Survey. Furthermore, there are another type of Governmental agencies (units), which work directly under the umbrella of Jordan Government, such as but not exclusive; Central Bank of Jordan, Civil Service Bureau, Deposit Insurance

Corporation, Amman Stock Exchange, Securities Depository Center and Jordan Securities Commission (e-Government, 2018).

This study will highlight on one governmental department, and three governmental agencies, which are Income and Sales Tax Department, Amman Stock Exchange, Jordan Securities Commission and Securities Depository Center respectively.

2.2.1 Income and Sales Tax Department

The Income and Sales Tax Department (ISTD) was merged in one department, under the modified law of the income tax law and the sales tax law in 2004. The income tax department was working as a division of the Ministry of Finance (MoF). In 1951 it emerged as a financially and administratively independent department. Then, the tax legislations and law have been modifying several times aimed at keeping pace with social and economic developments and treating that gaps that arising as a result of application (ISTD, 2018).

Jordan is considered one of the first countries in Middle East and North Africa (MENA) to introduce the concept of self-assessment, in order to encourage the national economy and stimulate the investment climate and streamline the tax system procedures, through developing the legal framework, reducing the tax burden for low and middle-income citizens (ISTD, 2018).

The sales tax is Jordan is similar to value added tax (VAT) system which is applied all over the world. The application of sales tax began effective on 2001, until it reaches the current form after several amendments in order to attain equality among tax payers, encourage investment and avoid tax duplication. The last modification is based on a set of principles aimed at accomplishing a harmonization among tax legislations. Currently, the ISTD has laws, one for income tax and the other for VAT (ISTD, 2018).

The Department aims to provide the State treasury with revenues and to achieve the following (ISTD, 2018):

1- To manage, verify and collect the tax efficiently and effectively and follow up the procedures related thereto and work to increase the rates of tax compliance and voluntary response of the taxpayers.

2. Developing tax awareness among the taxpayers and informing them of their rights and duties.

3. Reducing tax evasion.

4. Review, evaluate and update tax policy in the field of income tax and VAT.

It is noted that revenues from income tax and VAT in 2015 reached to more than four billion Jordanian Dinar (JD) where tax revenues in 2016 reached to 4,254,443 billion JD with slight increase of 1.5%. than the prior year. More importantly, taxes revenues formed about 68.3% of local revenues (Tax and non-tax revenues) (MoF, 2016). In 2017, Tax revenues have increased of 19.9% than the prior year (Alghad, 2017).

2.2.2 Amman Stock Exchange

Amman Stock Exchange (ASE) was founded in 1999 as an independent non-profit organization authorized to operate as a regulated market for financial securities trading in The Hashemite Kingdom of Jordan (HKJ) (ASE, 2018).

ASE was registered as a public shareholding company wholly owned by the Jordan government in 2017. ASE Company is the real legal successor to the ASE. The Amman Stock Exchange is managed by a Board of Directors consisting of seven members appointed by the cabinet and executive director who manages and follows up the day-to-day operations of the ASE Company (ASE, 2018).

The Amman Stock Exchange Co. aims at practicing all the operations of financial securities, derivatives, operating, managing and developing them inside and outside the Kingdom, and providing the appropriate environment to ensure the interaction of supply and demand forces on traded financial securities according to the sound and fair trading rules, spreading the culture of investment in financial markets and developing knowledge related to financial markets. To perform its objectives, the ASE Co. sets internal regulations, instructions and requirements to manage them and those related to dealing in financial markets according to the best practices worldwide. It can establish and determine the financial indicators of the listed financial securities and make agreements or alliances with other financial markets inside or outside the Kingdom. Moreover, ASE Co. exchanges information with other financial markets, regulatory bodies, governmental and non-governmental authorities, other entities and people inside and outside the Kingdom (ASE, 2018).

2.2.3 Jordan Securities Commission

Jordan Securities Commission (JSC) is linked to the trading system used on Amman Stock Exchange (ASE). This link provides an immediate follow up to all trading operations that take place in the stock exchange in a live and direct manner, enabling JSC to view the details of these transactions. Furthermore, JSC prepares the daily reports, which include trading volumes, fluctuations in share prices, the most trading companies, as well as the details of the large transactions/deals, any trading transactions resulting from the use of material information, and the transactions of brokerage companies in relation to their trades and to their customers. Currently, JSC developing a special system to be able to monitor transactions and details of trading in an instantaneous manner (JSC, 2018).

In addition, a compliance program has been established to ease the adherence with law, regulations, instructions and decisions issued, and to supervise on the entities subject to the JSC in accordance with specific procedures and requirements, as well as specify the penalties against violators (JSC, 2018).

JSC in charge of three main responsibilities. First, enhance disclosure and transparency, where JSC follow up companies in term of compliance with disclosing its business result, semi and annual financial reports, and any facts that could be concerned to investors and interested users. Second, issuing licensing and registration to financial brokerage companies. Third, continuous inspection on financial services firms, to ensure the adherence of financial companies with JSC's laws, by-laws, instructions and regulations (JSC, 2018).

2.2.4 Securities Depository Center

The securities depository center (SDC) of Jordan was founded in 1997. SDC is a public institution with a legal personality and independent financially and administratively. To achieve SDC's operations, it's important to found a depository of authenticated shareholders and central registry side by side a central settlement processes, in order to ensure that all stockholders who of public shareholding companies are maintained in electronic form at SDC. More importantly, SDC in charge of registration of financial securities, transferring the ownership of securities, safekeeping and settlement and clearance of financial securities transactions (SDC, 2018).

CHAPTER 3: LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

3.1 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.

3.2 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).

3.2.1 External auditor

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.

3.2.2 Theoretical Framework

This section proceeds as follows: Sections 3.2.2.1 and 3.2.2.2 reviews the theories employed in this study, Positive Accounting Theory (PAT) and Agency Theory (AT), to explain both audit activities and different monitoring mechanisms that can be used to control these activities.

The theoretical background of any study provides a link between research questions and its findings based on the propositions of the relevant theories. There is, however, no universally agreed theory of financial accounting, due to the diverse perspectives that researchers have about the role of accounting theory in explaining particular phenomena (Deegan, 2014). More specifically, Deegan (2014) debates that while some researchers use accounting theories to prescribe phenomena, others use it to explicate phenomena. As the focus of the current study is to investigate the perceptions of governmental stakeholders towards the external auditors, this study depends on two theories which are relevant to the research questions. The theories are PAT and AT. These theories can support frame questions that examine why external auditors comply (or not) with accounting and audit standards and how these activities can be controlled (Deegan, 2014).

PAT proposes that governmental by-laws and regulations could provide a companies' managers with an incentive to manipulate incomes to avoid the potential losses linked with these regulations (Watts-Zimmerman, 1990). On the other scale, companies adopt several external and internal monitoring mechanisms to control the extreme use of managers' discretion. AT assumes that good governance, mainly the board of trustees and its committees (such as an audit committee), and companies' ownership structure are the most important mechanisms to limit managers' discretion (Anum Mohd Ghazali, 2010) The following section discusses the assumptions of each theory and specifies the applicability of these theories in the Jordanian context.

3.2.2.1 Positive Accounting Theory

Watts and Zimmerman (1990) focused on the application of positive stream of research and improve their theory 'Positive Accounting Theory' (PAT), in order to explicate accounting practices. This theory assumes that people are self-interested and they behave in opportunistic method to maximize their wealth. In contrast, other researchers debate that this opportunistic manner of managers and CEOs lead to intended intervention in financial reporting process to bias profits away from the real earnings that would be reported (Wilson-Wang, 2010). More specifically, according to Godfrey et al. (2010) positive accounting theory is a shift to a new form of empiricism as it seeks to explain and predict the accounting practices being observed, which means that PAT involves empirical hypotheses testing. Furthermore, PAT helps predict the reactions of 'players', such as shareholders and auditors, to the actions of managers and to reported accounting information.

According to Rankin et al. (2012) while normative theory recommends what should happen and prescribe actions to achieve specific objectives, PAT describes, explain or predict activities and help public to understand what happens in the world, and examines a range of relationships between entity and stakeholders such suppliers of equity capital (owners), managerial labor (management) debt capital (debt holders or lenders). As PAT focus on explain activities, PAT theorists explain for example why manager prefer to use double declining balance depreciation method instead of straight-line method and vice versa (Rankin et al., 2012).

Under PAT, there are three sub-hypotheses, the political costs hypothesis, debt covenant hypothesis, the management bonus hypothesis (Watts-Zimmerman, 1990). The following section discusses the three theories with focus on the political cost theory as it is more relevant hypothesis to the current study because governmental departments such as ASE, SEC and ITSD are considered the main governmental stakeholders'/ financial statement users', interested in reported earnings and financial disclosures in Jordanian firms.

1. Political cost theory

This theory takes into account firms' size in its assumptions, it stipulates that large companies are more potential to use accounting methods and choices to reduce its reported incomes, therefore, size is considered a proxy variable for political attention (Watts-

Zimmerman, 1990). Sometimes governmental laws and regulations impose companies to pay unwarranted costs, this leads the companies to manage its earnings to avoid these costs which are associated with these laws and regulations (Deegan, 2014). Another example, when opportunistic managers use certain accounting techniques to show lower profit to avoid the attention of eyes of the government, or when they try to manipulate in firms' earnings by maximizing it in order keep their companies listed in financial market and to maximize their wealth (Deegan, 2014). According to (Scott, 2015, pp. 276-277), the political cost theory states that:

> "The greater the political costs to the firm, the more likely management is to use accounting policies to defer reported earnings from current periods to future periods. This hypothesis brings politics into the choice of accounting policies. Highly profitable firms attract media and consumer attention. This attention can create an increase in taxes and other regulations".

Based on governmental regulations, there are some political costs that might be imposed on the companies such as increased taxes, increased wages claims, and decreased subsides. Therefore, companies are affected by governments, and management adopt ways to reduce political costs such as income-reducing accounting techniques and make voluntary social disclosure (Deegan, 2012).

Based on the above mentioned facts, and to link the application of political cost hypothesis with the external audit, Deegan (2012) determined the role of external auditor in three aspects. First, if managers' remuneration is based on accounting numbers, the external auditor takes a monitoring role. Second, the external auditor judges on the reasonableness of the adopted accounting methods. Third, some researches specifies that the greater the separation between owners and managers, and the greater potential agency costs, the greater the probability that voluntary financial statements would be undertaken.

2. Debt equity hypothesis (debt covenant hypothesis)

This theory proposed that managers might take certain actions that do not always lead to the safeguarding of debtholders' interests (Deegan, 2014). According to Scott (2015, p. 276), The debt covenant hypothesis states that:

> "The closer a firm is to compromising their debt covenants, the more likely management is to use accounting policies that shift reported earnings from

> future periods to the current period. This is because higher net earnings will reduce the probability of technical default on the debts".

Therefore, managers may have the intentions to have better liquidity and financial performance by taking loans from debtholders and invest these amounts in risky projects, and pay fixed interest and principal amount to the debtholders, and at the same time, increase profitability and maximize their wealth through their incentives and remunerations (Deegan, 2014), which means that the higher debt/equity proportion, the more potential that managers will use certain accounting choices and methods to increase companies' profitability and maximize their rewards.

3. Management bonus hypothesis

This theory is similar to debt equity method in some cases, where managers who rely on accounting remunerations based on their firms' financial performance, incline to manipulate in accounting figures to display better financial performance than it should be, such as selecting certain depreciation method in the first years to reduce expenses and increase income, or when the managers shift the reported earnings from the future period to the current period and vice versa for losses (Deegan, 2014).

Scott (2015, p. 276) stated that:

> "The bonus plan hypothesis dictates that managers will use accounting policies that are likely to shift reported earnings from future periods to the current period. This is to maximize their personal compensation as by reporting a high net income, their utility will be maximized through bonuses and incentives".

Deegan (2012) mentioned that the attempts of opportunistic managers to alter earnings either upward or downward will be reduced, if their incentives are fixed, regardless of any increase or decrease in the firms' profits.

3.2.2.2 Agency Theory

Agency theory (AT) is widely used to understand the relationships owners and managers, whereby the principal (owner) employs the services of, and delegates the decision making authority to an agent (Manager) (Rankin et al., 2012). Whereas Godfrey et al. (2010) defines AT is a framework to study the those who provide accounting information (managers) and those who use it (shareholders, stakeholders). More importantly, because the imbalance between data users and data suppliers, there is an existence of risk and uncertainty. On the hand, to the degree market mechanism is inefficient, accounting regulation is required to reduce inequitable and inefficient outcomes (Godfrey et al., 2010). The accounting theorist Deegan (2014) defines AT is a contract between manager and owner, whereby manager work as an agent to owner favor.

Sometimes, the manager works to his own self-interest at the expense of the owner, as the manger has access to information not available to the owner. Thus, this act leads to conflict of interests between principals (owners) and agents (managers) (Deegan, 2014). In order to reduce agency cost, there are several ways align with managers and owners such as: First, monitoring by owners (monitoring costs) such as cost of third party ‘external auditors’, and cost of audit committee. by these costs, stakeholders can restrain the opportunistic managers. Second, bonding by managers (bonding costs) which includes cost of additional information disclosure to stakeholders, whereby managers try to send signals to stakeholders, that they are working in proper way, but these actions will not harm stakeholders’ interests (Deegan, 2014; Rankin et al., 2012). Third, residual loss, which is the difference between the expected value that the owners would receive by maximization their wealth by managers, and what they actually receive (McColgan, 2001).

The concept of AT has been developed, because AT initiated to examine the relationship between principals (owners) and agents (managers), after that AT can be applied to examine the conflict of interest in other contexts between two parties (Jensen, 2005). For example, some researchers examined the conflict of interest by using AT between company and its stakeholders (McColgan, 2001), other researchers have used AT to examine the relationships in other contexts such as: regulators decisions, good governance attributes and ownership structure, and etc. (Saam, 2007). Therefore, the flexibility of AT allows for its application in different non-traditional contexts and settings where the key elements of AT beyond the narrow assumptions implied in agency research (Wiseman et al., 2012).

3.2.2.3 Stakeholder theory

Stakeholder theory (ST) deliberates the relationships that exist between the organisation and its various stakeholders. Stakeholders are “any group or individual who can affect or is affected by the achievements of an organisation’s objectives”. There are two forms of ST:

(1) a normative theory, which is known as the ‘ethical branch’. (2) an empirical theory of management, which is a positive theory (Rankin et al., 2012).

According to Miles (2012), ST argues that there are several important parties of the company includes governmental bodies, political bodies, communities, suppliers, financiers, employees and etc., and not only the owners or shareholders as stipulated in the traditional view .

3.3 Previous Literatures

Several studies were discussed from different contexts and cultures, highlighted on audit expectation gap, and how perceptions were similar or dissimilar from certain point or side. This paper will review and discuss these different studies and highlight on the main reasons that might make differences between auditors and public expectation, in order to come out with finding and recommendation that might help in bridging the gap.

3.3.1 Auditor’s independency and neutrality; and Integrity of accounting figures

According to Sylph (2009), professional accountants and accounting associations need from external auditors and audit environment as a whole, stream of changes. These changes relate to:

- the regulatory environment for financial statements and auditing.
- new standards and code of ethics.
- Responsive to a different of stakeholder requirements and want more and different kinds of reporting and assurance.

These challenges are found in an environment where financial reporting is more complicated than before, responsibility and accountability arrangements are increasingly being made clear in bylaws, laws and regulations concerning to corporate governance (Sylph, 2009).

Increased demands are also being made on directors on boards of corporate entities, who must be able to read and understand financial statements that they assume direct responsibility for. Chief financial officers also bear increased responsibility for preparation of financial information that recognizes the interests of public investors and other key stakeholders (Sylph, 2009).

Pourheydari and Abousaiedi (2011) detected the audit perception gap in Iran between the financial statements users and external auditors, and they used a questionnaire to identify the audit expectation gap in Iran, and the second section in the questionnaire contains three factors, each factor has different semantic perception statements; responsibility (9 belief statements), reliability (6 belief statements) and decision usefulness (3 belief statements). They distributed the questionnaire on 4 groups: Auditors, brokers, creditors and investors and collected the usable responses (94, 31, 56, 23) respectively, which tested by using Kolmogorov-Smirnov test in order to obtain the differences between the four groups. They revealed that there is an audit perceptions gap in certain areas of auditors' duties for fraud detection, the soundness of internal controls and preparation of financial statements. Moreover, they found that there were no changes between the two parties regarding to the reliability and utility of financial reports. The main suggestions to bridge the perception gaps fulfilled through improvement in auditor-user communication in the audit reports and educating financial statements' users on functions and nature of audit process as well.

Dixon et al. (2006) found a proof of an audit perceptions gap in Egypt in the areas of auditor duties to prevent fraud, such as maintenance of financial and accounting reports, and how the auditors using the judgment in selecting samples during the audit processes. They adopted the same questionnaire to collect the data, which was used in several studies such as (Best et al., 2001; Gay et al., 1998; McEnroe-Martens, 2001; Nazri Fadzly-Ahmad, 2004) used the comparative means response. They found that to a lesser extent, an audit expectation gap was existed regarding the reliability of audit and audited financial reports, the usefulness of audit; they suggested that in order to bridge the audit expectation gap and improve decision making by financial reports' users, findings enhance the adoption of the long-form audit report, giving more attention towards the audit framework, strengthening auditor's integrity towards accounting figures , and increasing users' awareness on towards the nature of auditing process. Munir Sidani (2007) Investigated the audit gap between professional accountants and non-accountants in Lebanon. To collect the data, a questionnaire was designed and distributed to 700 respondents, the second part of the questionnaire detected from the audit knowledge and auditors' role. Study found a significant "reasonableness gap" was uncovered in Lebanon. The gap among the auditors' understanding of their career compared with the expectations of others. There is a significant difference in expectations of the role of the auditor regarding with fraud detection; suggested that much more effort needs to be practiced from professional associations and other stakeholders in improving the image of the audit and addressing the different expectations and views towards it.

Haniffa and Hudaib (2007) offer an overview of the types of 'audit expectations gap' that found within several cultural contexts. They investigated if the business and social environment affect the expectations of audit performance of auditors and users. Questionnaire was designed and distributed to 350 respondents and implemented a semi-structured interview with 45 respondents in order to analyze the reasons behind the audit expectation gap, using a five Likert scale. A qualitative approach also used side by side with the quantitative approach (questionnaire) to support the understanding of the reasons of audit expectation gap. Findings indicated that the inclusion of Islamic regulations and principles in auditing standards and the code of conduct would help in bridging the gap in Saudi Arabia. Masoud (2017). Lee et al. (2007) Aimed to examine whether an expectation gap exists in Malaysia among the auditors, auditees and audit beneficiaries in relation to the auditors' duties, analyzed the nature of the gap. The results proved the existence of an audit expectation gap in Malaysia and showed that the auditees and audit beneficiaries placed much higher expectations on the auditors' duties when compared with what auditors have perceived their duties to be. The analysis of the expectation gap indicated the existence of unreasonable expectations of the part of users; deficient standards of auditing in Malaysia; and deficient performance of auditors.

Salehi and Rostami (2009) focused on the concepts and evidences of audit expectation gap, and reviewed a lot of studies from different cultures, data collected through a questionnaire designed and distributed to four groups: auditors, auditees and audit beneficiaries both inside and outside the community. A total of usable 431 questionnaires were received from four groups. Findings revealed that there is a consensus among that the gap arises due to over-perceptions of financial statements' users regarding the duties of the auditor, and lack of knowledge and misunderstanding about auditors' role and responsibilities, made the users to have high expectations. The literature also reveals that educating the public about the objects of an audit, auditors' role and responsibilities will help to narrow the audit expectation gap. Okafor and Otalor (2013) Investigated the role of the audit profession in bridging the audit expectation gap, through questionnaires were used to collect the data. The data generated from 891 respondents were analyzed using descriptive and statistical analysis. The result showed that the public misunderstand of the responsibilities of the auditor and this lack of expertise and knowledge is responsible for unreasonable perceptions of the public towards auditors, where revealed that 67.12% of respondents were actually not aware of what is expected of the auditors. Rehana (2010) Carried out a research to detect whether there is a proof that the provision of auditing subject as part of business degree programs contributes to narrowing that part of the audit expectation gap which results from a misunderstanding of audit regulations, questionnaire was designed based on Likert 7 scale and distributed to 300 students were selected purposively. Results showed that audit education has significant impact in bridging the audit gap. Moreover, the audit gap needs to be addressed from a several perspectives in order to eliminate underprovided performance by external auditors to increase the scope to include reasonable expectations and bridge perceptions where they are considered to be unreasonable. Teo and Cobbin (2005) took the contemporary audit perception gap to find its place in the commercial dynamics in England; and explained that a significant inconsistency of opinions existed on the bench and within the audit profession, causing a disjoint between the bench and the profession. Whereas Ebimobowei (2010) Assessed the main issues and challenges of audit gap through reviewing studies related with audit expectation gap. Therefore, Ebimobowei adopted descriptive approach in the analysis of data, and found that the perception gap arises from a combination of misconceptions and ignorance on the part of users; the complicated nature of auditing function; unreasonable expectations; time lag to respond to the continually changing societal expectations; low audit fee and the practice of 'low balling' and inadequate performance of auditors. Moreover, Study found that the audit expectation gap is a significant issue in societies and that perception of users of financial statements as the responsibilities of auditors and the audit objective is the main cause of the audit expectation gap. Therefore, better communication between the auditors and the society may help reduce the gap, which depends on the design and implementation of appropriate models by the profession to eliminate the gap completely.

Dart and Chandler (2013) examined if the private or institutional investors were perceived the appointment of a former external auditor by an audited company as a threat to the neutrality and independence of the audit firm in order to invest in that or not. Therefore, the study discussed how the external auditors add integrity and credibility to financial information and how to reduce the risk of concealment and manipulation. A regression model was employed to measure the dependent variable which is investors' "perceptions towards auditors' independence". Findings indicated that slight evidence of concern on the part of institutional investors about the risks posed by the external auditors joining former client firms, whereas private investors showed significantly greater levels of concern about issues related to the external auditor neutrality and independence.

