Committee Decision

The Impact of Corporate Governance Mechanisms on Audit Quality: Evidence from Jordan

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Abstract
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The aim of this study is to examine the impact of corporate governance mechanisms on audit quality in Jordan. The sample included of 63 manufacturing companies listed on the Amman Stock Exchange. Relevant data were collected from the ASE website and from the annual reports of the sampled companies. Audit quality was assessed using three proxies: audit firm size, audit fees, and auditor specialization. To achieve the objectives of the study, multiple regression analysis was used. Results of the analysis revealed that companies with a high percentages of institutional ownership tend to hire a high quality auditor (Big4 auditing firm), and indicated a significant positive relationship between institutional ownership ratio and audit fees. In addition, results showed a significant positive relationship between total asset and both auditor specialization and audit fees. In contrast, the existence of the audit committee negatively affects the audit quality as measured by auditor specialization. Furthermore, the board of directors' size, director ownership, ownership concentration, percentage of board independence, CEO duality and financial leverage were found to have no effect on audit quality.

Based on the results of the study, the study recommends that regulators need to encourage companies for more compliance with corporate governance code. Companies need to pay more attention when formulating audit committees, and ensure that audit committees include members with a good experience and knowledge in financial and accounting practices.

Key words: Corporate governance, audit quality, manufacturing firms, Amman Stock Exchange.