

Some Influential Elements in Improving Effectiveness of External Audit in Jordanian Audit Offices

Field Study from the Point of View of External Auditors

Dr. Ziad AbdulHalim AlTheeb¹ & M.Acct. Hamza Yosuf Abu Qobu¹

¹ Associate Professor / Zarqa University, Jordan

Correspondence: Dr. Ziad AbdulHalim AlTheeb, Associate Professor / Zarqa University, Jordan

Received: July 26, 2017

Accepted: August 28, 2017

Online Published: September 1, 2017

doi:10.5430/afr.v6n4p31

URL: <https://doi.org/10.5430/afr.v6n4p31>

Abstract

This study aims to identify the impact of the elements represented in the criteria of selecting the auditor, auditor's independence, auditor's fees and professional specialization of auditor in improving effectiveness of external audit in Jordanian audit offices from the point of view of external auditors, the researchers adopted the analytical descriptive approach in this study.

The most important findings of this study are that there is an existence of a positive impact of the independent study variables (combined and separated) in enhancing the effectiveness of external audit in Jordanian audit offices. This study presented many recommendations, the most important of these are: the auditors should exercise their profession in accordance with professional specialization and the need to provide the necessary legal protection for the external auditor to maintain his independence.

Keywords: Influential Elements (Auditor's independence, Auditor's fees, Professional specialization of auditor), External Auditors

1. Introduction

The onset of the third millennium has witnessed the emergence of many pressures on the auditing profession, particularly after the collapse of global facilities such as word com facility, an increase in the number of cases against international audit, as a result of involving in professional issues and their inability to perform their professional duties in a manner consistent with the auditing standards, ethics and behavior of the profession. The auditing profession is considered a social job based on providing audit service and depends on mutual confidence between profession member and the related parties. The rise of financial statements users' adoption on audited financial statements as a source of information led to taking different decisions and increased responsibility of the auditor towards others led to the emergence of the need for action to ensure effectiveness of external audit in order to provide a reasonable convince to the audit and the parties concerned that the work of the audit has been carried out with a high degree of effectiveness, which requires the auditor in the preparation of the final report and to commit to the measures that guarantee the effectiveness of the audit process.

From this standpoint, the concept of external audit effectiveness received great scientific and professional attention at the international level, as it has great importance, chiefly in light of the criticisms of the profession. Special efforts have been made to improve it, and this was reflected through the issuance of a group of professional standards, compelling the auditors of the need to respect and abide by them when practicing the audit process.

On the local level, anyone who looks attentively in our society today, he sees a big presence and widespread of the audit profession and notices its significant role in social and economic development and in strengthening the society. Despite the importance of this profession and effectiveness of external audit, however, the report of the Securities Commission Act of 2011 refers to that; the commission has taken action against a number of auditors violating the law as they approved incorrect financial statements.

Despite the importance of effectiveness of external audit, however, it did not get its share of research and study, and to fill that gap, the idea of this study has emerged, which focuses on the study of some of the influential elements in improving effectiveness of external audit in Jordanian audit offices, from the point of view of external auditors, in an

attempt to measure the relative importance of each of these elements and providing some suggestions that can contribute in improving and developing of audit profession in Jordan.

1.1 Study problem and Its Questions

1.1.1 The Study Problem Lies in Answering the Following Questions:

- 1- Does the element of selecting external auditor affect improving effectiveness of external audit?
- 2- Does the element of auditor's independence affect improving effectiveness of external audit?
- 3- Does the element of auditing fees of the auditor affect improving effectiveness of external audit?
- 4- Does the element of professional specialization of the auditor affect improving effectiveness of external audit?

1.2 Study Hypotheses

First Hypothesis: There is no statistically significant effect of the element of selecting external auditor in improving effectiveness of external audit in Jordanian audit offices from the point of view of the external auditors.

Second Hypothesis: There is no statistically significant effect of the element of auditor's independence in improving the effectiveness of external audit in improving the effectiveness of external audit in Jordanian audit offices from the point of view of the external auditors..