Funnell et al. (2016) examines the credibility of performance audit at the micro-level of practice using the general framework of certain theory of source credibility through which credibility is dependent based on perceptions of the external auditors’ independence. Results showed that the criteria of auditor credibility were auditor’ independence, perceived audit usefulness and technical competence. So, any problem in any one of these attributes, limit the honesty and credibility of performance auditing.

Öhman et al. (2006) aimed to describe and analyzed the patterns of Swedish auditors pertaining to the way in which they audit information provided by firms, and potential changes in their responsibilities. An open-ended interview was conducted with eighty-two external auditors. In order to check the stability and validity of the thought patterns of the external auditors, consultations were made by two reference groups consisting of external auditors and experts of the accounting and auditing professions. One dimension was related to the time perspective based on past versus future, and another to auditing practice. Auditors allocate a relatively long time and large efforts to objects that can be satisfactorily verified, but not to objects that they perceive as being of primary importance to investors and other stakeholders. This inconsistency related to auditors’ thought patterns is like to the gap between the external auditors and stakeholders' perceptions of audit.

Other studies in New Zealand and Germany examined the relationship between non-audit services and external auditors’ rotation that affect on their independence (Botes et al., 2013; Quick-Warming-Rasmussen, 2015) and found that auditors’ independence has been increased and need more concerns to ensure the soundness of audit process. Moreover, respondents were conscious were agreed that auditors’ independence must correlate with code of ethics through the audit process. More importantly, respondents were aware about time-period rotation regarding external auditors. Therefore, more than 70% of respondents perceived that auditors’ rotation increased auditors’ independence, and changes in code of ethics which will be reflected positively on the quality of financial statement, level of responsibility and auditors’ credibility with percentages 56%, 66% and 59% respectively (Botes et al., 2013). In contrast, Quick and Warming-Rasmussen (2015) found that non-audit services have negative effect on external auditors’ independence and may form threats on their independence through self-interest, advocacy and self-review. Therefore, European union prohibited the external auditors to offer non-audit services to their clients.

Alexander et al. (2016) examined the auditor's independence towards investment companies, as complying to the independence requirements has been increased. Alexander et al. (2016) found that fund needs to new independent audit firms periodically, and these fund companies have to stop offering ordinary shares until fund companies get an opinion from the external audit firm. Arya and Glover (2014) debated the relationship between external auditors and clients regarding the independence of external auditors. A model was built to attest the relationship between auditors and other accountants and their clients. Study showed that there are several advantages maintain the independence of auditors more than the relationships between other accountants-clients, in terms of the regulations, laws and standards that govern the implementation of audit process.

Church et al. (2014) provide an analysis of studies related to external auditor independence. Researchers discussed some issues surrounding the research designs and methods used in previous works, and showed the relationship between auditors independence and academic research on auditors independence and what are the empirical findings of auditors independence through how that auditors' judgements and decision impacted, and summarized it in term of much evidence suggests that cognitive and motivational biases affect on auditors' independence, and much evidence suggests that biases can affect the audit process negatively (Church et al., 2014).

Kumar et al. (2008) attempt to measure the expectations of Government Linked Companies' shareholders in Malaysia towards provision of non-audit services and its impact on external auditor independence. Moreover, they used the technique of control analysis to measure the risk of impairment of external auditor independence. Survey was used to collect the information from shareholders, the samples covered about 30% of the targeted population and included top management representing Chief Executive Officers, Managing Directors, Financial Controllers, who can respond on behalf of their firms. The main results revealed that the perception of the shareholders shows a high level of risk of impairment of auditor independence for management services. This risk was approximately twice the risk related with human resource services and about five times related with advisory services. This gave significant insights into the shareholders' expectations of the funding bodies, in order to formulate appropriate policies regarding with the regulation of provision non audit services by taking into account the risks arising from non-audit services.

Guénin-Paracini et al. (2015) examined the of auditors' willingness in accordance with professional standards through organizational independence, and auditors' capabilities to act effectively and diligently to detect abnormal materials through operational independence. Study was implemented in the French environment of big 4 companies, based on semi structured interviews and ethnographic data. Evidence suggests that external auditors' operational independence is both unstable and impossible to accomplish through institutional measures alone. External auditors follow to a some of relational strategies that purpose to secure their capability to work with diligence and efficacy, but that can destabilize their willingness to take enforcement action when required. Therefore, audit appears to be a difficult balancing work between capability and willingness. it was shown that because arrangements designed to ensure that operational independence are questionable to be effective, the fact that auditor's independence still highly uncertain and needs to be continually negotiated and renegotiated in the audit process.

Junaidi et al. (2016) aimed to test the effects of external auditor tenure and auditor rotation on an auditor's independence in firms listed on the Indonesia Stock Exchange during the period 2002-2010. This research used descriptive statistics, multicolinearity testing and regression technique. The findings showed that the auditor's tenure has negative effects on the external auditor's independence, measured by the tendency to give a continuity opinion. Furthermore, the findings also showed significant differences between the effects of short- and long-term tenures on the external auditors' independence. More importantly, Auditor rotation has significant positive effects on the auditors' independence.

Lin et al. (2017) demonstrated when and why auditors compromise their independence. Using data from different firms Taiwan economic journal database in order to examine the relationship between auditor independence and client importance. (Lin et al., 2017) used the cubist regression-tree model, as this model could reveal the real relationships between auditor independence and client importance and it's easily intractable to analyze sample data divided into different blocks. The findings showed a positive relationship between auditor independence and client importance when client reports net losses in a certain year. More importantly, finding showed that external auditors permit more important clients to manage their discretionary accruals slightly upward. Thus, may make external auditors impair their independence for clients with certain traits and acceptable levels of audit risk.

Tepalagul and Lin (2015) reviewed literatures related to auditor independence and audit quality, based on the four threats to external auditor independence, which were client importance, client's affiliation with CPA firms, non-audit services and auditor tenure. For each of the four threats, discussed results related to the behavior of the auditor and client, perception, incentives, and the impacts of each threat on perceived and actual quality of financial reports and audit process. The main conclusion showed that inconclusive evidence with recent changes in external audit profession provides opportunities for further studies on external auditor independence and audit quality matters.

Sinha and Hunt (2013) provided additional evidence on the unstable question of external auditor independence: "*Does the provision of non-audit services by an auditor compromise independence resulting in a poor quality audit?*". Researchers examined whether these results different across the Big five public accounting firms. In this study, a non-parametric approach was used. Data were collected from a sample of 500 companies for the year 2000 and found that companies whose auditors provide important non-audit services tend to have a higher propensity to violate Generally Accepted Accounting Principles GAAP. More importantly, it was found that these findings are more likely driven by few of the Big five public accounting firms, while the other firms, the relationship between non-audit services and quality of audit could not be recognized, because sample size was small and lack of power. Other results provide evidence that offering non-audit services create conflict of interest arising from poor quality audits.

Romero (2010) highlighted and discussed the problems of external auditor independence that arise by external auditors being appointed and paid by companies, and by Sarbanes Oxley Act requiring rotation of only the lead audit partner. The study discussed the Sarbanes Oxley Act that introduced rules to avoid external auditor independence impairment, as there are still issues that are not satisfactorily solved, discovering alternatives to overcome the mentioned issues of independence. Findings presented an alternative through increase in the quality control function of the board, an increase in the training of participating external auditors, and an increase of auditor independence by external auditors not being hired and paid by the company.

On the other hand, Lin et al. (2014) found that the dual audit which was conducted by unaffiliated external auditors make the financial reporting more conservative. Mostafa Mohamed and Hussien Habib (2013) discussed the lack of auditors' independency in Egyptian context and found that the poor structure of companies in Egypt, which means that most companies' shareholders are the mangers, which enhances the relationship between external auditor-client, and deteriorates the auditors' independency.

Svanberg and Öhman (2016) Focused on the influence of audit company ethical culture on external auditor objectivity and addressed how causes of constrained external auditor objectivity positioned on auditors' financial incentives and long audit tenure, and. A questionnaire was designed and distributed, responses of 281 external auditors were collected and ANOVA used to compute the differences between respondents. The results indicated that external auditors were more likely to make objective judgments in ethical cultures described by the rewarding of ethical behavior and punishment of unethical behavior, noticeable ethical leadership and dominance of ethical norms. Furthermore, evidence indicated that external auditors in audit companies with a high ethical culture are more likely to sustain auditor objectivity than are auditors in low ethical cultures. Thus, audit companies should promote a robust ethical culture to decrease the risk of constrained auditor judgment.

Wendy (2008) examined whether the repetition effect bias and its impact on auditor judgments. repeated statements would be perceived to have higher validity than single exposure to the same statement, potentially weakening judgments, including audit opinions and thereby undermining audit quality. Results indicated that external auditors were not found to exhibit a repetition effect, however differences did happen in their judgments owing to both the nature and number of explanations considered.

Jayalakshmy et al. (2005) highlighted the pressures that the auditors would encounter in the era of globalisation and the challenges they should be willing to accept in order to maintain trust and integrity. The study take into account audit fraud, true and fair view interpretation, auditor independence. Results indicated to a wide range of interpretation has been given by different groups on their understanding of the term "true and fair". This has created great confusion as to the interpretation of the audit reports and had been proven by the fall of many multinationals and the big audit pioneers such Andersen. Therefor, professionalism should be in the forefront, and an overhaul in the concept of "true and fair" might be the solution to harmonisation of the economy.

Habib and Islam (2007) referred that large firms and firms that buy more non-audit services effect on Auditor's independence in Bangladesh. Whereas, Zhang and Emanuel (2008) used a sample of 528 firms in New Zealand to investigate the relationship between the provision of non-audit services and Auditors' independence, and found that there was not a negative relationship between them, which attributed to litigation risk and reputational fines that maintain the profession of external audit in New Zealand.

Bloomfield and Shackman (2008) provided an empirical evidence of the impact of non-audit services and external auditor characteristics on auditor independence as well, through testing the association of non-audit services fees to the occurrence of financial statement restatements. Moreover, the study tested whether firms that restate the financial statements have higher levels of total service fees or higher levels of non-audit services fees than non-restatement firms. The study used corrected sample of 476 firms out of 500, analyzed data by using prohibit-multiple regression, and revealed that inadequate evidence to affirm the relationship that firms with higher not-audit services fees are more expected to restate earnings.

Peter Chi-Wan and Pang (2017) examined the perceptions of investors towards external auditors. A questionnaire was designed and focused on six dimensions: external auditor-client relationship, size of audit firm, competition between external auditors for audit clients, working regulations, auditor tenure, audit fees and audit tenure. The questionnaire was distributed by email to 2000 investors and certified auditors, 364 and 329 were returned from respondents respectively and analyzed through multiple regression model for various groups. It was found that the longer-auditor tenure was the strongest factor that decreased the external auditors' independency.

Based on the above-mentioned literatures, the sub-hypotheses can be formulated as follows:

$H_0$1a: *There is no significant relationship regarding the perceptions of governmental stakeholders towards the external auditor's in terms of independency and neutrality.*

$H_0$1b: *There is no significant relationship regarding the perceptions of governmental stakeholders towards the external auditor's in terms of integrity of accounting figures.*

3.3.2 Auditor's responsibility in terms of an entity going concern, detecting fraud and disclosure in financial statements.

Lee et al. (2009) detected the causes of the audit perceptions gap in Malaysia. Semi-structured interviews with 35 users were conducted. Questions in the interview schedule were deliberately open-ended to enable interviewees to express their understanding in their own words. Lee et al. (2009) revealed that the causes of the audit perceptions gap in Malaysia are sophisticated. They arise from a combination of misconceptions or misunderstanding on the part of financial statements' users, the nature of the audit profession, unreasonable perceptions, inappropriate regulations and legislations, and low-performance by auditors due to reasons such as low balling and unreasonable audit fees. Azham et al. (2008) detected whether training programs could bridge the audit gap in Malaysia. (Azham et al., 2008) used a pre-post questionnaire, the findings showed a significant change in their expectations after the training program. Moreover, findings showed a significant difference in their expectations after the internship. However, differences in their perceptions might not guarantee a training program as a mean of bridging the audit gap, as misunderstanding regarding the responsibilities of auditors for fraud preventing and detecting are still existent among respondents. Nevertheless, training can still be used to complement audit education as it is an epitome method to expose students to practical and professional issues and enables them to have a better knowledge of the performance and responsibilities of auditors. Hodge et al. (2009) tested whether assurance, assurance level and type assurance between accountants versus specialists' effect on financial statements users' expectations of reliability of sustainability reports. They depend on a questionnaire and found that the assurance increases perceived reliability of the social information. They didn't find significant effects for the level of assurance and kind of assurance practitioner. Moreover, they found a significant interaction between two experimental factors and report users' expectations of reliability of such reports. More importantly, financial statement users give more trust in sustainability reports when the level of assurance is rational, and when comparing the provided assurance by a top accountancy firm, with the assurance provided by a consultant or specialist.

Essays (2018), explained the reasons that the auditors may fail to recognize red flags through audit process such as: more reliance on customer representations, lack of consciousness or recognition of a notable condition indicating fraud, lack of expertise and experience; relationships with customers and failure to brainstorm possible fraud plans and scenarios, and unwillingness to know.

What is more, there are two factors that may affect on the audit gap, the auditor's ability to investigate fraud, and the auditor's efforts to detect it. An auditor may have the skills to detect fraud but may choose to take shortcuts or discard clear signs of possible fraud. Or, an auditor may use a different techniques, but lack the experience to discover the red flags (Essays, 2018). Moreover, auditors must develop the necessary skills to investigate fraud and have enough knowledge of regulations and procedures in order to know what is required during an audit.

Porter et al. (2009) conducted a research to ascertain the nature, composition and extent of the audit perception-performance gap in the UK and NZ in 2008; they identified and explained the differences in the nature, composition and extent of the audit perception-performance gap. They detected how financial statements' users are capable to understand the messages conveyed in a standard unqualified auditor's report. The survey instrument in 2008 included fifty-five responsibilities which hover over three factors; whether responsibility is an existing of auditors, how it's fulfilled and if the responsibility of external auditors only. Although the nature, structure and composition of the audit perception-performance gap in the United Kingdome and New Zealand in 2008 were the same, the study found the gap was importantly larger in NZ than in the UK. This finding varies from that in 1999 when the extent of the gap in the two countries was found to be essentially the same. They suggested that the difference in change in the audit performance gap results from differences in the observing of external auditors' performance in UK and NZ and/or may from greater publicity given to corporate, and financial reporting issues with audit suggestions and recommendations in the United Kingdome. More importantly, financial statements users were not capable to understand the audit profession and auditors' responsibilities in spite of the fact that they read/used the long form audit report which were delivered by external auditors.

Another study conducted by Porter and Gowthorpe (2004) to investigate the audit performance gap and audit reasonableness gab in both of united Kingdome and New Zealand. Study was conducted by through mail survey, depends firstly on previous researches where applied in the two countries and comparing the both two gaps with current situation and make comparison between UK and NZ as well. Porter and Gowthorpe (2004) Found that the performance gap was reduced as a result of improvement the quality control of external auditors' work by the professional bodies in both countries and improvement audit standards. Moreover, authors came up with some of important recommendations that may contribute in reducing the audit performance gap such as: continued, strengthened and observing of Auditors' performance; improve the quality control in audit companies; enhance further education of external auditors is required. On the hand, they found that reasonableness gap increased more and more in both countries as the public expect the external auditors to guarantee that financial statements are completely accurate.

Best et al. (2001) aimed to measure the level and nature of audit expectation gap in Singapore, their motivation for achieving this study was attributed to lack of in research this field. Three dimensions were detected in this study; auditors' responsibility, reliability and decision usefulness. A questionnaire was used to collect data from three groups, auditors, investors and bankers, 100 questionnaires for each group. Findings revealed that proof of an audit gap regarding with auditor's responsibility for fraud detection and prevention, maintenance of accounting records, auditor's independency of the entity, and auditors' judgment regarding with selection of audit procedures. Findings support the adoption of the long-form audit report in order to reduce the audit expectation gap and help financial statement users in their decision making.

Ojo (2006); Teck Heang et al. (2009) discussed the definition of the audit expectation gap, its component and the historical background of audit gap. In order to answer the question whether the audit expectation gap is a myth or real, Ojo (2006) concluded that financial information's users should aware the role external auditors in verifying financial statements and providing an opinion depend on much judgment. Therefore, the lack of knowledge of financial information's users towards the role of external auditors creates the concept of unreasonableness gap. Whereas, Taebi Noghondari and Foong (2013) implicated to train loan officers in Malaysian commercial banks through in-house training programs, in order to increase their awareness and enhance their knowledge towards the role of external auditors. AICPA (1993) defined the audit expectation gap as follow:

> The difference between: (1) what the public and financial statement users believe the responsibilities of auditors to be and (2) what auditors believe their responsibilities are.

Accordingly, Ojo (2006) considered reasonable perceptions of the public users could be performed through increasing education and knowledge of the public users regarding the role of auditors and audit standards pertaining to his role. More importantly, Public users' education regarding the role of auditor could be simplified through events that hold annually, such as shareholders' meetings which are organized for the purposes of cultivating users about financial information.

Ruhnke and Schmidt (2014) sought to analyze causes of the audit expectation gap as well as the influence of proposed changes to the current statutory audit system. The study used an approach allows to attribute the audit expectation gap under the current system to a failure of the public, the standards-setters, or the external auditors. A questionnaire survey conducted in 2011 in Germany, distributed on internal and external stakeholders in addition to external auditors. Findings indicated that the public have exaggerated perceptions of auditors' responsibilities. More importantly, it was found that the gap was not related only to the public's difficulty in assessing the performance of auditors, but also to deficiencies in auditors' performance. Furthermore, the study revealed that that external auditors were not fully conscious of their responsibilities. Therefore, the solution for this issue through increasing the information content of the audit opinion expected to narrow the gap, mandatory rotation and a prohibition of non-audit services, might narrow the gap. The study showed that the audit gap is by its nature a persistent phenomenon including social aspects and dealing with changing in some of accounting requirements, such as considering the uncertainties in accounting estimates.

Chaffey et al. (2011) aimed to evaluate teaching practices, subjects and techniques that might be of value to future audit professionals in New Zealand context. The analysis was uniquely from the perspective of the professional members who are most likely to benefit from students' experiences. Literature was used to identify questions, and a survey of 360 professional auditors in New Zealand, a total to 130 responses were received. Cross-tap, Kruskal Wallis and regression were used. An analysis revealed that professionals were concerned with communication, small business engagements and the relationships between. Moreover, auditors from small firm demonstrated a greater interest in skills and procedures, probably a reflection on their own limited training budgets for new staff, and their involvement in the sorts of industries that would require such services. Therefore, differences in respondents' preferences appear to align more with their personal experiences. Respondents who were senior in their audit firms are interested in staff who can reflect on a wide range of issues and with vast experiences.

Mansur and Tangl (2018a) conducted a review research highlighted on the possibilities to bridge the audit expectation gap between different stakeholders and external auditors. The researchers reviewed several publications and reports related to audit stakeholders' perceptions towards the certified public accountants and audit expectation gap. They concluded that through training and exert more efforts by certified public accountants and increase the awareness of financial statements' users towards the role of certified public accountants; audit expectation gap could be bridged. More importantly, the researchers concluded that the audit expectation gap between external auditors and stakeholders could be shortened, but not eliminated completely.

Taebi Noghondari and Foong (2013) investigated the effects of individual experience and knowledge on the audit perceptions gap of credit officers in Malaysian banking sector, and its subsequent effect on decision quality. Researchers implemented structured questionnaire were designed and distributed to more than 320 credit officers in the four biggest banks in Malaysia, where 212 usable questionnaires were analyzed using a six-point Likert scale, AMOS 18 software was used to analyze the collected data. The main results indicate that experience and knowledge factors could significantly mitigate the audit perception gap. Moreover, the audit perception gap is existent to adversely affect the loan decision quality.

Wolf et al. (1999) discussed the concept of expectation gap and its related issues, and state that the in-charge associations and professions have to exert efforts to increase the awareness of users to the nature of the audit process. Authors proposed two parts strategy that impact structural change of the auditor-client environment. Part one strategy called for more involvement of regulators in requiring auditors' rotation and selecting the auditors. Whereas Part two of the strategy proposed certain instrument such as audit failure permits and audit disaster futures, in order to treat with any audit risk that could be existence in the market.

Nazri Fadzly and Ahmad (2004) aimed at detecting the existence of an audit gap in Malaysia. Their study was motivated as a result of lack of researches after the demise of Enron and Andersen scandals. They used a methodology of two parts, based on methods related to audit perceptions related used in previous studies of Monroe and Woodliff; and Schelluch. In the first part, they purposed to obtain an evidence of the perception gap, through using survey questionnaires to accumulate 398 respondents' perceptions from different groups such as brokers, auditors, investors, bankers and experimental about the audit profession. About 65% of respondents had more than 5 years' experience. Whereas in the second part used a controlled experiment on investors to study the impact of reading material on respondents' perceptions. Findings indicated a wide perception gaps and misunderstanding about audit profession in Malaysia. Moreover, they found that the effectiveness of educate users through reading materials and brochures about the auditors' responsibility may useful to change some of respondents' misconceptions and misunderstanding but it's insufficient.

Stirbu (2010) conducted a study in Romania, to investigate if the external auditors are responsible for detecting fraud in Romanian firms. In order to implement this research, a questionnaire was adopted from previous study after some modifications, based on 5 Likert scale. Responses were taken from 213 respondents divided on three groups, Auditors, managers and bankers. Findings showed that about 63% of respondents perceived that fraud is the main concern in Romania, which was attributed to the lack to confidence in Romanian environment. More importantly that more than 37% of respondents perceived that external auditor is responsible of preventing fraud.

Salehi and Azary (2009) aimed to determine the audit expectation gap between auditors and bankers regarding auditor's responsibility as the other parties expect external auditors credible in their judge and responsible in detecting fraud. They used questionnaire based on Five Likert scale includes 13 statements on the fraud and audit responsibilities regarding to illegal actions; 227 and 261 questionnaires were collected from auditors and bankers respectively. In order to test the existence of audit expectation gap between the auditors and bankers, Mann-Whitney U test was employed. Results indicated that there was a significant gap between auditors and bankers regarding auditor's responsibilities to detect fraud and illegal actions. More importantly, bankers were unaware of audit procedures, and they perceived that external auditor responsible about preventing fraud and any illegal actions as its part from auditors' responsibility. The main conclusion was that bankers have reasonableness perception towards auditors as Iranian regulations limit auditor's responsibility to detect fraud and illegal actions.

Mansur and Tangl (2018b) investigated the perceptions of credit officers in Jordanian commercial banks towards auditors, they applied semi-structured interviews. The researchers found that there is a high perceptions of credit managers towards the external auditors in term of auditors' neutrality and independency, and auditors' responsibility in evaluating firms' going concern.

Salem (2012) focused on the role of auditor to prevent or detect fraud, based on the management to improve sufficient accounting systems with suitable internal controls. Study discussed the different sides of financial fraud and revealed that because of the use of more accounting systems and developed technologies; the amount of fraud that is discovered started to have declined. More importantly, auditors have limited legal knowledge and do not have an appropriate training to detect all illegal activities. Whereas Alleyne et al. (2010) aimed to discover perceptions of fraud detection techniques in the stock cycle in Barbados. The study examined the perceived efficacy of audit procedures and the effect of auditor's experience on selecting audit procedures as well; Through a five point Likert scale questionnaire was adopted from another study implemented in New Zealand, Alleyne et al. (2010) selected a sample from 64 external auditors, using means, standards deviations and T-test value, found that there was a moderate to high degree of efficacy of audit procedures regarding the role of external auditors in detecting fraud. Moreover, they found that external auditors from big firms reported higher means for audit procedure than another prior study which attributed to either external auditor in Barbados were well organized in their audit profession, or they had a high confidence towards the adopted audit procedures. Nonetheless, they found that there was a disparate relationship between fraud detection and external auditors' experiences.

Kassem (2012) aimed to detect auditors' knowledge regarding earnings management in order to enable them in how to differentiate between financial reporting fraud and earnings management. Therefore, the study based on secondary data obtained from electronic resources. The study suggested a new approach for external auditors that might help them. The new approach calls for the importance of considering management's motives which is the main driver for all fraudulent activities. The study recommended that external auditors should have to view auditing in terms of the audit of motivations. Moreover, setters of audit standards should provide auditors with more guidelines respect with the audit of management's motives.

Kassem and Higson (2012) depended on a review study that investigated the reasons behind the audit expectation gap and assessed the efforts of standards' setters and auditors to bridge the gap pertaining to fraud detection. Study found that there are three reasons stand behinds the audit expectation gap. First, public and financial statements' users need to increase their awareness towards the role of external auditor and the essence of auditing profession. Second, the limitations in audit standards might increase the audit expectation gap or keep it existence. Third, the external auditors may not exert the sufficient efforts detect the concealments and misstatements which arise from fraud. More importantly, it's pertaining to standards' setters; study found that standards provide little guidance for external auditors on how to respond to the increase of fraud risk elements which might lead to an ineffective fraud risk response. Moreover, the standards did not necessitate all procedures to be followed but only suggested that external auditors consider implementing them which makes inconsistency in the audit procedures used by diverse audit firms in response to these fraud risk elements.

Ismail and Sobhy (2009) purposed to constitute and test a framework of factors that might affect auditors' perceptions of the work required to audit internet-based financial reports . a questionnaire was conducted on external auditors from audit firms in Egyptian context in 2007 to examine their perceptions of the work needed to audit internet-based financial reports and factors that might affect their perceptions. The study provided an evidence of a significant association between auditors' perceptions of the work needed to audit internet-based financial reports and the following elements such as, auditors' knowledge of inherent risks of internet reporting, quality systems, audit tenure, legal form of client, client industry group, user needs of financial information, and legislation environment.

Based on the above-mentioned literatures, the sub-hypotheses can be formulated as follows:

$H_0$1c: *There is no significant relationship regarding the perceptions of governmental stakeholders towards the external auditor's in terms of going concern of the entity.*

$H_0$1d: *There is no significant relationship regarding the perceptions of governmental stakeholders towards the external auditor's in terms of detecting fraud in the financial statements.*

$H_0$1e: *There is no significant relationship regarding the perceptions of governmental stakeholders towards the external auditor's in terms of disclosure in financial statements.*

3.3.3 Audit firm-size and audit fees

Samelson et al. (2006) examined the effect of audit firm size on the perceptions of financial managers regarding with audit quality and satisfaction. A survey was conducted included 302 financial managers, where questions covered certain dimensions of audit profession such as professionalism, auditor' expertise, responsiveness to client, the capability to understand client systems and examine of internal controls with perceived audit quality. The main findings referred to in spite of the fact clients were charged extra audit fees by big 5 audit firms, the audit quality was not associated with higher levels of clients' perceptions or increase their satisfaction.

Abedalqader Al-Thuneibat et al. (2011) analyzed the impact of the length of the audit firm-client relationship and audit firm size on audit quality in Jordan. Authors used the quadratic form approach. Study community includes all firms listed in Amman Stock Exchange (ASE) during the years 2002-2006. Results showed that audit firm tenure influences the audit quality negatively. More importantly, the extension of audit firm tenure leads to deterioration in audit quality. Results showed also that the audit firm size has no significant effect on the relationship between audit firm tenure and audit quality. Moreover, when the external auditor independence and audit quality are enhanced, the rotation among audit firms should be opened to new external auditors to detect the client with greater audit.

Al-shushairi (2017) examined the reality of audit quality in the Iraqi audit firms, through assessing the factors that affect on audit quality. Therefore, the study aimed to discover the reality of audit quality in various local audit firms, and to determine strengths and weaknesses points and essential requirements to improve the audit quality in Iraqi environment. Questionnaire was designed and administered to collect data. Study sample represents the community of local Iraqi audit firms in order to assess the reality of (10) factors believed that it has effect on audit quality, and concluded that there was a big weakness of audit quality in Iraqi audit firms, attributed into two factors which was low level of audit firm size and lack of integrated system and procedures.

Bills et al. (2016) examined the benefits of membership in an accounting firm associations and alliance. Researchers expected that there are a lot of benefits will be reflected on accounting firms such as a higher-quality audits. Researchers used hand-collected data on association membership, as well as using audit firm size- samples, two-stage squares regression, and found that association member firms lead to a higher-quality audits than non-member firms. Moreover, it was found that audit fees are higher for clients of member firms than for clients of non-member firms., it was found that members audit firms are similar of audit quality to Big-4 audit firms even though its size are lesser than Big-4, but member firm clients pay lower audit fees than do Big-4 clients.

Chuntao et al. (2008) examined the relation between audit firm size and the issuing of modified views in China using a data set of external audit firms through testing the hypothesis pertaining with Larger audit firms supply higher quality audits than smaller audit firms. The researchers built a regression model, where data obtained from 1016 companies. finding indicated that larger audit firms tend to issue more modified opinions than smaller audit firms.

Other studies agreed that the audit size firms has significantly positive relationship with audit quality, as they provided highrer quality of audit which will be reflected on quality of audit reports (Behn et al., 2008; Chi et al., 2009; Eshleman-Guo, 2014; Skinner-Srinivasan, 2012).

Other opinions showed a negative relationship between the choices of one of Big 4 audit firms and the audit quality after Enron scandal. Moreover, the reputation of Big 4 audit firms was discredited after Enron scandal and other financial crises (Azibi et al., 2011; Barton, 2005; Broye-Weill, 2008; Healy-Palepu, 2003; Krishnamurthy et al., 2002, 2006).

Eilifsen and Knivsflå (2016) detected from non-audit services provided by large external auditors in Norway and the sample consisted from the listed companies in Oslo stock exchange from 1999 to 2013. The study used regression model in order to demonstrate the effect of audit firm size is mixed and dependent on the provision of non-audit services. When the provision of non-audit services are moderate, large external audit firms provide better accruals quality around large equity matters relative to smaller external audit firms.

Geiger and Rama (2006) tested the relationship between big 4 audit firms and audit quality through examination the audit errors which pertaining to going concern and unmodified opinions pertaining to bankrupt clients. Regression model was used to explain the probability, compact disclosure security exchange commission (SEC) was used to identify the first going concern modified reports and 710 bankrupt company were selected to test the Results showed that the types of errors for big four audit firms are lower than other non-big four audit firm significantly.

Haron et al. (2016) tested audit firm size, the provision of non-audit services and audit tenure as elements that affect the likelihood that an auditor agrees with allowing audit exemption. External auditors were asked to evaluate 8 scenarios, where 79 questionnaires were used for data analysis. Linear Measurement was used to analyze the data. The main findings indicated that an audit firm size has a significant influence on the possibility that the auditors agree to offer non-audit services. The larger size of audit firm, the greater of offering with non-audit services.

Jong-Hag et al. (2010) examined how the size of a local office/firm is an important and measured the relationship between audit quality and audit fees with audit firm size. using all firms listed in the Audit database for the period from 2000 to 2005. A sample was selected from 963 audit office, the firm size was measured based on the number of clients for each firm and based on audit fees as well, where audit quality was measured based on unsigned abnormal accruals. Findings showed that there was positive relationship between the office size with audit quality and audit fees, where large local audit offices/firms were able to charge much more audit fees to their clients than small ones.

McGowan et al. (2014) aimed to investigate the relationship between audit firm size (Big 4 and non-Big 4) and audit quality for nonprofit hospitals in united states of America. A regression model was used, where data collected of 950 audit reports for 311 non-profit hospitals during the period 2007-2011. Findings indicated dissimilarities between audit firms, where non-Big 4 external auditors more likely to report internal control deficiencies than audit firms from Big 4.

Thoopsamut and Jaikengkit (2009) examined the relationship between audit firm size, earning management and audit committee for the listed companies in Thailand. Data were collected and analyzed from 457 companies using multiple regression, and it was found that there was a negative relationship between quarterly earning management and audit committee tenure. In contrast, it was found that the relationship was insignificant between audit firm size and earning management.

Bloomfield and Shackman (2008) examined the relationship between the audit firm size and the audit firm industry specialization to financial statement restatements and found stronger and more decisive evidence of a negative relationship to audit firm industry specialization and a strong positive relationship to Big 5 external audit firms.

Kaawaase et al. (2016) purposed to figure out the reasons that influence on the quality of audit in developing countries. Based on qualitative and quantitative data collected from auditors, credit officers and board members, it was that there were audit quality comprising of level of discretionary accruals, regulations and laws, accepted compliance of audited accounts based on accounting standards. More importantly, there was no significant differences regarding audit quality between big four and the other small and medium audit firms.

Another study highlighted on the perceptions of 78 junior-level of external auditors regarding audit quality indicators pertaining to audit process and audit professionals. Data were collected through a questionnaire, and found that the quality of audit were influenced by several factors such as audit firm size and audit experience (Brown et al., 2016).

Yang and Sung (2017) examined the effect governmental intervention in the Chinese context, as the government recommended the clients to give the priority to the big four audit firms as well as the large local Chinese audit firms in implementing audit work, it was found that in spite of the fact that the audit fees for big four audit firms and large Chinese audit firms increased after the governmental intervention, but the positive effect of audit fees on the audit quality has been decreased.

Vuniarti (2011) examined the relationship between the audit size firm and audit fees, and the quality of audit report in Indonesia. It was taken the certified public accountant CPA in this study, using T-Test, F-Test and simultaneous test and individual test as well. It was found that the relationship between audit size firm and CPA audit firms, and audit quality was insignificant.

findings in other studies are consistent with larger audit firms offering higher quality audits, Pertaining to issue going-concern audit reports, and findings are strong to extensive controls for client risk factors and to controls for auditor characteristics (Francis, 2004; Francis-Wang, 2008; Francis-Yu, 2009; Lawrence et al., 2011).

Alexeyeva and Svanström (2015) detected from audit and non-audit fees during the global financial crises in the period 2006-2011. The study sample consisted of 196 company listed in OMX Stockholm, used two regression model, focused on the control variables such as: firm size, complexity, external auditor size, auditor tenure, auditor reporting lag, two external auditors signs and report lags and the characteristics of in charge auditor. The study found that the audit fees for audit services after the global financial crises was higher the before the crisis period, which was attributed to the external auditors who had better negotiation with their clients to charge and extra fees, and in order to compensate the higher audit risk as well.

Carmona et al. (2015) investigated if the provision of non-audit service by audit firms weaken the quality of audit. The study tested the relationship between the provision of non-audit services such as offering consultation by external auditors to their clients. SURE regression model was used to examine the relationship, and it was found that the provision of consult services was uncompromised, which means that putting extra fees for non-audit services was not necessary to influence on the quality of audit.

Ebrahim (2010) aimed to give more details about the influence of Sarbanes-Oxley act on the extra audit fees and audit tenure in the united states market between the period 2000-2006. The study applied regression model and t-test for the mean differences of audit fees, and found that companies with lower than 75 million market capital were less comply with SOX act than companies that have higher market capital regarding with the audit fees, and These findings were agreed with Hoffman and Nagy (2017) who investigated whether non-accelerated filers companies (small reporting companies) obtained a discount regarding the audit fees, and found that there were positive relationship between audit fees and non-accelerated filer companies pre-exemption period.

Fafatas and Jialin Sun (2010) examined the relationship between audit fees and big four audit firms across the sample which were taken from nine emerging markets, consisted of 483 clients, data were analyzed by multivariate regression model. The study found that there was a relative size among big four external audit firms differs dramatically across the sample in the nine emerging markets as compared to the united states audit market. Moreover, findings showed that Big Four auditors with a prevailing position in these nine emerging markets earn an extra audit fees of approximately 27% compared to other big four audit firms, which could be attributed to that Big Four audit firms build a high quality reputations and distinguish them from their competitors.

Jung et al. (2016) examined the relationship between audit fees and the quality of audit after the adoption of international financial reporting standards in South Korea. Data were collected during the period 2008-2013, where linear regression model was used to analyze the association between the abnormal amount of audit fees and audit quality. The study found that there was insignificant relationship between the abnormal amount of audit fees and the quality of audit before the adoption of international financial reporting standards. Nonetheless, this relationship turned to be positive between the audit fees and amount of discretionary accruals after the adoption of international financial reporting standards.

Hoitash et al. (2007) investigated the relationship between the amount fees and audit quality during the period 200-2003, by using external auditor's profitability as a proxy of auditor's independence, assumed that there are two factors influence on auditor's independence, exerting effort and adjusted audit fees. The study applied used the standard deviation of residual from regression and the absolute value of performance to evaluate audit quality found that there was insignificant relationship between the two factors of audit quality and total fees.

Farag and Elias (2011) examined the auditor-client relationship regarding with the loyalty. It investigated the relationship between audit fees and auditor loyalty. whether clients paying less audit fees relative to other companies in same industries are more likely to be loyal to their auditors. The regression model was used to compare loyal client and the finding showed that there was positive relationship between the audit fees and clients' loyalty to their external auditors. More importantly, analysis showed that the loyalty of clients who pay higher audit fees are more influenced by increases in audit fees relative to same clients in their industry.

Mohammad Rezaei and Mohd-Saleh (2017) examined the influence of auditor switching on audit fee discounting in Iranian context. It was expected that fee discounting is the key reason of switching external auditor. A sample of 1,022 firm were selected between the period 2001 and 2010. The multivariate regression model used and revealed that 14 percent of fee discounting was the main reason of external auditor switching. More importantly, the finding showed that 13% and 18% of fees discounting during the initial year attributed to two reasons; firstly, change from one private external auditor to another, secondly, change from state auditors to private external auditors.

Salehi et al. (2017) examined the relationship between pressure on audit fees and audit quality during the sanction period in Iran. A sample of 104 companies was selected, and hypotheses were tested using logistic regression model. results indicated that there was a positive relationship between the pressure on audit fees and the quality of audit during the sanction period, whereas there was negative relationship between them prior and after sanction period.

Gonthier-Besacier and Schatt (2007) searched about the most effective factors that influence on the audit fees in French context. Where the disclosure about the audit fees became compulsory in France since 2003. A sample of 127 firms were selected, and it was found that firm size, firm risk and when a firm decides to assign the audit services of only one big four audit firms considered the most influence factors on audit fees.

Mitra et al. (2009) examined the relationship between audit fees and the quality of reported earnings during the period 2000-2005. A sample of 1142 were selected, results showed that the audit fees were associated with increasing in earnings quality especially after Sarbanes-Oxley act.

De Villiers et al. (2013) discussed the relationship from another perspective by examining the relationship between external audit fees and the adherence of internal audit, in order to know if the higher or lower external audit fees have an effect on the adherence of internal audit. Data were collected from the annual reports and 229 internal auditors in United Kingdom. The study found there is a positive relationship between external audit fees and budget for internal auditors.

A review research based on 26 empirical studies was conducted in order to identify the adoption of international financial standards (IFRS) on external audit fees, audit report lag, audit market and the effect of auditor choice on international financial reporting standards (IFRS) compliance. The study found that the adoption of IFRS was linked with the increase in audit fees, increase external audit report lag, an influence on external auditor choice and auditor switching, and finally auditor type (Khlif-Achek, 2016).

Study was applied in china to examine the relationship between external audit fees and external auditors with IFRS international financial reporting standards (IFRS) experience through a sample of 4129 were selected from listed companies in Chinese stock exchanges. the study found the external auditors with IFRS experience charged more audit fees in the first years of adoption. More importantly, it was found that the premium external audit fees charged by the external auditors are more independent of the degree of modifications in the financial reporting of their clients (Lin-Yen, 2016).

Fleming et al. (2014) examined the relationship between audit fees and auditor specialization through selecting a sample of 1006 industrial companies, used least square regression method. The study found that there was a negative relationship between audit fees and auditor specialization in the first year of Sarbanes-Oxley act. L. Nagy (2014) examined the effect partner specialization on audit fees in united states market and found positive relationship between the audit partner and office level specialization on audit fees.

Dao and Pham (2014) aimed to discover the influence of auditor industry specialization on the association between audit report lag and auditor tenure over the period 2008-2010 by selecting a sample of 7291 firms. The study revealed that auditor industry specialization weakened the positive association auditor report lag and auditor tenure.

A research was applied on United Kingdom companies between the period 2005-2011 to examine if the premium or extra audit fees charged by Big-four audit firms on their clients would be reflected positively on audit quality. Univariate and multivariate regression was used to any analyze data, and it was found that there was no significant relationship between premium audit fees and audit quality (Campa, 2013).

Scott and Gist (2013) debated if the audit clients pay higher or lower audit fees to external auditors who are specialized in their industry after Andersen demise. Therefore, the study focused on the influence of industry specialization on the competitive pricing of audit clients. The study found that many clients failed in their negotiation to pay lower fees, and clients who engaged with industry specialist paid more than 23 % premium external audit fees.

Waresul Karim and Hasan (2012) analyzed the external audit services over 14 years to explore the trend of audit fees in Bangladesh and examined the effect of inside ownership of the audited companies as a determinant of external audit fees. Multivariate analysis was used to estimate the audit fees against client characteristics. Finding showed that the inside ownership influence negatively on the external audit fees. More importantly, size of clients and companies work in financial sector have significant influence on the audit fees. Nelson and Mohamed-Rusdi (2015) reached to opposite result of (Waresul Karim-Hasan, 2012) regarding the effect of ownership structure in the audited companies on audit fees in Malaysian context, as study showed that foreign and government ownership structures had a significant effect on external audit fees, except the managerial ownership which had negative effect with audit fees.

Peel and Roberts (2003) highlighted on the determinants of audit fees of micro-firms in the United Kingdom manufacturing sector. A key finding was that in the highly competitive market, independent small companies willingly paid a premium to be audited by medium or big audit firms. It was concluded that these findings are consistent with big audit firms and to a lesser degree with mid-tier audit firms. Moreover, it was noticed that external auditors commanding a premium emerging from the highly perceptions of auditees that big external auditors provide a higher quality, for which small audited companies are willing to pay a premium audit fees in order to benefit from reputational, associated and signaling effects.

Boo and Sharma (2008) examined the influence of corporate governance structure on audit fees in banking sector. A sample of listed banks in united stated were used and analyzed through least square regression model and found that no significant relationship between corporate ownership structure and audit fees.

Another research conducted in The United States, examined the relationship between three proxies for overvaluation equities and audit fees. The study used a standard external audit fee regression model incorporating proxies for overvalued equities and other determinants of audit fees. Three proxies for overvaluation are used in this paper. Results showed that clients pay higher audit fees for external auditors because overvaluation equities increase the audit risk (Habib et al., 2013).

Leventis and Caramanis (2005) used audit time as a proxy to measure audit quality. The study used the actual audit hours for corporate audit to come up with the ratio and found that the actual audit hour has a positive correlation with the firm size.

Tagesson and Öhman (2015) investigated the relationship between auditor competence, audit fees and audit firm in Sweden, respectively. Data based on annual reports for 2,547 limited companies that went bankrupt in 2010 in the wake of the financial crisis. The results indicated that Swedish external auditors rarely issue going concern warnings. Furthermore, it was found a positive relationship between audit fee level and the probability of issuing going concern warnings, and Big 4 auditors being more probable to issue such warnings than other local external auditors.

Other researches encompassed that audit firms became more conservative after Enron scandal and issued a reasonable percentage of going-concern modifications to their companies (Dorothy-J., 2013; E., 2007; J., 2011; Walter-Pauline, 2007)

Sikka et al. (2009) stimulated discussion about auditing practices, founded a theory of auditing to place questions about the auditing model, concepts of audit quality and the probability that some transactions cannot be audited in the traditional way. The study found that the traditional concept of audit quality is incomplete, as there were a lot of financial transactions might be not capable of being audited in the conventional way.