Third Hypothesis: There is no statistically significant effect of the element of auditor's fees in improving the effectiveness of external audit in improving the effectiveness of external audit in Jordanian audit offices from the point of view of the external auditors.

Fourth Hypothesis There is no statistically significant effect of the element of professional specialization of the auditor in improving the effectiveness of external audit in improving the effectiveness of external audit in Jordanian audit offices from the point of view of the external auditors.

1.3 Significance of the Study

The significance of the study with both its sections, the theoretical and practical stems of the following elements

- 1- Shedding light on the concept of effectiveness of external audit and its importance, as it has a significant role in achieving the desired objectives of the audit process.
- 2- Identifying influential elements in improving effectiveness of external audit
- 3- Contributing in improving the performance of the audit offices to be able to compete in the future.

1.4 Study Objectives

This study seeks to achieve the following objectives:

- 1- Working to clarify the elements that affect in effectiveness of external audit, identifying the relationship among these elements and effectiveness of the external audit.
- 2- Analyzing and identifying the relative importance of each of these elements, studying its importance and the degree of its impact in improving effectiveness of external audit.
- 3- Providing appropriate recommendations and suggestions, establishing solutions that contribute in solving, addressing the problem and enabling the external auditor to continue his work effectively.

1.5 Procedural Definitions

Audit: "An organized process to get the clues associated with the elements showing economic events and evaluating them in an objective manner for the purpose of ascertaining the degree of compatibility of these elements with set standards and then providing the results to the parties concerned." (Messier, et al.,2008)

Effectiveness of external audit: "It means that the capacity of audit means and clues that ensure the audit process to achieve the desired objectives of the audit process and protection from relevant risks."(Al-Obeidi, 2012)

External auditor: "He is a qualified, independent and licensed person for auditing financial statements, and submitting his report connected to these concerned parties or the party that appointed him."(Al-Tamimi, 2004)

Auditor's independence: "It means that the auditor performs work honestly, integrity and objectivity in all stages of audit process, and not to be subjected to influence of a stakeholder or to take action incompatible with objectivity and impartiality." (Al-Thunaibat, 2010)

Audit fees: "They are the amounts, wages or fees charged by the auditor for doing audit process for a certain facility." (Al-Matarneh, 2006) the

Professional specialization of auditor: "That is the auditor carries out audit services to clients belonging to one sector or industrial activity, including similar to the nature of the operations that the entity performs in the same sector, and the ability to access to knowledge and expertise on the nature of those operations." (Awad, 2006)

2. Theoretical Framework and Literature Review

2.1 Concept of the Effectiveness of the External Audit

Many researchers defined the effectiveness of the external audit, (Al-Jaafreh,2008) defined it as: "It is represented in achieving the objectives of external audit in terms of the emphasis that all financial accounting operations have been recorded according to generally accepted accounting principles and that the published financial statements matches up with the data contained in the records, and that the report of the auditor witnesses of the justice of the representation of these data of work results for a certain period, the financial position on a specific date, based on the audit standards and rules of professional conduct and evidence of adequate appropriate audit. The report shall reflect on the extent to which this data is free of errors and material distortions, and not to give the opinion of an error in the financial statements prepared by the administration." Whereas (Al-Obeidi, 2012) defined the effectiveness of external audit as; the ability of audit means and their evidence to ensure that the audit process to achieve the desired objectives of the audit process and protection from relevant risks. "

In the light of the above mentioned, the researchers believe that the effectiveness depends on the ability to achieve the desired objectives and effectiveness of the auditor is measured by the extent of his ability to accomplish the objectives set to himself, or those that set by others with less time, effort and cost. Through above, the researchers define effectiveness as selecting or identifying the best ways that the auditor performs to achieve the desired objectives identified in advance without wasting time and with less cost and effort. We conclude that effectiveness is linked to the ability of the auditor to achieve his objectives, whereas the auditor who achieves his objectives, his audit to be considered effective, meanwhile, the auditor who does not achieves his objectives, his audit to be considered ineffective..