McEnroe et al. (2017) based on some users of the financial statements, such investors, do not consider the unqualified opinion to be very useful in providing other informational value about the particular audit. Thus, the study examined the views of the US financial reporting system and external auditors in large audit firms and Financial Officers in the Fortune 1000 and elicited their perceptions in order to know if the auditor require to evaluate information other than the audited financial statements such as a material inconsistency, a material misstatement of fact, to mention both in the auditor's report. The results indicated that a majority of externals auditors and financial officers believed that a proposed standard would increase audit costs, subject both the external auditor and the reporting firm to increased litigation risk, and that its implementation costs by affected firms would exceed any benefits to financial statement users created by the standard.

Harold et al. (2010) discussed to what extent external auditors comply with auditing standards once they confront fraud and whether compliance is associated with particular fraud attributes such as material versus immaterial fraud, management versus employee fraud, statutory versus voluntary audit and internal fraud versus external, as well as with auditors' experiences and audit firm attributes (non-big 4 agains big 4. The study also aimed to provide evidence on the role of external auditors in redressing fraud. Redress means to the auditee taking measures to abolish the consequences of the fraud, and to preclude any repetition of fraud. To collect data on the role of auditors in fraud cases, a survey was conducted among all external audit partners of the top 30 Dutch audit copmapines. 326 questionnaires werere turned. Results revealed that auditors fail to comply with some significant elements of fraud standards. There are substantial differences among external audit firms to comply with the pertinent auditing standards. Moreover, External auditors appear to encounter corporate fraud only incidentally. About half of the auditors believe they have a “significant” impact on redressing fraud.

Rabih (2017) purposed to investigate factors leading to dysfunctional behavior as the role of external auditors has been under scrutiny during recent accounting scandals as well as the external auditors, among other parties, are sometimes to be blamed as a result of economic crisis periods. The study highlighted certain external auditors’ behavior leading to dysfunctional acts. A survey was made up of statements extracted from the performance appraisal templates used at the Big 4 firms in the United Kingdom. Big 4 auditors are expected to be under pressure more than non-Big 4 auditors. The sample was categorized into non-experienced and experienced auditors to highlight any changes in the perception of dysfunctional behavior when the experience factor exists. Results indicated that certain performance evaluation procedures are leading to dysfunctional acts. Therefore, external audit firms should develop other evaluation methods and procedures that should serve their goals without pushing the external auditors for dysfunctional behavior.

Based on the above-mentioned literatures, the two hypotheses can be formulated as follows:

***$H_0$2*:** There is no significant relationship regarding the perceptions of governmental stakeholders in terms of the effect of audit fees on audit quality.

$H_0$3: There is no significant relationship regarding the perceptions of governmental stakeholders in terms of the effect of audit firm-size on audit quality

3.4 Chapter summary

The second part of this chapter (3.2) highlighted on the audit profession in Jordan, discussed the main tasks of JACPA, and the requirements to be a licensee external auditor JCPA in Jordan, highlighted on the role of external auditor and the proxies that may affect on the audit quality, and highlighted and discussed the most important theories that are related to this study, such as PAT, AT and ST. In scientific research, each study has to be linked with appropriate theory/s associated with the its subject. This study focused on three theories such as PAT, because it is convenient with empirical research and give more description and explanation and doesn't satisfy with prescription and 'what should be' such as in normative theory. PAT with its three hypotheses, with more concentration on political cost hypothesis as it takes into account governmental regulations, companies and the role of external auditor.

AT discusses the relationship between two parties such as principals and agents, and how this theory converts or move to treat the relationship between other two parties. Thus, this research takes into consideration the relationship between governmental stakeholders and external auditors. So, the application of AT suits with this study.

ST theory deals with the relationship between organizations and its stakeholders, As the current study highlights on three governmental departments/ bodies, which considered as stakeholders to Jordanian companies in term of its audit financial statements and other matters, this theory is convenient to this research.

The third part in this chapter, reviewing the previous literatures that discussed and addressed the audit expectation gap, and highlighted on this gap from the point of views of different financial statements users', such as the investors whether individuals or investing firms, financial managers and professional accountants, credit officers in commercial banks and financial institutions, professional academics and professors who conducts the accounting and audit courses at universities and academic institutions, researchers who were interested to highlight on the most challenges and problems that confront the profession of external audit.

Other previous studies focused on the perceptions of external auditors themselves, about their expectations towards financial statements' users in term of the existence of audit gap and what are the reasons that create like this gap between stakeholders and financial statements users', and the profession of external audit.

Studies highlighted on Sabanes-Oxley Act (SOX Act), especially after Enron scandal and other financial crises, where fingered to external auditors and the profession of audit profession as a whole.

Finally yet importantly, several studies took into consideration the impact of corporate governance on earning management and other financial issues in different contexts, and addressed how the role of auditing should be increased in order to enhance the control of corporations for the benefit of all stakeholders and society generally.

According to these facts, this research will address towards other stakeholders who depend mostly on the audited financial statements in order to implement their work, which means that it is necessary to give their perceptions more attention towards the external auditors. Therefore, hypotheses will be developed to cover the study area and the three research questions.

The first hypothesis $\boldsymbol{H_0 1}$ consists of five sub-hypotheses take into account the five independent variables related to auditor's responsibilities which are: independency and neutrality, integrity of accounting figures, going concern, detecting fraud and disclosure in financial statements.

The second hypothesis $\boldsymbol{H_0 2}$ highlights on the audit fees and the third one $\boldsymbol{H_0 3}$ focuses on the audit firm-size and their effects on the perceptions of governmental stakeholders in term of quality of audited financial statements.

CHAPTER 4: RESEARCH METHODOLOGY

4.1 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 usage for each.

Figure 3: Statistical tests and the purpose of usage

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

Source: Author's own

4.2 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.

4.3 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.

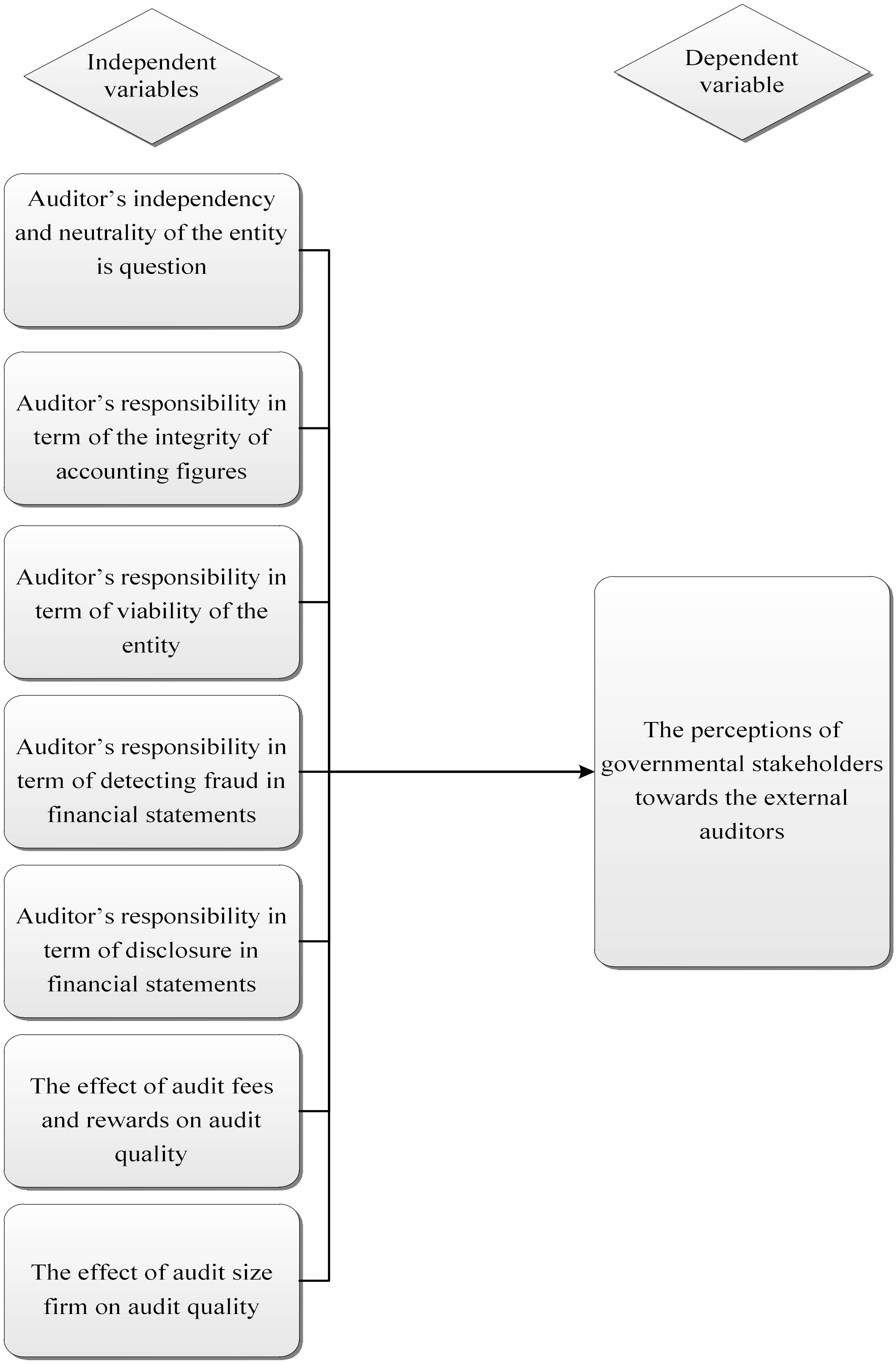
In this questionnaire, seventh scale is used. Therefore, the measurement mean is 4.

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.

4.4 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 4: Variables design - Independent Variables (IV) and Dependent Variable (DV)



Source: Author's own

4.4.1 Dependent variable

In this study, the dependent variable is the perceptions of governmental stakeholders towards the external auditors. Stakeholders are defined "clients, employees, investors, etc., who are involved in a certain business and has an interest in its success" (Cabridge Dictionary, 2018).

As the perceptions of stakeholders and financial statements' users have been linked with the quality of audited financial statements, the DV in this research would be measured by taking the most influencial dimensions that can impress on the perceptions of governmental stakeholders towards the external auditors (Al-Khaddash et al., 2013; Dunakhir, 2016; Hosseinniakani et al., 2014). These factors are:

- Auditor reputation

Hogan (1997) mentioned that the reputation cost in the larger audit firms are higher than the smaller ones. Therefore, the reputation of larger audit firms is much higher than the smaller ones. Dunakhir (2016) believes that reputation is the standing of the external auditor in the market. Al-Khaddash et al. (2013) refer that the reputation is founded over the time by introducing high-quality services. Lennox (1999) believe that the larger audit firms, with more reputation, are more likely and capable to issue accurate audit reports.

- Auditor tenure

According to Junaidi et al. (2016), Auditor tenure means the length of relationship period between external auditor and client, measured in years.

- Auditor competency

Dunakhir (2016) summarized auditor competency in assurance which refers to the processes that are used by external auditor to assure a high level of audit quality (assurance); auditor's capabilities which refer to the abilities that are used by external auditor to conduct the audit process with high level of professional standards and auditor reputation itself. Other studies defined the audit competency as auditor's qualifications and proficiency (Al-Khaddash et al., 2013).

- Industry expertise

Industry expertise or sometimes it's called auditor's specialization means that likelihood of external auditor to have well-expertise in certain industry (e.g. banking, insurance, etc…), will enable him to discover errors and misstatements that might happen in financial statements (Arruñada, 2000). Therefore, the certified public accountants' specialization in certain industry lead to a higher level technical information and technical competence (Hammersley, 2006).

- Audit firm size

Several studies proposed that the larger audit firm size have better audit quality and better perceptions from the perspective of financial statements' stakeholders (Geiger-Rama, 2006; Jong-Hag et al., 2010; Lawrence et al., 2011). Nonetheless, after the collapse of Enron and other companies, beliefs were somehow changed regarding their perceptions towards the certified public accountants, as the main accusations of most of these scandals referred to the larger audit firm size (Francis, 2004; Khurana-Raman, 2004).

- Non-audit service

Non-audit services mean services that are not involving in the audit process of a company's financial statements such as introducing consultations to the audited company by an external auditor who implements the audit work. It is a debate if the non-audit service weakens the independency of external auditors (DeFond et al., 2002). After the collapse of Enron, SOX act prohibited certified public accountants to provide non-audit service to their clients as it impairs their independency and neutrality (Sarbanes, 2002).

- Audit fees

Sarbanes (2002) stressed on the audit fees that should be linked with audit services. Therefore, (Eikner et al., n.d.) found that audit fees increased after the implementation of SOX act due to the new requirements for testing the internal control by certified public accountants. In all cases, there is a debate regarding audit fees, while some authors and researchers consider the relationship between the audit fees and audit quality is positive (Francis, 2004), other studies found that the larger audit fees may affect negatively on the quality of audit reports (Hoitash et al., 2007) and the external auditor independence could be threatened strongly by the larger audit fees (Kinney-Libby, 2002).

As shown in figure 5, it explains the main dimensions that may impress on the perceptions of governmental stakeholders towards the external auditors

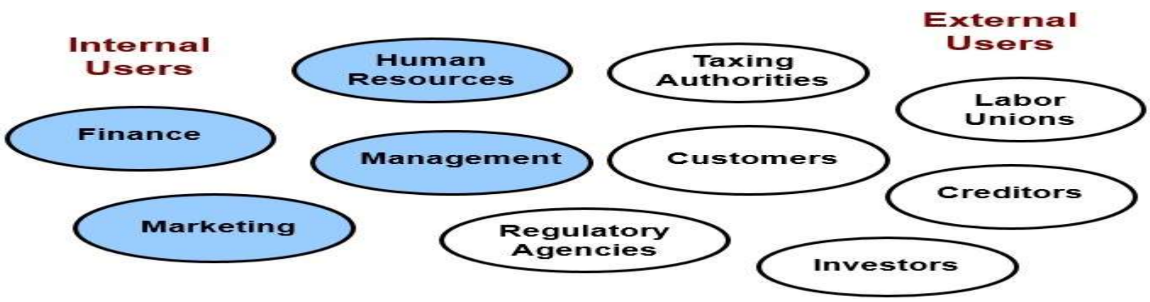
Figure 5: The influencing dimensions on the perceptions of governmental stakeholders

Source: Author's own

Governmental departments (ITSD, ASE, JSC and SDC) in this study are the ones which are considered among financial statements' users for several reasons explained mainly in chapter two, and they are integral part of internal and external financial statements' users. ITSD is mainly concerns in three types of business proprietorship, partnership and corporate, whereas ASE and JSC take into account corporate business only. Furthermore, in chapter three ST discussed several important parties of firms such as governmental bodies, political bodies, communities, suppliers and financiers as well.

Figure 6 demonstrates some of internal and external financial statements' users.

Figure 6: Users of financial statements - Internal & external

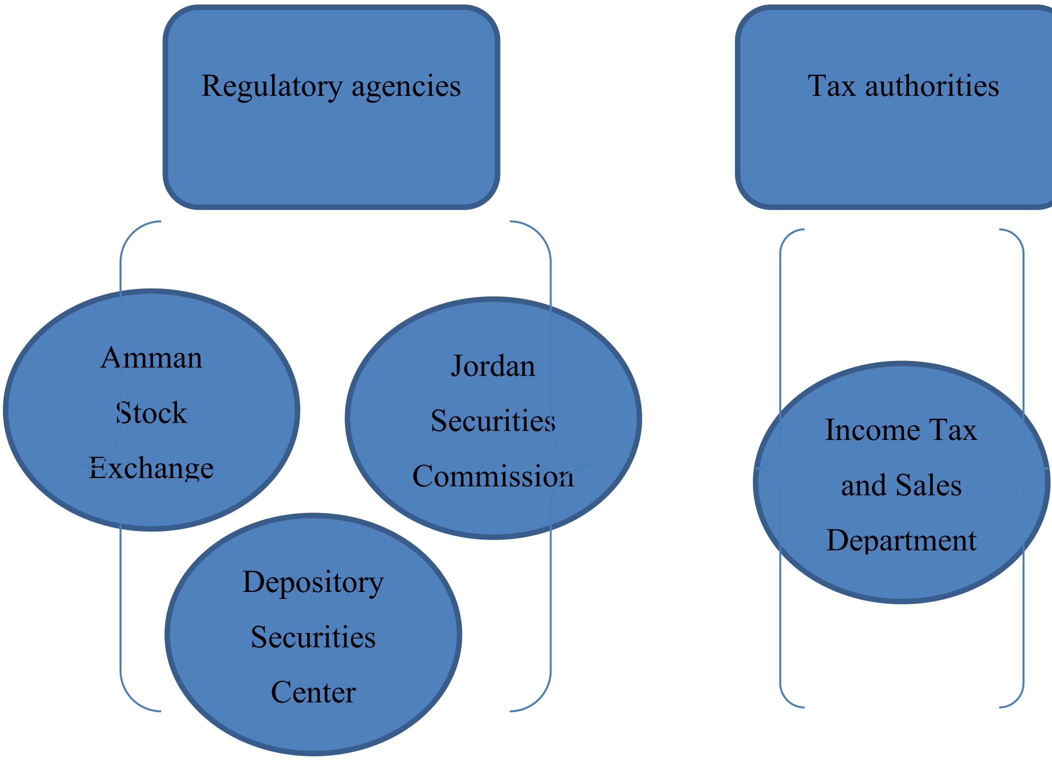


Source: (Wedgandt et al., 2015)

As shown in figure 6, tax authorities are one of the most important parties concerns in audited financial statements. Furthermore, ASE, JSC and SDC are considered parties in regulatory agencies.

In figure 7, it shows the tax authorities and regulatory agencies in Jordan that were taken in research

Figure 7: The governmental stakeholders in Jordan



Source: Author's own

International Federation of Accountants IFAC (2012) defines the public interest as "The net benefits derived for, and procedural rigor employed on behalf of, all society in relation to any action, decision or policy. This definition can be readily applied to the accountancy profession and its responsibilities to the public. One can reasonably assert that some groups of the public, e.g., investors, employees, or other stakeholders may, due to their proximity to a particular institution, be more impacted by the work of accountants than others. However, the implications of the work of the accountancy profession the level of public confidence can affect the public on a much wider scale".

IFAC (2012) considers that the "public" includes the widest possible scope of society: for example, individuals and groups sharing a marketplace for goods and services (including those provided by government), as well as those seeking sustainable living standards and environmental quality, for themselves and future generations. This includes:

- Investors, shareholders, and business owners of public and private institutions, This encompasses all parties whose resources and well-being depend upon the performance of such institutions. These parties rely upon sound financial information to make decisions about the allocation of their resources. This not only includes investors, but also employees and those who have pensions and other vested interests tied to the performance of such institutions.
- Consumers and suppliers, This encompasses all parties who are affected by the costs, quality, and availability of goods and services. Consumers and suppliers ultimately bear the impact of financial decision makers (and those who advise them). The quality of financial information and decision making impacts the efficiency of resource management, which in turn impacts goods and services produced.
- Taxpayers, electorates, and citizens, This encompasses all parties who are impacted by the work of public sector accounting professionals, who facilitate financial information, make financial decisions, and advise policymakers and elected officials. These include immediate short-term impacts, as well as medium and longer-term considerations and matters of sustainability. The efficient management of public resources (e.g. tax revenues, public properties, governmental organizations, infrastructure, and other resources) affects their costs, quality, and availability and, through these, society as a whole.

Although the impact of the work of the accountancy profession differs among these groups, there is a fundamental obligation for the profession to act in the public interest regardless of its proximity to these different groups.

Audit expectation gap contains two types (Porter-Gowthorpe, 2004):

1. The reasonableness gap: which is the gap between what public expects of external auditors and what external auditors can reasonably be expected to accomplish.
2. The performance gap: The gap between what public can reasonably expect of external auditors and what it perceives they deliver.

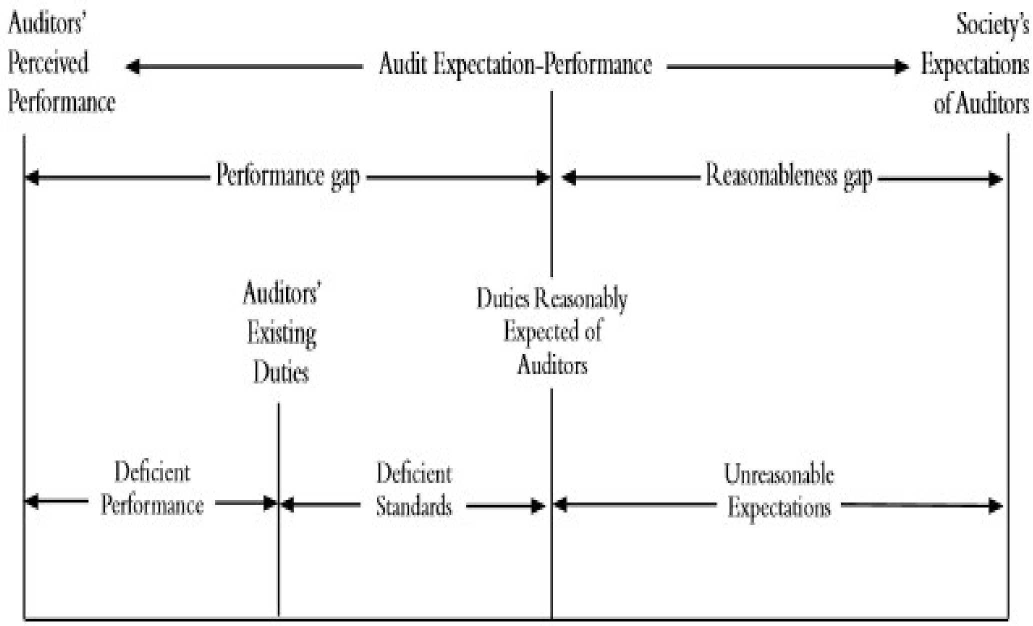
This gap subdivided into:

a. The deficient standards gap: This gap appears between the responsibilities public reasonably expects external auditors to accomplish and auditors' actual responsibilities as defined by regulations and professional promulgations;

b. The deficient performance gap: This gap appears between the expected standard of performance of external auditors accomplishing these responsibilities and auditors' actual performance of these duties.

As shown in figure 8, Porter and Gowthorpe demonstrated the audit expectation-performance gap:

Figure 8: Audit expectation-performance gap



Source: (Porter-Gowthorpe, 2004)

As this study focuses on the perceptions of financial statements' users in governmental sector towards the external auditors, it is very important to demonstrates the concept of perceptions or expectations as mentioned in a lot of previous literatures, and to highlight on some of Accounting/Audit terminologies that are related to the current study such as expectation gap, or audit gap, or audit expectation gap, where all of them lead to the same meaning.

AICPA (1993) referred to audit expectation gap as the difference between what the financial statements' users and public perceive external auditors are responsible for and what external auditors perceive their responsibilities are.

Porter and Gowthorpe (2004) defines audit expectation performance gap as the difference between societies' perceptions of external auditors and what external auditors themselves perceived performance.

Fazal (2016) defines the expectation gap in audit “the difference in perceptions of financial statements’ users and the auditor’s perceptions pertaining to audited financial statements.

According to McEnroe et al. (2017) defines audit gap as the difference between what financial statements’ users assume about audited financial statements and the auditors’ responsibilities and objectives with regards to those statements.

4.4.2 Independent variables

In this section, there are seven Independent variables (IVs), and it should be linked each IV literally with its definition based on audit standards. Moreover, the researcher highlights on the meaning of these IVs based on some previous literatures, books and specialized websites.

4.4.2.1 Auditor’s independency and neutrality

Public’s perceptions always give a high value to the audit profession and build their expectations on auditor’s independency. Therefore, AICPA and International Ethics Standards Board for Accountants (IESBA) define two types of independency. First, independence of mind which reflects external auditor’s state of mind that allows him to achieve his duties without unbiased or prejudice. Second, independence in appearance which reflects the interpretation and beliefs of public towards external auditor’s independency, which mean if financial statements’ users believe that the auditor work hand in hand with his clients and he advocates them even in spite of the fact that the auditor is independent, then the value of audit profession will be lost (Arens et al., 2012, p. 109).
Arens et al. (2012, p. 110) based on Sabanes-Oxlay Act (SOX), determined the non-audit services that are prohibited on external auditors to implement it to his clients, even SOX Act didn’t prohibit CPA’s companies to implement these services for firms that are not audit client. The non-audit services such as: bookkeeping, valuation and appraising services, actuarial services, human resource function, internal audit services, brokerage and dealing, expert and legal services unrelated to audit and any other services that The Public Company Accounting Oversight Board (PCAOB) determines by regulations.

4.4.2.2 Auditor’s responsibility towards the integrity of accounting figures.

The role of external auditor is to enhance the degree of trust of users in financial statements through Audit’s opinion whether financial statements are prepared in accordance with international financial reporting standards. Therefore, International Standard on Auditing (ISA) 200 stipulates that:

> "IAS require the auditor to obtain reasonable assurance about whether the financial statements as a whole free of material misstatements … reasonable assurance is a high level assurance; it is obtained when the auditor has obtained sufficient appropriate audit evidence to reduce audit risk (that is, the risk that the auditor expresses an inappropriate opinion when the financial statements are materially misstated) to an acceptably low level. However, reasonable assurance is not an absolute level of assurance, because there are inherent limitations of an audit which result in most of the audit evidence on which the auditor draws conclusions and bases the auditor's opinion being persuasive rather than conclusive" (IFAC, 2016, p. 81)

Arens et al. (2012, p. 144) explained that "Assurance is a measure of the level of certainty that the external auditor attains at the accomplishment of the audit. Therefore, auditing standards designate reasonable assurance is a high, but not absolute, level of assurance that the financial statements are free of material concealments or misstatements. So, assurance specifies that the external auditor is not an insurer of the correctness of the financial statements".

4.4.2.3 Auditor's responsibility towards the viability of the entity

As known that management prepares its financial statements based on the assumption of going concern (viability). It's the responsibility of management to assess the company will continue for foreseeable future based on going concern assumption. (IFAC, 2016, p. 577). ISA 570 stipulates the responsibilities of auditor as following (IFAC, 2016, p. 578):

> "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, and to conclude, based on the audit evidence obtained, whether a material uncertainty exists about the entity's ability to continue as a going concern. These responsibilities exist even if the financial reporting framework used in the preparation of the financial statements does not include an explicit requirement for management to make a specific assessment of the entity's ability to continue as a going concern".

Indeed, International accounting standard (IAS) 1 *presentation of financial statements* stipulates the following:

> "IAS 1 requires management to make an assessment of an entity's ability to continue as a going concern. If management has significant concerns about the entity's ability to continue as a going concern, the uncertainties must be disclosed. If management concludes that the entity is not a going concern, the financial statements should not be prepared on a going concern basis, in which IAS 1 requires a series of disclosures" (Delloitte, 2018).

4.4.2.4 Auditor's responsibility towards detecting fraud in financial statements

The responsibility of detecting fraud rests with both the management and governance of company, which reduce the ability of employees/individuals to make fraud and manipulations (IFAC, 2016, p. 168).

Arens et al. (2012, p. 23) defined fraud as "An intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage".

ISA 240 determined the objectives of the external auditors regarding this issue as in the following clause (IFAC, 2016, p. 170):

> "Identifying and assessing the risks of material misstatement of the financial statements due to fraud; Obtaining sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and responding appropriately to fraud or suspected fraud identified during the audit".

The external auditor assesses throughout the audit process whether any observations, errors or material misstatement that might indicate to fraud. If the auditor finds that there is a suspected fraud, he collects more information to emphasize that the fraud is existed and begin making additional assessment and interrogative queries to management and others (Arens et al., 2012, p. 356).

4.4.2.5 Auditor's responsibility towards disclosure in financial statements

Management is responsible about preparation and presentation financial statements, which includes presentation and disclosure fairly and completely. The external auditor has to assess whether the presentation and disclosure are complied with international financial reporting standards IFRS, to ensure that the entity is fully complied to disclosure requirements according to international financial reporting frame (IFAC, 2016).

According to IAS 1, Notes must:

> "Present information about the basis of preparation of the financial statements and the specific accounting policies used; disclose any information required by IFRSs that is not presented elsewhere in the financial statements; and provide additional information that is not presented elsewhere in the financial statements but is relevant to an understanding of any of them" (Delloitte, 2018).

Moreover, the external auditor must emphasize that financial information are rationally presented, summarized and classified and in a systematic manner, which means that it's not overstated detailed or concise (IFAC, 2016).

4.4.2.6 The effect of audit fees and rewards on audit quality

Audit fees includes all fees that company pay it to the external auditor's/ audit firm against performing audit. As the SOX act requirements increases after 2001 and audit became more complex, audit fees increased in USA (The free dictionary, 2018)
Fees are what the audit company receives in return for the provision of professional services, which are determined based on the effort, the expected time, and the experience used. Accepting fees less than other audit firms is not considered immoral if it's determined in an objective manner, and not as a form of competition with other audit firms. Audit fees are not permitted to be subject to certain results. Commissions such as paying a commission to obtain a client, collecting commissions to convert a customer to a third party, or assigning services to others often pose threats to personal, objective, and professional efficiency. If any, customers must be informed of this fact (IASCA, 2013, p. 11).

4.4.2.7 The effect of audit firm size on audit quality

Arens et al. (2012) highlighted on Certified public accounting firms (CPA firm) are responsible for auditing the financial statements of companies, whether large or small companies. In general, it is common to use the terms CPA firm and auditor synonymously.

CPA firms are called independent auditors or external auditors to differentiate it from internal auditors.

In this study, the researcher will take into consideration the opinions of respondents about the effect of audit size firm on audit quality, regardless the type of external auditors/firms, whether independent auditor/s (office), local, regional, international or big-4 firms.

4.5 Data analysis

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:

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

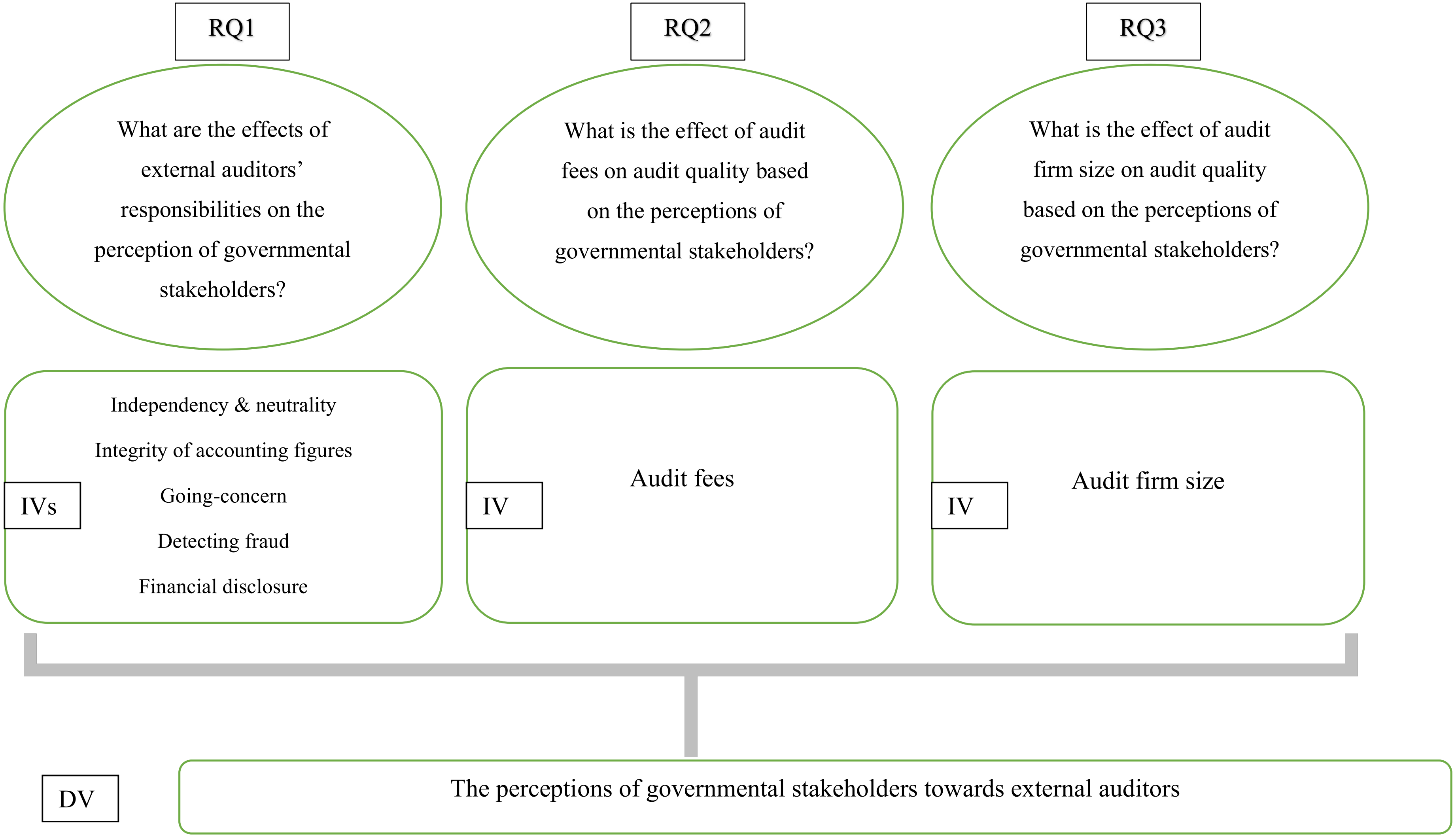
PGSEA	The perceptions of governmental stakeholders towards external auditors
INDEP	External auditor's independency and neutrality of the entity is question
INTEG	External auditor's responsibility in term of the integrity of accounting figures
VIABL	External auditor's responsibility in term of the viability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

4.6 Chapter summary

In this chapter, the second section highlighted on study community and sample selection. The third section focused on data collection through questionnaire, where section four highlighted on Variables design and measurement in order to ease the relationship between independent variables and dependent variable. More importantly, it highlighted on the definitions of each independent variable based on ISA, related books and websites to Audit. Afterwards, it focused on the influencing factors in the dependent variable. The last section explained the statistical methods that should be used in this study, where figure 9 represents an illustration of the research questions, independent and dependent variables in the next page.

Figure 9: Illustration of the research questions, independent and dependent variables



Source: Author's own

CHAPTER 5: DATA ANALYSIS AND RESULTS

5.1 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 throw 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 Tuke test. Finally, it shows the multiple regression model and testing hypotheses.

5.2 Sampling characteristics

This section presents the sampling characteristic, where the population of study 416 financial statements' users from the four departments ISTD, ASE, JSC and SDC distributed on 253, 56, 63 and 44 respectively.

5.2.1 Valid responses

Table 1 presents the valid responses from each department, valid percentage and cumulative percentage as well.

Table 1: Valid responses and percentages

Department	Frequency	Valid Percent (%)	Cumulative Percent (%)
ISTD	150	57.3	57.3
ASE	31	11.8	69.1
JSC	48	18.3	87.4
SDC	33	12.6	100.0
Total	262	100.0	

Source: Author's survey

As shown in Table 1, the valid responses are 262 yielded 62.9% from the total distributed questionnaires. Moreover, it is noted that the number pf respondents from ISTD is the largest as it has the largest number of employees among the others.

5.2.2 Demographic profile of respondents – Positions

Table 2 presents the positions of respondents from the four governmental departments.

Table 2: Respondents' positions

Position	Frequency	Percent (%)
Manager	13	5.0
Head of department	49	18.7
Employee	200	76.3
Total	262	100.0

Source: Author's survey

Table 2 shows number and percentages of positions in the four departments. It shows that 5 and 19 percent out of respondents are managers and head of divisions respectively.

5.2.3 Demographic profile of respondents – Academic qualification

Table 3 shows the academic qualifications of respondents from the four department.

Table 3: Respondents' Academic qualifications

Academic qualification	Frequency	Percent (%)
PhD	7	2.7
Master	81	30.9
Bachelor	170	64.9
Diploma	4	1.5
Total	262	100.0

Source: Author's survey

As shown in Table 3, it is noted that the majority of respondents have a bachelor degree which represents 65 percent, while around 31 and 3 percent of respondents have Master and doctorate respectively. Peering into these percentages, it is obvious that respondents have different academic qualifications which could enrich their responses regarding the responsibilities of external auditors.

5.2.4 Demographic profile of respondents – Specialization

Table 4 presents the specializations of respondents from the four governmental departments ISTD, ASE, JSC and SDC.

Table 4: Respondents' specializations

Specializations	Frequency	Percent (%)
Finance and banking science	58	22.1
Accounting	166	63.4
Business administration	29	11.1
Other	9	3.4
Total	262	100.0

Source: Author's survey

As shown in Table 4, its s noted that most respondents have an accounting specialization (major) represents more than 63 percent, followed by the latter major finance and banking science 22 percent, followed by business administration which represents more than 11 percent. Finally, 3.4 percent distributed among the other business specializations such as economy, managerial economy, Accounting information system (AIS) and management information system (MIS). The concentration of specialization in accounting and then in finance science reflect generally that respondents have well-knowledge and expertise in accounting standards, auditing and Assurance standards which enable them to respond the statements/questions in the right way.

5.2.5 Demographic profile of respondents – Years' experience

Table 5 shows the demographic profile of respondents based on their years' experiences.

Table 5: Respondents' years' experience

Years' experience	Frequency	Percent (%)
1-4	26	9.9
5-8	67	25.6
9-12	91	34.7
More than 12	78	29.8
Total	262	100.0

Source: Author's survey

As shown in Table 5 shows that those respondents who have more than 12 years' experiences around 30 percent, where as those ones who have work experience between five and twelve years more than 60 percent. These percentages give good indicators that the respondents have the ability to give their answers regarding the responsibilities of external auditors in terms of audited financial statements based on their years' experiences.

5.2.6 Demographic profile of respondents – Professional certificates

Table 6 presents the number of respondents having professional certificates.

Table 6: Respondents having professional certificates

Professional certificate	Frequency	Percent (%)
Yes	36	13.7
No	226	86.3
Total	262	100.0

Source: Author's survey

As shown in Table 6, there are around of 14 percent of those respondents have professional certificates such Certified Management Accountant (CMA), The International Arab Certified Management Accountant (IACMA), Tax Expert (TE). Those professionals have abilities to reflect their answers towards the external auditors and reinforce the other responses as they have very good knowledge in IFRS and taxation issues as well.

5.3 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 7 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 7: Reliability Statistics

Cronbach's Alpha	N of Items
.684	8

Source: Author's survey

Table 7 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 8, 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 8: 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 8, 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.

5.4 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).

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 9: 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 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 date is ±2.58 Out of this range, data is not normal (Hair et al., 2006).

Table 10: 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 10 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.

5.5 Descriptive analysis

In this section, means and standard deviations pertaining to all variables will be shown as presented in Tables (11-17).

Seven point-scale is used to implement the questionnaire survey, where the middle point of responses is four, as the seven-point scale provides more options to respondents - (more than five-point scale) – to decide before taking the decision to choose the neutral option (neither disagree nor agree). More importantly, seven point-scale is preferable to use with those respondents who have wide knowledge in their field. Hence, improve the validity and reliability (Preston-Colman, 2000).

Table 11 presents the descriptive analysis in terms of auditor's independency and neutrality based on the perceptions of governmental stakeholder in the four departments.

Table 11: Descriptive analysis – Auditor's independency and neutrality

Department	N	Mean	Std. Deviation
ISTD	150	4.9844	.92531
ASE	31	4.8656	.89071
JSC	48	4.8021	.92295
SDC	33	4.7677	.74529
Total	262	4.9097	.89978

Source: Author's survey

As shown in Table 11, all variables' means exceeds than four (the neutral response), where the biggest mean nears to five which related to ISTD. This indicator that mostly ISTD employees' responses trended with the positive responses (to somewhat agree, agree and strongly agree).

Table 12 presents the mean and standard deviations to second independent variable auditor's responsibility in terms of the integrity of accounting figures.

Table 12: Descriptive analysis – Integrity of accounting figures

Department	N	Mean	Std. Deviation
ISTD	150	4.7200	.96409
ASE	31	4.8871	.90563
JSC	48	4.3073	1.10396
SDC	33	4.8409	.92030
Total	262	4.6794	.99147

Source: Author's survey

As shown in Table 12, the lowest mean among the four departments pertains to JSC (4.3), which is slightly near to the neutral score. Moreover, its standard deviation is (1.1), which indicates that SDC responses has a large dispersion more than the other groups.

Table 13 shows the means and standard deviations to the perceptions of governmental stakeholders towards auditor's responsibility in terms of entity's going concern.

Table 13: Descriptive analysis – Viability (Going-concern)

Department	N	Mean	Std. Deviation
ISTD	150	4.7675	.87105
ASE	31	5.2016	1.14686
JSC	48	4.4793	1.07390
SDC	33	4.3900	1.40215
Total	262	4.7185	1.04226

Source: Author's survey

As presented above in Table 13, ASE's mean (5.20) is the largest one among the other groups, where the lowest mean is SDC (4.39). ISTD's standard deviation was moderate among the other groups with moderate mean in their responses (4.7).

Table 14 presents means and standard deviations to the perceptions of the four governmental departments towards external auditor responsibility in terms of detecting fraud.

Table 14: Descriptive analysis – Detecting fraud

Department	N	Mean	Std. Deviation
ISTD	150	4.8700	.93842
ASE	31	4.7984	1.19097
JSC	48	4.6146	1.03008
SDC	33	4.5000	1.31844
Total	262	4.7681	1.04378

Source: Author's survey

As shown above in Table 14, obviously means pertaining to the four departments around (4.6) more or less, which means that their responses are near from each other and deviations from mean are around (1) more or less as well.

Table 15 presents the perceptions of governmental departments towards external auditor in term of financial disclosure.

Table 15: Descriptive analysis – Financial disclosure

Department	N	Mean	Std. Deviation
ISTD	150	4.3375	1.21675
ASE	31	4.4352	1.34671
JSC	48	4.1513	1.37814
SDC	33	4.2576	1.23504
Total	262	4.3049	1.26092

Source: Author's survey

As shown in Table 15, the obtained responses' means from the four departments are near the neutral point, where the overall mean is (4.30). Moreover, standard deviations to the governmental departments increase more than (1.21), which means that mostly responses from the four departments have large dispersions, where ISTD standard's deviation is (1.21) and the highest standard deviation (1.37) belong to JSC which has the lowest mean (4.15) among the other groups.

Table 16 displays governmental stakeholders' perceptions means and standard deviations in terms of the effect of audit fees and remunerations on audit quality.

Table 16: Descriptive analysis: Audit firm-size

Department	N	Mean	Std. Deviation
ISTD	150	3.9107	1.15172
ASE	31	4.2839	1.07675
JSC	48	3.8083	1.27159
SDC	33	4.0364	1.19839
Total	262	3.9519	1.17326

Source: Author's survey

As shown in Table 16, ISTD and JSC have means (3.9) and (3.8) respectively lower than the middle point (4), which reflected on the overall mean (3.9). This gives indicators that their responses mostly trended in line with negative perceptions towards the external auditors in terms of the effect of audit fees on audit quality.

Table 17 presents means and standard deviations regarding the perceptions of the governmental stakeholders in terms of the effect of audit firm-size on audit quality.

Table 17: Descriptive analysis – Audit fees

Department	N	Mean	Std. Deviation
ISTD	150	4.2238	.55868
ASE	31	3.9954	.63190
JSC	48	4.3125	.53016
SDC	33	4.3593	.53705
Total	262	4.2301	.56567

Source: Author's survey

As shown in Table 17, all means for the four departments slightly higher than the middle point (4) except ISTD mean, which is lower than the middle point. Moreover, standard deviations for all departments indicate that respondents' perceptions hover over the middle point.

5.6 Frequencies

This section highlights on the frequencies related to each variable through its sub-questions (statements). As mentioned before that seven point-scale has been used to measure the respondents' perceptions towards the responsibilities of external auditors, where:

1 strongly disagree, **2** disagree, **3** to somewhat agree, **4** neither agree or disagree, **5** to somewhat agree, **6** agree, **7** strongly agree.

5.6.1 Frequencies of the governmental stakeholders' perceptions towards auditor's independency and neutrality

Table 18 presents frequencies related to the perceptions of governmental stakeholders in terms of external auditor's independency and neutrality (Questions 7-12: Appendix No.3).

Table 18: Frequencies of governmental stakeholders' perceptions towards auditor's independency and neutrality

Stat. No.	Statement	Frequencies						
		1	2	3	4	5	6	7
7	The auditor has maintained independence from the audited firm in performing the attested function	2	6	12	15	82	73	72
8	The auditor's association with firm for a long time affects on his independence and neutrality	3	12	40	23	89	78	17
9	Changing the auditor after a period of time increases his independence towards the audited firm	2	12	38	55	83	42	50
10	The auditor shall not provide advisory services to the audited firm	5	17	66	52	52	33	37
11	There shouldn't be a material interest of the auditor with the audited firm	1	6	16	17	72	52	98
12	The auditor has performed a "public watchdog" function for the audited firms stakeholders in the audit of the financial statements	8	30	59	46	65	39	15

Source: author's survey | **1** strongly disagree, **2** disagree, **3** to somewhat disagree, **4** neither agree or disagree, **5** to somewhat agree, **6** agree, **7** strongly agree.

As shown in Table 18, the overwhelming majority of respondents agree that the auditor has maintained independence from the audited firm in performing the attested function, where their responses' frequencies distributed (82, 73, 72) time among to somewhat agree, agree and strongly agree respectively. In contrast, there are 66 respondents disagree that the auditor shall not provide advisory services to the audited firm. More importantly, there are 59 and 30 respondents distributed between to somewhat disagree and disagree respectively, do not perceive that the auditor is functioned as a watchful guardian, literally against unethical or illegal conduct.

5.6.2 Frequencies of the governmental stakeholders' perceptions towards auditor's responsibility in terms of integrity of accounting figures

Table 19 shows the perceptions of governmental stakeholders regarding auditor's responsibility towards the integrity of accounting figures (Questions 13-16: Appendix No.3).

Table 19: Frequencies of governmental stakeholders' perceptions towards auditor's responsibility in terms of integrity of accounting figures

Stat. No.	Statement	Frequencies						
		1	2	3	4	5	6	7
13	The audit firm's accounting policies reflect the economic reality of underlying events and/or transactions that serve as the basis for the financial statements	5	11	22	28	97	66	33
14	Management has not been overly aggressive in arriving accounting estimates that would impact positively on the financial statements	1	18	47	37	88	58	13
15	Management has not been overly aggressive in the application of accounting principles that would impact positively on the financial statements	0	19	61	60	73	38	11
16	Every item of importance to governmental stakeholders has been reported or disclosed in the financial statements	3	16	43	28	101	27	44

Source: author's survey | **1** strongly disagree, **2** disagree, **3** to somewhat disagree, **4** neither agree or disagree, **5** to somewhat agree, **6** agree, **7** strongly agree.

As shown in Table 19, respondents agree mostly the audit firm's accounting policies reflect the economic reality of underlying events that serve as the basis for the financial statements. In line with that, they agree that management has not been overly aggressive in arriving accounting estimates that would impact positively on the financial statements despite there are 47 respondents to somewhat disagree with that. In a lesser degree, respondents perceive that management has not overly aggressive in the application of accounting principles that would impact positively on the financial statements. Mre importantly, respondents perceive that external auditor mostly cares about the significant items to governmental stakeholders and they give it more attention to be reported and disclosed.

5.6.3 Frequencies of governmental stakeholders' perceptions towards auditor's responsibility in terms of viability (Going concern)

Table 20 presents frequencies reflect the governmental stakeholders' perceptions towards external auditor responsibility in terms of going-concern (Questions 17-20: Appendix No.3).

Table 20: Frequencies of governmental stakeholders' perceptions towards auditors' responsibility in terms of going concern

Stat. No.	Statement	Frequencies						
		1	2	3	4	5	6	7
17	The audited firm will continue as a going concern in the foreseeable future.	9	6	16	13	79	57	82
18	The audited firm will continue as a going concern in the indefinite future	29	24	38	37	78	41	15
19	The present financial position and results of operation of the audited firm will not significantly worsen in the foreseeable future	9	12	21	30	92	59	39
20	The present financial position and results of operation of the audited firm will not significantly worsen in the indefinite future	33	24	48	40	79	35	3

Source: author's survey | **1** strongly disagree, **2** disagree, **3** to somewhat disagree, **4** neither agree or disagree, **5** to somewhat agree, **6** agree, **7** strongly agree.

As shown in Table 20, the overwhelming majority of respondents agree the external auditor must ensure the company prepare its financial statements are prepared based on going-concern assumption in foreseeable future, where these frequencies decrease about the external auditor responsibility towards the audit firm will continue in the indefinite future. The same results regarding the external auditor responsibility about the present financial position and results of operation of the audited firm will not significantly worsen in the foreseeable future in comparison with indefinite future, where the agree perceptions are 92, 59 and 39 represented in to somewhat agree, agree and strongly agree respectively for the present financial position and results of operation will significantly worsen in the foreseeable future, but these frequencies have decreased sharply when they are related to indefinite future and increased favorably to somewhat disagree, disagree and strongly disagree perceptions. represented in 48, 24 and 33 perceptions respectively.

5.6.4 Frequencies of governmental stakeholders' perceptions towards auditor's responsibility in terms of detecting fraud

Table 21 presents frequencies about the governmental stakeholders' perceptions towards external auditor's responsibility in terms of detecting fraud (Questions 21-24: Appendix No.3).

Table 21: Frequencies of governmental stakeholders' perceptions towards external auditor's responsibility in terms of detecting fraud in financial statements

Stat. No.	Statement	Frequencies						
		1	2	3	4	5	6	7
21	The financial statements are free of misstatements resulting from management fraud	5	9	34	14	86	65	49
22	The financial statements are free of misstatements intended to hide employee fraud (e.g., theft)	11	27	44	42	92	35	11
23	There are no illegal operations conducted by the audited firm	3	5	18	20	78	54	84
24	The auditor is not responsible for preventing fraud and error in the audited firm	18	53	52	39	52	40	28

Source: author's survey | **1** strongly disagree, **2** disagree, **3** to somewhat disagree, **4** neither agree or disagree, **5** to somewhat agree, **6** agree, **7** strongly agree.

As shown in Table 21, respondents mostly to somewhat agree, agree and strongly agree in terms of auditor responsibility towards The financial statements are free of misstatements resulting from management fraud. These responses (to somewhat agree, agree and strongly agree) responses decrease slightly towards auditor's responsibility in terms of the financial statements are free of misstatements intended to hide employee fraud.

The overwhelming majority of respondents support and agree the external auditor must assure that assert that there are no illegal operations conducted by the audited firm where to somewhat agree, agree and strongly agree represented in 78, 54 and 84 time respectively.

Respondents frequencies in terms of the auditor is not responsible for preventing fraud and error in the audited firm distributed between agrees and disagrees perceptions where neither agree nor disagree responses are repeated 39 time.

5.6.5 Frequencies of governmental stakeholders' perceptions towards auditor's responsibility in terms of disclosure in financial statements

Table 22 shows frequencies about the governmental stakeholders' perceptions towards external auditor's responsibility in terms of disclosure in financial statements (Questions 25-28: Appendix No.3).

Table 22: Frequencies of governmental stakeholders' perceptions towards external auditor's responsibility in terms of disclosure in financial statements

Stat. No.	Statement	Frequencies						
		1	2	3	4	5	6	7
25	The auditor shall ensure that the change in the application of accounting policies has been disclosed	3	5	17	15	78	79	65
26	The auditor shall ensure that the reasons for the change in the application of accounting policies have been disclosed	2	8	17	24	123	56	32
27	The auditor is required to verify that there is a sufficient disclosure regarding the going-concern problems of the audited firm	1	11	28	42	105	50	25
28	The auditor shall disclose the inefficiency of the internal control system of the audited firm	3	10	21	28	89	42	69

Source: author's survey | **1** strongly disagree, **2** disagree, **3** to somewhat disagree, **4** neither agree or disagree, **5** to somewhat agree, **6** agree, **7** strongly agree.

As shown in Table 22, the overwhelming majority of respondents agree and support that; the auditor shall ensure that the change in the application of accounting policies has been disclosed; the auditor shall ensure that the reasons for the change in the application of accounting policies have been disclosed; the auditor shall disclose the inefficiency of the internal control system of the audited firm.

In line with that, even respondents agree that the auditor is required to verify that there is a sufficient disclosure regarding the going-concern problems of the audited firm, but the neutral point (neither agree nor disagree) is 42 time, which means that they cannot decide a specific point on scale.

5.6.6 Frequencies of governmental stakeholders' perceptions in terms of the effect of audit fees on audit quality

Table 23 presents frequencies about the governmental stakeholders' perceptions in terms of the effect of audit fees on audit quality (Questions 29-32: Appendix No.3).

Table 23: Frequencies of governmental stakeholders' perceptions in terms of the effect of audit fees on audit quality

Stat. No.	Statement	Frequencies						
		1	2	3	4	5	6	7
29	The amount of audit fees effects on audit quality	15	27	56	27	58	42	37
30	The competition among auditors/audit firms to obtain clients, leads to lower audit fees and audit efficiency	8	35	57	30	77	34	21
31	Accepting fees less than other audit firms is not considered immoral if it's determined in an objective manner	6	21	58	43	82	35	17
32	Inadequate audit fees pose a threat to subordination of judgment and independence, integrity and objectivity	8	14	52	68	70	21	29

Source: author's survey | **1** strongly disagree, **2** disagree, **3** to somewhat disagree, **4** neither agree or disagree, **5** to somewhat agree, **6** agree, **7** strongly agree.

As shown in Table 23, it looks that there is no unanimity among respondents regarding the effect of amount of audit fees on audit quality, where their responses distributed between agrees and disagrees scales, taking into account that 58 and 56 response concentrated mainly on to somewhat agree and to somewhat agree respectively, which are near from the neutral response "neither agree nor disagree".

In respect to the competition among auditors/audit firms to obtain clients, leads to lower audit fees and audit efficiency, it looks that there is no entire encompass among respondents, but favor to agrees perceptions, even 77 respondents have chosen specifically to somewhat agree.

Regarding accepting less audit fees, most respondents represented in to somewhat agree and to a lesser degree in agree and strongly agree, believe this conduct is not considered unethical if determined in an objective manner, despite 58 respondents hover over to somewhat disagree point.

5.6.7 Frequencies of the governmental stakeholders' perceptions in terms of the effect of audit firm-size on audit quality

Table 24 presents frequencies about the governmental stakeholders' perceptions in terms of the effect of audit fees on audit quality (Questions 33-37: Appendix No.3).

Table 24: Frequencies of governmental stakeholders' perceptions in terms of the effect of audit firm-size on audit quality

Stat. No.	Statement	Frequencies						
		1	2	3	4	5	6	7
33	Bigger audit firm, deliver a higher audit quality than smaller counterparts	23	31	57	32	59	34	26
34	The audited financial statements by Big-4 audit firms, reflects higher audit quality than non-big 4 audit firms	4	47	60	32	75	37	7
35	The bigger audit firms are not concerned in the same way as are smaller counterparts regarding the loss of an audit-client	22	41	79	37	56	21	6
36	The bigger audit firm size delivers higher audit quality because they are not afraid to be objective	14	27	90	60	49	17	5
37	The degree of audit compliance is correlated to the larger audit firm size	5	34	49	32	64	51	27

Source: author's survey | **1** strongly disagree, **2** disagree, **3** to somewhat disagree, **4** neither agree nor disagree, **5** to somewhat agree, **6** agree, **7** strongly agree.

As shown in Table 24, responses in terms of bigger audit firm, deliver a higher audit quality than smaller counterparts and the audited financial statements by Big-4 audit firms, reflects higher audit quality than non-big 4 audit firms distributed relatively between agrees and disagrees' opinion.

In contrast, respondents disagree more than agree that 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.

On the other hand, respondents tend slightly that the larger audit firms are more correlated with the degree of audit compliance than the smaller ones.

5.6.8 Frequencies related to the influential dimensions on the perceptions of governmental stakeholders

Table 25 shows how governmental stakeholders are assessing the influential dimensions towards the value of external auditors (Questions 38-44: Appendix No.3).

Table 25: Frequencies related the influential dimensions towards the value of external auditors

Stat. No.	Statement	Frequencies						
		1	2	3	4	5	6	7
38	The large audit firms have more incentive to issue a reliable audit report	26	35	33	53	43	37	35
39	Auditor specialization in an industry leads to a higher-level information	3	4	49	55	50	50	51
40	Larger audit tenure is more likely to discover misstatements using technical abilities and higher levels of knowledge	3	5	55	40	58	51	50
41	The larger the audit fees, the higher auditor's specialization and audit quality	45	58	57	41	55	4	2
42	The inclination to earn more non-audit fees could impair the auditor's independence	4	4	59	47	41	57	50
43	The reputation cost in the smaller audit firms is not different comparing with the large audit firms	57	63	74	48	16	3	1
44	Auditor technical competency leads to a higher level of information	2	3	44	55	43	65	50

Source: author's survey | **1** strongly disagree, **2** disagree, **3** to somewhat disagree, **4** neither agree nor disagree, **5** to somewhat agree, **6** agree, **7** strongly agree.

As shown in Table 25, respondents slightly agree more than disagree in terms of the large audit firms have more incentive to issue a reliable audit report. In contrast, they support that auditor's specialization in a certain industry lead to higher level information.

The majority of respondents with agrees opinions in terms of the length of period that auditor introduces services to his clients (Audit tenure), with two exception shows that there are 55 respondents have chosen to somewhat disagree and 40 respondents chosen the neutral option.

In respect to the larger the audit fees, the higher auditor's specialization and audit quality, respondents tend to be with to somewhat disagree, disagree and strongly disagree represented in 57, 58 and 45 frequencies respectively, where the option to somewhat agree has 55 frequencies.

Respondents more agree that introduce non-audit services by external auditors to their clients could impair auditor independency than disagree opinions. In contrast, they disagree that the reputation cost for smaller audit firms is not different comparing with large audit firms.

In terms of auditor technical competency leads to a higher level of information, respondents are more inclined to agrees options comparing to disagrees.

5.7 Analysis of variance (ANOVA)

This section discusses the differences between groups' means through analysis of variance (ANOVA), in order to know if there is statistically significant difference between groups or not for each variable. Descriptive one-way is deemed an additional test/table to prove ANOVA test for each variable. Scheffe and/or Tukey Post Hoc tests should be used to find the multiple comparisons in order to know which of the specific groups differed.

The following Table 26 shows ANOVA for the first independent variable "Auditor's independency and neutrality" among the four groups (Appendix No.4).

Table 26: ANOVA - Auditor's independency and neutrality

IV		F	Sig.
Auditor's independency and neutrality	Between Groups	.872	.456

Source: Author's Survey

As shown in Table 26, the probability value (P Value) 0.456, where the difference among four the groups' means is statistically insignificant.

Table 11 showed means for the four departments, where the average mean for the first variable "Auditor independency and neutrality" is 4.9, standards deviation is 0.925. as noted below, means for the governmental departments hover over the average mean.

Accordingly, Table 11 showed there is no statistically difference between the average mean and groups' means, which proves what is mentioned regarding ANOVA test.

Table 27 presents Post Hoc test, through Scheffe and/or Tukey test.

Table 27: Post Hoc test - Auditor's independency and neutrality

IV	Post Hoc test	Dep. (a)	Other Deps. (b)	Mean Difference (a-b)	Sig.
Auditor's independency and neutrality	Scheffe / Tukey HSD	ISTD	ASE	.11885	.909
			JSC	.18236	.614
			SDC	.21677	.594
		ASE	ISTD	-.11885	.909
			JSC	.06351	.990
			SDC	.09791	.972
		JSC	ISTD	-.18236	.614
			ASE	-.06351	.990
			SDC	.03441	.998
		SDC	ISTD	-.21677	.594
			ASE	-.09791	.972
			JSC	-.03441	.998

Source: Author's Survey

As shown in 27, multiple comparisons present which groups differed from each other. It is known from the previous two test in tables 26 and 27 (ANOVA and descriptive) that there is insignificant difference among means as a whole. As noted above, significance value (P. value) for all groups are higher than 0.05, which means there is no statistically difference among groups responses regarding the first independent variable.

Table 28 presents ANOVA test for the second independent variable "Auditor responsibility towards the integrity of accounting figures".

Table 28: ANOVA - Integrity of accounting figures

IV		F	Sig.
Integrity of accounting figures	Between Groups	3.159	.025

Source: Author's Survey

As shown above in table 28, it is obvious that P. value is lower than 0.05. Therefore, there is statistically difference among groups' means regarding the second independent variable.

In table 12, It is obvious that there is big difference in means among ASE, SDC, ISTD and JSC, which reflected on the difference between JSE mean and the average mean (4.30 and 4.67 respectively).

As shown below in Table 29, Post Hoc test presents the multiple comparisons among groups' means. Despite table 12 showed that there is a significant difference among means, post hoc test through Scheffe and Tukey tests unable to determine which group/s are differed from another.

Although Post Hoc tests unable to specify the difference, there are two differences near to the statistical significance at the 0.05 level. First, is the difference between ISTD and JSC (0.56). The second one is the difference between JSC and ASE is (0.52).

Table 29: Post Hoc - Integrity of accounting figures

IV	Post Hoc test	Dep. (a)	Other Deps. (b)	Mean Difference (a-b)	Sig.
Integrity of accounting figures	Scheffe / Tukey HSD	ISTD	ASE	-.16710	.823
			JSC	.41271	.056
			SDC	-.12091	.918
		ASE	ISTD	.16710	.823
			JSC	.57981	.052
			SDC	.04619	.998
		JSC	ISTD	-.41271	.056
			ASE	-.57981	.052
			SDC	-.53362	.078
		SDC	ISTD	.12091	.918
			ASE	-.04619	.998
			JSC	.53362	.078

Source: Author's Survey

Table 30 presents ANOVA test for the third independent variable "auditor responsibility towards entity's viability (going-concern) subject to auditing.

Table 30: ANOVA - Viability (Going-Concern)

IV		F	Sig.
Viability (Going-Concern)	Between Groups	4.435	.005

Source: Author's Survey

As shown in 30, the P. value is 0.005 which means that the difference among groups is statistically significant and all groups are agreed about the auditor responsibility towards entity's going concern.

Table 13 describes means and standard deviations related to each group, where ASE mean is the largest one (5.20) and SDC mean is the smallest one (4.39), as well as the differences between groups' means (ASE, JSC, SDC) and the average mean (4.71). Hence, prove ANOVA test about the statistical differences among means. Moreover, standard deviations for all groups are higher than 1 which means that the dispersions in respondents' responses are very high.

Table 31 presents Post Hoc test through Scheffe and Tukey tests, measn difference and P. value (Sig.).

Table 31: Post Hoc - Viability (Going-Concern)

IV	Post Hoc test	Dep. (a)	Other Deps. (b)	Mean Difference (a-b)	Sig.
Viability (Going-Concern)	Scheffe / Tukey HSD	ISTD	ASE	-.43415	.140
			JSC	.28820	.326
			SDC	.37747	.222
		ASE	ISTD	.43415	.140
			JSC	.72234*	.013
			SDC	.81161*	.009
		JSC	ISTD	-.28820	.326
			ASE	-.72234*	.013
			SDC	.08927	.980
		SDC	ISTD	-.37747	.222
			ASE	-.81161*	.009
			JSC	-.08927	.980

Source: Author's Survey

As shown in Table 31, there is a mean difference between ASE and JSC means 0.72 where the P. Value is 0.013 lower than the significance at 0.05 level. Moreover, there is another mean difference between ASE and SDC 0.81 where the P. value 0.009 is significant at 0.05 level.

Table 32 presents ANOVA test regarding the fourth independent variable "auditor responsibility in terms of detecting fraud".

Table 32: ANOVA - Detecting fraud

IV		F	Sig.
Detecting fraud	Between Groups	1.567	.198

Source: Author's Survey

As shown in table 32, P. value 0.198 is greater than significance at 0.05 level, which means that there is no statistically significant difference among groups' means. In other words, all respondents' perceptions from different governmental department agreed about the auditor responsibility in terms of detecting fraud of an entity's subject to auditing.

In Table 14, all groups' means around the average mean 4.7, which prove that there is no statistical significance difference among means as mentioned before in table 32.

Table 33 shows Post Hoc test through Scheffe and Tukey test about auditor responsibility in terms of detecting fraud. Moreover, its shows mean differences between each group and other groups as well the significance value in order to find whether there is a statistically significant difference.

Table 33: Post Hoc - Detecting fraud

IV	Post Hoc test	Dep. (a)	Other Deps. (b)	Mean Difference (a-b)	Sig.
Detecting fraud	Scheffe / Tukey HSD	ISTD	ASE	.07161	.985
			JSC	.25542	.451
			SDC	.37000	.253
		ASE	ISTD	-.07161	.985
			JSC	.18380	.869
			SDC	.29839	.661
		JSC	ISTD	-.25542	.451
			ASE	-.18380	.869
			SDC	.11458	.962
		SDC	ISTD	-.37000	.253
			ASE	-.29839	.661
			JSC	-.11458	.962

Source: Author's Survey

As shown in the above table that It is obvious in that differences among groups' means are statistically insignificant. As noted below in multiple comparisons between each group and other groups that all P. values are greater than significance at 0.05 level, and the smallest significance is between ISTD and SDC 2.53. However, this mean difference is insignificant at 0.05 level.

Table 34 illustrates ANOVA test regarding “auditor responsibility in terms of financial disclosure based on the perceptions of governmental stakeholders.

Table 34: ANOVA - Financial disclosure

IV		F	Sig.
Financial disclosure	Between Groups	.394	.757

Source: Author’s Survey

As shown in Table 34, P. value (Sig.) 0.757 is greater than significance at 0.05 level, which means that there is a statistical insignificant difference among groups’ means, which refer that all the four groups perceptions are agreed regarding financial disclosure.

In Table 15, all means around the average mean 4.30, where the largest difference is between the average mean and JSC 4.15 which has the largest standard deviation 1.37.

Table 35 presents the mean difference between each group and other groups as well as the Sig. value for mean difference.

Table 35: Post Hoc - Financial disclosure

IV	Post Hoc test	Dep. (a)	Other Deps. (b)	Mean Difference (a-b)	Sig.
Financial disclosure	Scheffe / Tukey HSD	ISTD	ASE	-.09763	.980
			JSC	.18628	.811
			SDC	.07996	.988
		ASE	ISTD	.09763	.980
			JSC	.28391	.765
			SDC	.17759	.943
		JSC	ISTD	-.18628	.811
			ASE	-.28391	.765
			SDC	-.10633	.982
		SDC	ISTD	-.07996	.988
			ASE	-.17759	.943
			JSC	.10633	.982

Source: Author’s Survey

As shown above in table 35 that P. values between each group and other groups are greater than the significance at 0.05 level. Hence, all mean differences statistically are not found upon Scheffe and Tukey tests, which means that all groups are agreed about the auditor responsibility in terms of financial disclosure of an entity subject to audit based on the perceptions of governmental stakeholders.

Table 36 presents ANOVA test for sixth independent variable “The effect of firm size on audit quality” based on the perceptions of the governmental stakeholders.

Table 36: ANOVA - Audit firm-size

IV		F	Sig.
Audit firm-size	Between Groups	1.188	.315

Source: Author’s Survey

As shown in 36, P. value 0.315 is greater than the significance at 0.05 level, which indicates that there is no statistically significant difference. Therefore, all respondents in the four groups agreed as a whole about the effect of audit firm size on audit quality.

As described in table 16, it is obvious that means for the four groups hover over the average mean 3.95. Hence, this result proves what is mentioned in Table 36 in ANOVA test that there statistically insignificant difference among groups’ means.

Table 37 shows Post Hoc test in terms of the effect of audit firm-size on audit quality.

Table 37: Post Hoc - Audit firm-size

IV	Post Hoc test	Dep. (a)	Other Deps. (b)	Mean Difference (a-b)	Sig.
Audit firm-size	Scheffe / Tukey HSD	ISTD	ASE	-.37320	.373
			JSC	.10233	.953
			SDC	-.12570	.944
		ASE	ISTD	.37320	.373
			JSC	.47554	.295
			SDC	.24751	.833
		JSC	ISTD	-.10233	.953
			ASE	-.47554	.295
			SDC	-.22803	.825
		SDC	ISTD	.12570	.944
			ASE	-.24751	.833
			JSC	.22803	.825

Source: Author’s Survey

Table 38 presents ANOVA test in terms of the effect of audit fees on audit quality.

Table 38: ANOVA - Audit fees

IV		F	Sig.
Audit fees	Between Groups	2.753	.043

Source: Author's Survey

As shown in 38, Sig. value (P. value) is 0.43 lower than the significance at 0.05 level, which indicates that there is statistically significant difference among groups means. In other words, respondents are disagreed in their responses as a whole about the effect of audit fees on audit quality.

As shown in Table 17, there are some differences such as between the average mean 4.23 and ASE mean 3.99, where the average mean affected by mean differences among SDC, JSC, ISTD and ASE. Hence, this result proved what is mentioned in Table 38 regarding ANOVA test where statistically significant differences among groups' means.

Table 39 presents the multiple comparisons among each group and other groups in order to know which group differs from the others.

Table 39: Post Hoc - Audit fees

IV	Post Hoc test	Dep. (a)	Other Deps. (b)	Mean Difference (a-b)	Sig.
Audit fees	Scheffe / Tukey HSD	ISTD	ASE	.22842	.167
			JSC	-.08869	.775
			SDC	-.13550	.590
		ASE	ISTD	-.22842	.167
			JSC	-.31711	.069
			SDC	-.36392*	.048
		JSC	ISTD	.08869	.775
			ASE	.31711	.069
			SDC	-.04681	.983
		SDC	ISTD	.13550	.590
			ASE	.36392*	.048
			JSC	.04681	.983

Source: Author's Survey

As shown below in table 39, it is obvious that Scheffe and Tukey tests presents a mean difference between ASE and SDC 0.363, where Sig. value 0.48 is lower than significance level at 0.05.

The mean differences among the other groups are statistically insignificant. However, as mentioned before in Table 44 that P. value (Sig.) in ANOVA test is significant.

After ANOVA, descriptive and Post Hoc tests for all independent variables, there are three statistically significant mean differences among the four groups. First, auditor's responsibility in terms of integrity of accounting figures. Second, auditor's responsibility in terms of viability (going concern) of an entity subject to auditing. Third, the effect of audit fees on audit quality. In contrast, the mean differences regarding the other four independent variables are insignificant which are; auditor's responsibility in terms of independency and neutrality, auditor's responsibility in terms of detecting fraud, auditor's responsibility in terms of financial disclosure of an entity subject to auditing and the effect of audit firm-size on audit quality.

5.8 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 (Appendix No.5).

5.8.1 Model summary

Table 40 presents model summary of R (*R*), R square (R^2) and adjusted R square (*Adj.* R^2).

Table 40: 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 40, *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.

5.8.2 ANOVA (F ratio)

Table 41 below presents ANOVA test to check the fitness of data.

Table 41: 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 41 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.

5.8.3 Estimated model coefficients

Table 42 shows the unstandardized coefficients **B** and Significant (Sig.) of each predictor. Moreover, Beta Values (Standardized coefficients) and *t* values are shown in this Table.

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. P value (Sig.) in table 42 is used to test each hypothesis in order to accept or reject it.

Table 42: 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

5.8.4 Testing of hypotheses

This part highlight on testing the developed hypothesis, depending on Significant Values (P. value) in Table 42 (Appendix No.5).

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_0$1a: *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 42, P. value (Sig.) related to auditor independency and neutrality (INDEP) 0.011 which is lower that 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_0$1b**: 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 42, 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_0$1c**: 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 42, 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_0$1d: There is no significant relationship regarding the perceptions of governmental stakeholders towards the external auditor's in terms of detecting fraud.

Table 42 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_0$1e*: 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 42, 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:

***$H_0$2:** 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 42, 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:

***$H_0$3:** 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 42, 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 42, 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:

Predicted ***PGSEA* = 1.271+ *(0.175*** X ***INDEP) + (0.147*** X ***INTEG) + (0.170*** X ***VIABL) + (0.153*** X ***DETEC) + (0.100*** X ***DISCL) + (0.106*** X ***AFSIZE) + (-0.004*** X ***AFEES) +*** ϵ

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, $p < 0.05$.

5.8.5 Ranking the variables

This section highlights on ranking the seven variables, based on the degree of significance and influence according to the perceptions of the governmental stakeholders towards the external auditors (Appendix No.6).

Where:

Ranking numbers (1 to 7) represents:

The least influence ❶ ←❷—❸—❹—❺—❻→ ❼ The most influence

Table 43: Ranking variables upon the degree of influence

Variable	Times							Total
	❶	❷	❸	❹	❺	❻	❼	
INDEP	5	3	6	32	48	81	87	262
INTEG	1	7	8	40	69	78	59	262
DETEC	70	28	43	35	49	21	16	262
VIABL	22	25	40	88	32	34	21	262
DISCL	13	20	63	37	43	25	61	262
AFEES	47	117	58	12	12	12	4	262
AFSIZE	104	62	44	18	9	11	14	262

Source: Author's survey

As shown in Table 43, the highest score has been given auditor's independency and neutrality (INDEP), where 87 and 81 respondents have chosen it as the most influence and significant factor (rank 7 and 6), which yielded 33.2 percent and 30.9 percent from the total responses respectively.

Despite the fact that auditor's responsibility in terms of financial disclosure (DISCL) being voted as the second influential factor based on the perceptions of governmental stakeholders (61 responses), the auditor's responsibility in terms of integrity of accounting figures (INTEG) has excelled in the most influencing responses, where respondents ranked it 59, 78 and 69 times to (rank 7, 6, 5) yielded 22.5, 29.8, 26.3 percent respectively compared to DISCL 61, 25, 43 times to (rank 7,6,5) which yielded 23.3, 9.5, 16.4 percent respectively. Thus, auditor's responsibility in terms of integrity is deemed as overall more influencing factor than auditor's responsibility in terms of financial disclosure of an entity subject to audit.

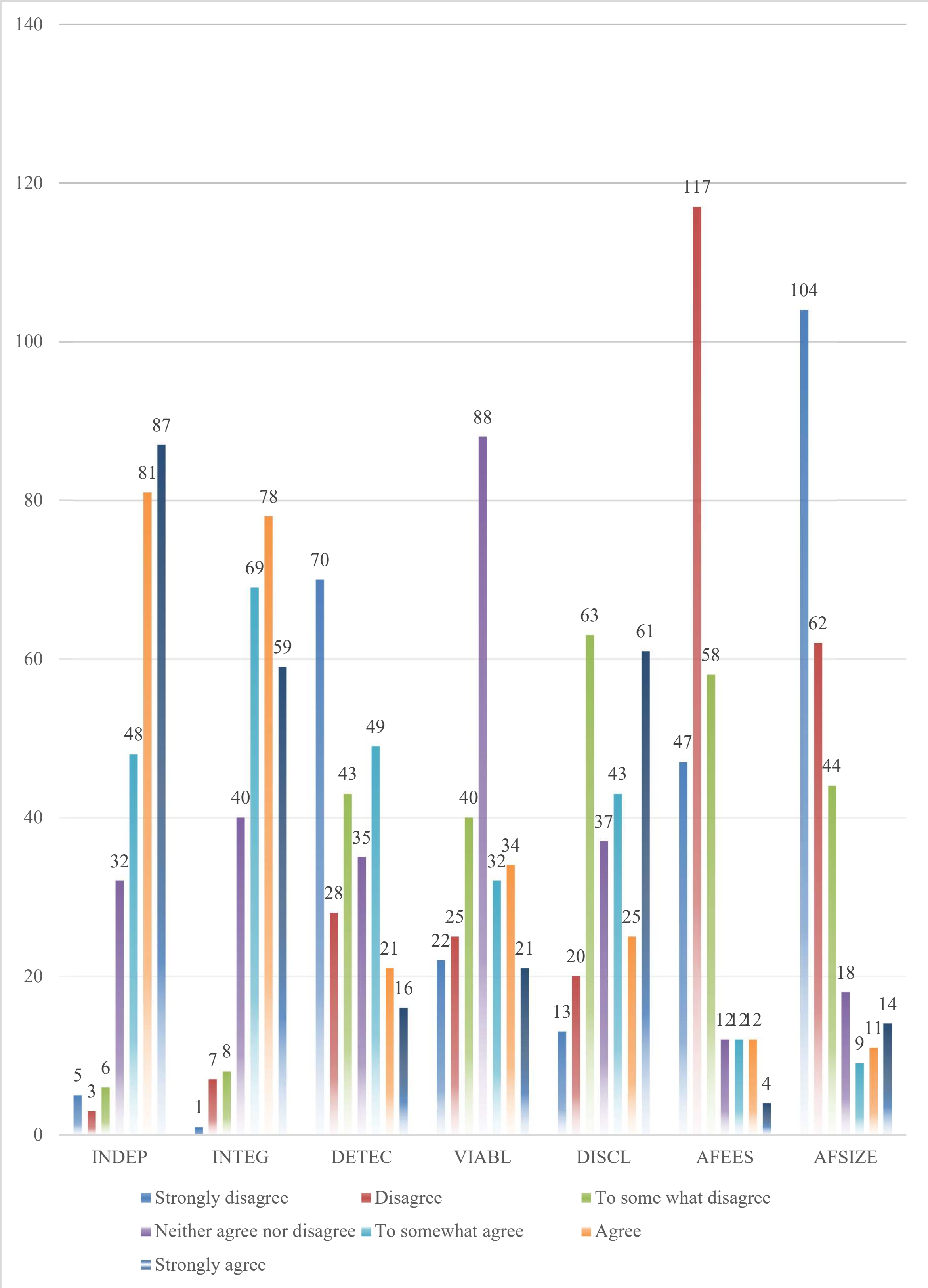
Return to disclosure in financial statements, obviously respondents ranked it before viability /going concern (VIABL) and detecting fraud (DETEC) which reflects how DISCL is important and more influencer than the remaining variables. In addition, DISCL forms a turning point between the most influence and the least influence variables from the point of view of respondents which clarifies the awareness of respondents in the four governmental departments about one of accounting principles *Disclosure in financial statements*, taking into account that one of the most important duties in JSC is to ensure that listed companies in ASE disclose fairly about its financial statements. Moreover, ISTD is much interested in terms of disclosure in financial statements as there are some items/numbers in financial statements need to be clarified and detailed to avoid any ambiguity or inconspicuousness.

Regarding ranking auditor's responsibility in terms of viability/going-concern (VIABL) and Auditor's responsibility in terms of detecting fraud, it is noted that auditor's responsibility in term of detecting fraud has been ranked 16, 21, 49 times to (rank 7, 6, 5) yielded 6.1, 8.0, 18.7 percent respectively. In contrast, respondents have ranked auditor's responsibility in terms of viability (VIABL) 21, 34, 32 times to (rank 7,6,5) as the most influencing factor yielded 8, 13, 12.2 percent respectively. Peering into the opposite side on the least influence for both VIABL and DETECT, it is obvious that VIABLE has been ranked as the least influencing factor 22 times compared to DETECT 70 times. Therefore, as an outcome, auditor's responsibility in terms of viability/going concern of an entity subject to audit is relatively deemed more influencing factor on the perceptions of the governmental stakeholders more than auditor's responsibility in terms of detecting fraud.

Finally, giving insight into the effect of audit firm-size on audit quality (AFSIZE) and the effect of audit fees on audit quality (AFEES), it is obvious that ranking these two variables mainly have been scattered as the least influential factors, where AFSIZE have been ranked 104, 62, 44 times to (rank 7, 6, 5) yielded 39.7, 23.7, 16.8 percent respectively, compared with AFEES 47, 117, 58 times yielded 17.9, 44.7, 22.1 percent respectively. In contrast AFSIZE has ranked as the most influential factor 14 times (rank 7) compared with AFEES 4 times. Therefore, AFSIZE is slightly deemed more influential factor than AFEES, even both have been ranked by respondents in the last two places in terms of the degree of significance and influence among the other variables/factors based on their perceptions towards the external auditors.

Figure 10 demonstrates ranking the variables upon the degree of influence and importance based on the perceptions on the governmental stakeholders towards the external auditors.

Figure 10: Ranking the variables



Source: Author's survey

5.9 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 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 (as mentioned in section 5.4.2.1).

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 in chapter five (5.4.2.3).

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 number of respondents support that accepting fees less than other audit firms is not considered unethical if it's 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.

5.10 New scientific results based on the objectives-hypotheses and data analysis

This research presents new results based on the perceptions of governmental stakeholders towards the external auditors in Jordan 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 44 below shows the relationship between each research objective and hypothesis with new results.

Table 44: linking between the research objectives and hypotheses with new results

	Objectives and hypotheses	Accepted / Rejected	New results
H_01a	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 auditors in terms of independency and neutrality in Jordan
H_01b	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
H_01c	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
H_01d	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
H_01e	Investigate the perceptions of	Rejected	There is a significantly statistically relationship regarding the

	Objectives and hypotheses	Accepted / Rejected	New results
	governmental stakeholders/financial statements' users towards the role of external auditors in terms of disclosure in financial statements		perceptions of governmental stakeholders towards the external auditor's responsibility in terms of disclosure in financial statements in Jordan
$H_0$2	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
$H_0$3	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

Source: Author's survey

CHAPTER 6: 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 7: 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.

APPENDICES

Appendix 1: Bibliography

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Appendix 2: Questionnaire

Dear Respondent,

The survey is about **"The perceptions of governmental stakeholders towards the external auditors: an empirical study from Jordan"**, in fulfillment of the requirements for the degree of Doctor of Philosophy in Szent Istvan University. This survey is brief and will only take about ten minutes to complete. Your participation in the survey is completely voluntary and all of your responses will be kept confidential. No personally identifiable information will be associated with your responses to any reports of these data.

Thank you for taking the time to complete this survey. I truly value the information you have provided.

Hasan Mansur

Hasman976@gmail.com

Section one: Personal information

This section is related to respondents' personal information

1. Work place

☐Income sales and tax department (ISTD)

☐Amman Stock exchange (ASE)

☐Jordan Securities Commission (JSC)

2. Position

☐Manager

☐Head of department

☐Employee

3. Academic qualification

☐PhD

☐Master

☐Bachelor

☐Diploma

4. Specialization (Major)

☐Accounting

☐Finance and banking sciences

☐Business administration

☐Other …………………

5. Years' experience

☐1-4

☐5-8

☐9-12

☐More than 12

6. Do you have a professional certification

☐Yes

☐No

Section Two: Respondents' perceptions towards the external auditors

For each of the question below, choose the response that best characterizes how you perceive about the statement, where:

Strongly Disagree 1 2 3 4 5 6 7 Strongly Agree

Auditor's independency and neutrality

7. The auditor has maintained independence from the audited firm in performing the attested function

1☐ 2☐ 3☐ 4☐ 5☐ 6☐ 7☐

8. The auditor's association with firm for a long time affects on his independence and neutrality

1☐ 2☐ 3☐ 4☐ 5☐ 6☐ 7☐

9. Changing the auditor after a period of time increases his independence towards the audited firm

1☐ 2☐ 3☐ 4☐ 5☐ 6☐ 7☐

10. The auditor shall not provide advisory services to the audited firm

1☐ 2☐ 3☐ 4☐ 5☐ 6☐ 7☐

11. There shouldn't be a material interest of the auditor with the audited firm

1☐ 2☐ 3☐ 4☐ 5☐ 6☐ 7☐

12. The auditor has performed a "public watchdog" function for the audited firms stakeholders in the audit of the financial statements

1☐ 2☐ 3☐ 4☐ 5☐ 6☐ 7☐

Auditor's responsibility towards the integrity of accounting figures

13. The audit firm's accounting policies reflect the economic reality of underlying events and/or transactions that serve as the basis for the financial statements

1☐ 2☐ 3☐ 4☐ 5☐ 6☐ 7☐

14. Management has not been overly aggressive in arriving accounting estimates that would impact positively on the financial statements

1☐ 2☐ 3☐ 4☐ 5☐ 6☐ 7☐

15. Management has not been overly aggressive in the application of accounting principles that would impact positively on the financial statements

1☐ 2☐ 3☐ 4☐ 5☐ 6☐ 7☐

16. Every item of importance to governmental stakeholders has been reported or disclosed in the financial statements

1☐ 2☐ 3☐ 4☐ 5☐ 6☐ 7☐

Auditor's responsibility towards the viability (Going concern) of the entity

17. The audited firm will continue as a going concern in the foreseeable future

1☐ 2☐ 3☐ 4☐ 5☐ 6☐ 7☐

18. The audited firm will continue as a going concern in the indefinite future

1☐ 2☐ 3☐ 4☐ 5☐ 6☐ 7☐

19. The present financial position and results of operation of the audited firm will not significantly worsen in the foreseeable future

1☐ 2☐ 3☐ 4☐ 5☐ 6☐ 7☐

20. The present financial position and results of operation of the audited firm will not significantly worsen in the indefinite future

1☐ 2☐ 3☐ 4☐ 5☐ 6☐ 7☐

Auditor's responsibility towards detecting fraud in financial statements

21. The financial statements are free of misstatements resulting from management fraud

1☐ 2☐ 3☐ 4☐ 5☐ 6☐ 7☐

22. The financial statements are free of misstatements intended to hide employee fraud (e.g., theft)

1☐ 2☐ 3☐ 4☐ 5☐ 6☐ 7☐

23. There are no illegal operations conducted by the audited firm

1☐ 2☐ 3☐ 4☐ 5☐ 6☐ 7☐

24. The auditor is not responsible for preventing fraud and error in the audited firm

1☐ 2☐ 3☐ 4☐ 5☐ 6☐ 7☐

Auditor's responsibility towards disclosure in financial statements

25. The auditor shall ensure that the change in the application of accounting policies has been disclosed

1☐ 2☐ 3☐ 4☐ 5☐ 6☐ 7☐

26. The auditor shall ensure that the reasons for the change in the application of accounting policies have been disclosed

1☐ 2☐ 3☐ 4☐ 5☐ 6☐ 7☐

27. The auditor is required to verify that there is a sufficient disclosure regarding the going-concern problems of the audited firm

1☐ 2☐ 3☐ 4☐ 5☐ 6☐ 7☐

28. The auditor shall disclose the inefficiency of the internal control system of the audited firm

1☐ 2☐ 3☐ 4☐ 5☐ 6☐ 7☐

The effect of audit fees on audit quality

29. The amount of audit fees effects on audit quality

1☐ 2☐ 3☐ 4☐ 5☐ 6☐ 7☐

30. The competition among auditors/audit firms to obtain clients, leads to lower audit fees and audit efficiency

1☐ 2☐ 3☐ 4☐ 5☐ 6☐ 7☐

31. Accepting fees less than other audit firms is not considered immoral if it's determined in an objective manner

1☐ 2☐ 3☐ 4☐ 5☐ 6☐ 7☐

32. Inadequate audit fees pose a threat to subordination of judgment and independence, integrity and objectivity

1☐ 2☐ 3☐ 4☐ 5☐ 6☐ 7☐

The effect of audit size firm on audit quality

33. Bigger audit firm, deliver a higher audit quality than smaller counterparts

1☐ 2☐ 3☐ 4☐ 5☐ 6☐ 7☐

34. The audited financial statements by Big-4 audit firms, reflects higher audit quality than non-big 4 audit firms

1☐ 2☐ 3☐ 4☐ 5☐ 6☐ 7☐

35. The bigger audit firms are not concerned in the same way as are smaller counterparts regarding the loss of an audit-client

1☐ 2☐ 3☐ 4☐ 5☐ 6☐ 7☐

36. The bigger audit firm size deliver higher audit quality because they are not afraid to be objective

1☐ 2☐ 3☐ 4☐ 5☐ 6☐ 7☐

37. The degree of audit compliance is correlated to the larger audit firm size

1☐ 2☐ 3☐ 4☐ 5☐ 6☐ 7☐

Section three: The influencing dimensions that impress on the perceptions of governmental towards the external auditors

38. The large audit firms have more incentive to issue a reliable audit report

1☐ 2☐ 3☐ 4☐ 5☐ 6☐ 7☐

39. Auditor specialization in an industry leads to a higher level information

1☐ 2☐ 3☐ 4☐ 5☐ 6☐ 7☐

40. Larger audit tenure is more likely to discover misstatements using technical abilities and higher levels of knowledge

1☐ 2☐ 3☐ 4☐ 5☐ 6☐ 7☐

41. The larger the audit fees, the higher auditor's specialization and audit quality

1☐ 2☐ 3☐ 4☐ 5☐ 6☐ 7☐

42. The inclination to earn more non-audit fees could impair the auditor's independence

1☐ 2☐ 3☐ 4☐ 5☐ 6☐ 7☐

43. The reputation cost in the smaller audit firms is not different comparing with the large audit firms

1☐ 2☐ 3☐ 4☐ 5☐ 6☐ 7☐

44. Auditor technical competency leads to a higher level of information

1☐ 2☐ 3☐ 4☐ 5☐ 6☐ 7☐

Section four: Rank the seven factors based on the degree of significance and influence according to your perception towards the external auditors, where:

The least influence 1 2 3 4 5 6 7 The most influence

Auditor's independency and neutrality ……

Auditor's responsibility towards the integrity of accounting figures ……

Auditor's responsibility towards detecting fraud in financial statements ……

Auditor's responsibility towards the viability (Going concern) of the entity ……

Auditor's responsibility towards disclosure in financial statements ……

The effect of audit fees on audit quality ……

Auditor’s responsibility towards detecting fraud in financial statements ……

Appendix 3: Frequencies

Q7

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	2	.8	.8	.8
	To somewhat disagree	6	2.3	2.3	3.1
	disagree	12	4.6	4.6	7.6
	Neither agree nor disagree	15	5.7	5.7	13.4
	To somewhat agree	82	31.3	31.3	44.7
	Agree	73	27.9	27.9	72.5
	Strongly agree	72	27.5	27.5	100.0
	Total	262	100.0	100.0	

Q8

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	3	1.1	1.1	1.1
	To somewhat disagree	12	4.6	4.6	5.7
	disagree	40	15.3	15.3	21.0
	Neither agree nor disagree	23	8.8	8.8	29.8
	To somewhat agree	89	34.0	34.0	63.7
	Agree	78	29.8	29.8	93.5
	Strongly agree	17	6.5	6.5	100.0
	Total	262	100.0	100.0	

Q9

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	2	.8	.8	.8
	To somewhat disagree	12	4.6	4.6	5.3
	disagree	38	14.5	14.5	19.8
	Neither agree nor disagree	55	21.0	21.0	40.8
	To somewhat agree	83	31.7	31.7	72.5
	Agree	42	16.0	16.0	88.5

	Strongly agree	30	11.5	11.5	100.0
	Total	262	100.0	100.0	

Q10

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	5	1.9	1.9	1.9
	To somewhat disagree	17	6.5	6.5	8.4
	disagree	66	25.2	25.2	33.6
	Neither agree nor disagree	52	19.8	19.8	53.4
	To somewhat agree	52	19.8	19.8	73.3
	Agree	33	12.6	12.6	85.9
	Strongly agree	37	14.1	14.1	100.0
	Total	262	100.0	100.0	

Q11

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	1	.4	.4	.4
	To somewhat disagree	6	2.3	2.3	2.7
	disagree	16	6.1	6.1	8.8
	Neither agree nor disagree	17	6.5	6.5	15.3
	To somewhat agree	72	27.5	27.5	42.7
	Agree	52	19.8	19.8	62.6
	Strongly agree	98	37.4	37.4	100.0
	Total	262	100.0	100.0	

Q12

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	8	3.1	3.1	3.1
	To somewhat disagree	30	11.5	11.5	14.5
	disagree	59	22.5	22.5	37.0
	Neither agree nor disagree	46	17.6	17.6	54.6
	To somewhat agree	65	24.8	24.8	79.4
	Agree	39	14.9	14.9	94.3
	Strongly agree	15	5.7	5.7	100.0

		Frequency	Percent	Valid Percent	Cumulative Percent
	Total	262	100.0	100.0	

Q13

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	5	1.9	1.9	1.9
	To somewhat disagree	11	4.2	4.2	6.1
	disagree	22	8.4	8.4	14.5
	Neither agree nor disagree	28	10.7	10.7	25.2
	To somewhat agree	97	37.0	37.0	62.2
	Agree	66	25.2	25.2	87.4
	Strongly agree	33	12.6	12.6	100.0
	Total	262	100.0	100.0	

Q14

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	1	.4	.4	.4
	To somewhat disagree	18	6.9	6.9	7.3
	disagree	47	17.9	17.9	25.2
	Neither agree nor disagree	37	14.1	14.1	39.3
	To somewhat agree	88	33.6	33.6	72.9
	Agree	58	22.1	22.1	95.0
	Strongly agree	13	5.0	5.0	100.0
	Total	262	100.0	100.0	

Q15

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	To somewhat disagree	19	7.3	7.3	7.3
	disagree	61	23.3	23.3	30.5
	Neither agree nor disagree	60	22.9	22.9	53.4
	To somewhat agree	73	27.9	27.9	81.3
	Agree	38	14.5	14.5	95.8
	Strongly agree	11	4.2	4.2	100.0
	Total	262	100.0	100.0	

Q16

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	3	1.1	1.1	1.1
	To somewhat disagree	16	6.1	6.1	7.3
	disagree	43	16.4	16.4	23.7
	Neither agree nor disagree	28	10.7	10.7	34.4
	To somewhat agree	101	38.5	38.5	72.9
	Agree	27	10.3	10.3	83.2
	Strongly agree	44	16.8	16.8	100.0
	Total	262	100.0	100.0	

Q17

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	9	3.4	3.4	3.4
	To somewhat disagree	6	2.3	2.3	5.7
	disagree	16	6.1	6.1	11.8
	Neither agree nor disagree	13	5.0	5.0	16.8
	To somewhat agree	79	30.2	30.2	46.9
	Agree	57	21.8	21.8	68.7
	Strongly agree	82	31.3	31.3	100.0
	Total	262	100.0	100.0	

Q18

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	29	11.1	11.1	11.1
	To somewhat disagree	24	9.2	9.2	20.2
	disagree	38	14.5	14.5	34.7
	Neither agree nor disagree	37	14.1	14.1	48.9
	To somewhat agree	78	29.8	29.8	78.6
	Agree	41	15.6	15.6	94.3
	Strongly agree	15	5.7	5.7	100.0
	Total	262	100.0	100.0	

Q19

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	9	3.4	3.4	3.4
	To somewhat disagree	12	4.6	4.6	8.0
	disagree	21	8.0	8.0	16.0
	Neither agree nor disagree	30	11.5	11.5	27.5
	To somewhat agree	92	35.1	35.1	62.6
	Agree	59	22.5	22.5	85.1
	Strongly agree	39	14.9	14.9	100.0
	Total	262	100.0	100.0	

Q20

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	33	12.6	12.6	12.6
	To somewhat disagree	24	9.2	9.2	21.8
	disagree	48	18.3	18.3	40.1
	Neither agree nor disagree	40	15.3	15.3	55.3
	To somewhat agree	79	30.2	30.2	85.5
	Agree	35	13.4	13.4	98.9
	Strongly agree	3	1.1	1.1	100.0
	Total	262	100.0	100.0	

Q21

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	5	1.9	1.9	1.9
	To somewhat disagree	9	3.4	3.4	5.3
	disagree	34	13.0	13.0	18.3
	Neither agree nor disagree	14	5.3	5.3	23.7
	To somewhat agree	86	32.8	32.8	56.5
	Agree	65	24.8	24.8	81.3
	Strongly agree	49	18.7	18.7	100.0
	Total	262	100.0	100.0	

Q22

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	11	4.2	4.2	4.2
	To somewhat disagree	27	10.3	10.3	14.5
	disagree	44	16.8	16.8	31.3
	Neither agree nor disagree	42	16.0	16.0	47.3
	To somewhat agree	92	35.1	35.1	82.4
	Agree	35	13.4	13.4	95.8
	Strongly agree	11	4.2	4.2	100.0
	Total	262	100.0	100.0	

Q23

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	3	1.1	1.1	1.1
	To somewhat disagree	5	1.9	1.9	3.1
	disagree	18	6.9	6.9	9.9
	Neither agree nor disagree	20	7.6	7.6	17.6
	To somewhat agree	78	29.8	29.8	47.3
	Agree	54	20.6	20.6	67.9
	Strongly agree	84	32.1	32.1	100.0
	Total	262	100.0	100.0	

Q24

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	18	6.9	6.9	6.9
	To somewhat disagree	33	12.6	12.6	19.5
	disagree	52	19.8	19.8	39.3
	Neither agree nor disagree	39	14.9	14.9	54.2
	To somewhat agree	52	19.8	19.8	74.0
	Agree	40	15.3	15.3	89.3
	Strongly agree	28	10.7	10.7	100.0
	Total	262	100.0	100.0	

Q25

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	3	1.1	1.1	1.1
	To somewhat disagree	5	1.9	1.9	3.1
	disagree	17	6.5	6.5	9.5
	Neither agree nor disagree	15	5.7	5.7	15.3
	To somewhat agree	78	29.8	29.8	45.0
	Agree	79	30.2	30.2	75.2
	Strongly agree	65	24.8	24.8	100.0
	Total	262	100.0	100.0	

Q26

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	2	.8	.8	.8
	To somewhat disagree	8	3.1	3.1	3.8
	disagree	17	6.5	6.5	10.3
	Neither agree nor disagree	24	9.2	9.2	19.5
	To somewhat agree	123	46.9	46.9	66.4
	Agree	56	21.4	21.4	87.8
	Strongly agree	32	12.2	12.2	100.0
	Total	262	100.0	100.0	

Q27

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	1	.4	.4	.4
	To somewhat disagree	11	4.2	4.2	4.6
	disagree	28	10.7	10.7	15.3
	Neither agree nor disagree	42	16.0	16.0	31.3
	To somewhat agree	105	40.1	40.1	71.4
	Agree	50	19.1	19.1	90.5
	Strongly agree	25	9.5	9.5	100.0
	Total	262	100.0	100.0	

Q28

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	3	1.1	1.1	1.1
	To somewhat disagree	10	3.8	3.8	5.0
	disagree	21	8.0	8.0	13.0
	Neither agree nor disagree	28	10.7	10.7	23.7
	To somewhat agree	89	34.0	34.0	57.6
	Agree	42	16.0	16.0	73.7
	Strongly agree	69	26.3	26.3	100.0
	Total	262	100.0	100.0	

Q29

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	15	5.7	5.7	5.7
	To somewhat disagree	27	10.3	10.3	16.0
	disagree	56	21.4	21.4	37.4
	Neither agree nor disagree	27	10.3	10.3	47.7
	To somewhat agree	52	19.8	19.8	67.6
	Agree	48	18.3	18.3	85.9
	Strongly agree	37	14.1	14.1	100.0
	Total	262	100.0	100.0	

Q30

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	8	3.1	3.1	3.1
	To somewhat disagree	35	13.4	13.4	16.4
	disagree	57	21.8	21.8	38.2
	Neither agree nor disagree	30	11.5	11.5	49.6
	To somewhat agree	77	29.4	29.4	79.0
	Agree	34	13.0	13.0	92.0
	Strongly agree	21	8.0	8.0	100.0
	Total	262	100.0	100.0	

Q31

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	6	2.3	2.3	2.3
	To somewhat disagree	21	8.0	8.0	10.3
	disagree	58	22.1	22.1	32.4
	Neither agree nor disagree	43	16.4	16.4	48.9
	To somewhat agree	82	31.3	31.3	80.2
	Agree	35	13.4	13.4	93.5
	Strongly agree	17	6.5	6.5	100.0
	Total	262	100.0	100.0	

Q32

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	8	3.1	3.1	3.1
	To somewhat disagree	14	5.3	5.3	8.4
	disagree	52	19.8	19.8	28.2
	Neither agree nor disagree	68	26.0	26.0	54.2
	To somewhat agree	70	26.7	26.7	80.9
	Agree	21	8.0	8.0	88.9
	Strongly agree	29	11.1	11.1	100.0
	Total	262	100.0	100.0	

Q33

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	23	8.8	8.8	8.8
	To somewhat disagree	31	11.8	11.8	20.6
	disagree	57	21.8	21.8	42.4
	Neither agree nor disagree	32	12.2	12.2	54.6
	To somewhat agree	59	22.5	22.5	77.1
	Agree	34	13.0	13.0	90.1
	Strongly agree	26	9.9	9.9	100.0
	Total	262	100.0	100.0	

Q34

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	4	1.5	1.5	1.5
	To somewhat disagree	47	17.9	17.9	19.5
	disagree	60	22.9	22.9	42.4
	Neither agree nor disagree	32	12.2	12.2	54.6
	To somewhat agree	75	28.6	28.6	83.2
	Agree	37	14.1	14.1	97.3
	Strongly agree	7	2.7	2.7	100.0
	Total	262	100.0	100.0	

Q35

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	22	8.4	8.4	8.4
	To somewhat disagree	41	15.6	15.6	24.0
	disagree	79	30.2	30.2	54.2
	Neither agree nor disagree	37	14.1	14.1	68.3
	To somewhat agree	56	21.4	21.4	89.7
	Agree	21	8.0	8.0	97.7
	Strongly agree	6	2.3	2.3	100.0
	Total	262	100.0	100.0	

Q36

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	14	5.3	5.3	5.3
	To somewhat disagree	27	10.3	10.3	15.6
	disagree	90	34.4	34.4	50.0
	Neither agree nor disagree	60	22.9	22.9	72.9
	To somewhat agree	49	18.7	18.7	91.6
	Agree	17	6.5	6.5	98.1
	Strongly agree	5	1.9	1.9	100.0
	Total	262	100.0	100.0	

Q37

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	5	1.9	1.9	1.9
	To somewhat disagree	34	13.0	13.0	14.9
	disagree	49	18.7	18.7	33.6
	Neither agree nor disagree	32	12.2	12.2	45.8
	To somewhat agree	64	24.4	24.4	70.2
	Agree	51	19.5	19.5	89.7
	Strongly agree	27	10.3	10.3	100.0
	Total	262	100.0	100.0	

Q38

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	26	9.9	9.9	9.9
	To somewhat disagree	35	13.4	13.4	23.3
	disagree	33	12.6	12.6	35.9
	Neither agree nor disagree	53	20.2	20.2	56.1
	To somewhat agree	43	16.4	16.4	72.5
	Agree	37	14.1	14.1	86.6
	Strongly agree	35	13.4	13.4	100.0
	Total	262	100.0	100.0	

Q39

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	3	1.1	1.1	1.1
	To somewhat disagree	4	1.5	1.5	2.7
	disagree	49	18.7	18.7	21.4
	Neither agree nor disagree	55	21.0	21.0	42.4
	To somewhat agree	50	19.1	19.1	61.5
	Agree	50	19.1	19.1	80.5
	Strongly agree	51	19.5	19.5	100.0
	Total	262	100.0	100.0	

Q40

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	3	1.1	1.1	1.1
	To somewhat disagree	5	1.9	1.9	3.1
	disagree	55	21.0	21.0	24.0
	Neither agree nor disagree	40	15.3	15.3	39.3
	To somewhat agree	58	22.1	22.1	61.5
	Agree	51	19.5	19.5	80.9
	Strongly agree	50	19.1	19.1	100.0
	Total	262	100.0	100.0	

Q41

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	45	17.2	17.2	17.2
	To somewhat disagree	58	22.1	22.1	39.3
	disagree	57	21.8	21.8	61.1
	Neither agree nor disagree	41	15.6	15.6	76.7
	To somewhat agree	55	21.0	21.0	97.7
	Agree	4	1.5	1.5	99.2
	Strongly agree	2	.8	.8	100.0
	Total	262	100.0	100.0	

Q42

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	4	1.5	1.5	1.5
	To somewhat disagree	4	1.5	1.5	3.1
	disagree	59	22.5	22.5	25.6
	Neither agree nor disagree	47	17.9	17.9	43.5
	To somewhat agree	41	15.6	15.6	59.2
	Agree	57	21.8	21.8	80.9
	Strongly agree	50	19.1	19.1	100.0
	Total	262	100.0	100.0	

Q43

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	57	21.8	21.8	21.8
	To somewhat disagree	63	24.0	24.0	45.8
	disagree	74	28.2	28.2	74.0
	Neither agree nor disagree	48	18.3	18.3	92.4
	To somewhat agree	16	6.1	6.1	98.5
	Agree	3	1.1	1.1	99.6
	Strongly agree	1	.4	.4	100.0
	Total	262	100.0	100.0	

Q44

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	2	.8	.8	.8
	To somewhat disagree	3	1.1	1.1	1.9
	disagree	44	16.8	16.8	18.7
	Neither agree nor disagree	55	21.0	21.0	39.7
	To somewhat agree	43	16.4	16.4	56.1
	Agree	65	24.8	24.8	80.9
	Strongly agree	50	19.1	19.1	100.0
	Total	262	100.0	100.0	

Appendix 4: Analysis of variance (ANOVA)

ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
indepenency	Between Groups	2.120	3	.707	.872	.456
	Within Groups	209.187	258	.811		
	Total	211.307	261			
integrity	Between Groups	9.092	3	3.031	3.159	.025
	Within Groups	247.477	258	.959		
	Total	256.569	261			
viability	Between Groups	13.903	3	4.634	4.435	.005
	Within Groups	269.624	258	1.045		
	Total	283.527	261			
Fraud	Between Groups	5.089	3	1.696	1.567	.198
	Within Groups	279.262	258	1.082		
	Total	284.351	261			
Disclosure	Between Groups	1.893	3	.631	.394	.757
	Within Groups	413.077	258	1.601		
	Total	414.970	261			
size	Between Groups	4.896	3	1.632	1.188	.315
	Within Groups	354.378	258	1.374		
	Total	359.274	261			
fees	Between Groups	2.590	3	.863	2.753	.043
	Within Groups	80.926	258	.314		
	Total	83.516	261			

Appendix 5: regression model

Model Summary[b]

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

a. Predictors: (Constant), size, indepenency, fees, Fraud, Disclosure, integrity, viability

b. Dependent Variable: perceptions

ANOVA[a]

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

a. Dependent Variable: perceptions

b. Predictors: (Constant), size, independency, fees, Fraud, Disclosure, integrity, viability

Coefficients[a]

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

a. Dependent Variable: perceptions

Appendix 6: Ranking variables

Independency

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	5	1.9	1.9	1.9
	2	3	1.1	1.1	3.1
	3	6	2.3	2.3	5.3
	4	32	12.2	12.2	17.6
	5	48	18.3	18.3	35.9
	6	81	30.9	30.9	66.8
	7	87	33.2	33.2	100.0
	Total	262	100.0	100.0	

Integrity

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	1	.4	.4	.4
	2	7	2.7	2.7	3.1
	3	8	3.1	3.1	6.1
	4	40	15.3	15.3	21.4
	5	69	26.3	26.3	47.7
	6	78	29.8	29.8	77.5
	7	59	22.5	22.5	100.0
	Total	262	100.0	100.0	

Detecting fraud

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	70	26.7	26.7	26.7
	2	28	10.7	10.7	37.4
	3	43	16.4	16.4	53.8
	4	35	13.4	13.4	67.2
	5	49	18.7	18.7	85.9
	6	21	8.0	8.0	93.9
	7	16	6.1	6.1	100.0
	Total	262	100.0	100.0	

Viability

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	22	8.4	8.4	8.4
	2	25	9.5	9.5	17.9
	3	40	15.3	15.3	33.2
	4	88	33.6	33.6	66.8
	5	32	12.2	12.2	79.0
	6	34	13.0	13.0	92.0
	7	21	8.0	8.0	100.0
	Total	262	100.0	100.0	

Financial disclosure

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	13	5.0	5.0	5.0
	2	20	7.6	7.6	12.6
	3	63	24.0	24.0	36.6
	4	37	14.1	14.1	50.8
	5	43	16.4	16.4	67.2
	6	25	9.5	9.5	76.7
	7	61	23.3	23.3	100.0
	Total	262	100.0	100.0	

Audit fees

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	47	17.9	17.9	17.9
	2	117	44.7	44.7	62.6
	3	58	22.1	22.1	84.7
	4	12	4.6	4.6	89.3
	5	12	4.6	4.6	93.9
	6	12	4.6	4.6	98.5
	7	4	1.5	1.5	100.0
	Total	262	100.0	100.0	

Audit firm-size

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	104	39.7	39.7	39.7
	2	62	23.7	23.7	63.4
	3	44	16.8	16.8	80.2
	4	18	6.9	6.9	87.0
	5	9	3.4	3.4	90.5
	6	11	4.2	4.2	94.7
	7	14	5.3	5.3	100.0
	Total	262	100.0	100.0	

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