2.2 Influential Elements in Improving Effectiveness of the External Audit

Influential elements in improving effectiveness of external audit are considered of the basic ingredients that must be given attention when exposed to the effectiveness of external audit. Given the difficulty of defining an accurate concept and measuring them, this section presents some of the elements affecting in effectiveness of external audit, which the researchers see that they shall be independent variables in this study, Given the relative importance of them among other elements to improve effectiveness of external audit and they have been have been presented in terms of the definition of each element, and its importance, the quality of its effect, as follows;

1- Basis of selecting auditor

The process of selecting the external auditor in developed countries is a complex process, but more it is complex in developing countries, due to short life of profession or lack of completion of fundamental pillars organizing the profession. (Jomaa, 2005, p. 58). The Generally Accepted Auditing Standards (GAAS) interested in personal qualities of the auditor including the first criterion and particularly with scientific and practical qualification, and this requires that the performance of audit process have to be done by persons who have received the appropriate level of training and have appropriate technical skill to work as auditors. That standard requires auditors to possess an adequate degree of formal education in accounting and auditing, which is one of the most important conditions for certified public accountant in most countries. In addition, they have to possess appropriate practical experience of the work they are doing, as these are considered of the important and influential elements of effective audit. For this reason, the accounting and auditing nature featuring an enormous increase in information and increasing complexity due to technological progress. (Al- Matarneh, 2006). The task of the appointing of external auditor received the attention of laws and legislations in Jordan, where these laws and legislations oblige all public shareholding facilities to appoint and select an external auditor for the purpose of expressing a technical impartial opinion on the validity of financial statements of the facility to be audited and the body responsible for selecting the external auditor in the public shareholding facilities e facilities which confined to the shareholders' general Assembly. Whereas facilities of solidarity and individual enterprise are obliged by laws and legislations to abide by regular bookkeeping as well as appointing external auditor, but they left selecting this auditor for partners in solidarity facilities and for the owner in individual projects.

2- Auditor's Independence

Auditor's independence is considered one of the most important auditing topics that received much attention since the first early development of establishing auditing profession, it represents the cornerstone for this profession, and that the independence of the auditor is the reason for gaining the trust of the financial statements' users, and they depend on it while using information included in these statements in their economic decisions, and when auditor's independence exposed to doubt the confidence in financial statements bearing his ratification is shaken, and thus, it is difficult to rely on these statements in making right economic decisions and the economic situation is exposed to confusion.

Professional and official actors have given the importance of independency of auditor, and tried to remove all the behaviors that could cast doubt on his independence, both in terms of performing his work, or where an overview of the users of the financial statements. The American Institute of Certified Public Accountants (AICPA) has pointed out when talking about independence that the auditor has to be independent while performing his professional duties by application of the standards of audit set by AICPA. (Mahmoud et al., 2011, p. 108)

(Al-Najdawi & Al-Quda, 2011, p.98) defined independency that: It is the possibility that the auditor performs his work honestly and objectively, so that he does not hide the facts or give data and information not representative of reality, and not to drag behind attractions of facility administration and perform its dictates. However, the auditor must be independent of the administration, impartial in his provisions and that his primary objective of audit process is to give a neutral technical opinion on the fairness of financial statements and their representation of the financial position as well as about the results of facility work that to be audited. ((Al-Thunaibat, 2010, p. 115) defined it" that auditor have to work honestly, integrity and objectivity in all stages of the audit process and not to be subjected to the influence of one party or to take action inconsistent with objectivity and integrity". Thus, there is no agreement on the concept of auditor's independence, but two concepts of independence can clarified issued by the U.S. Securities and Exchange Commission (SEC) and the International Federation of Accountants (IFAC) as follows: (international auditing and assurance standards, 2011)

3- Audit Fees

Audit process requires time and effort by the auditor, this effort and time are reflected in the form of cost or costs of the executing the whole service, like examining it, checking its risk and reporting about it. (Mohammad and Surror, 2009, p.22). In addition, audit fees represents main source of the auditor's revenues, where he seeks to maximize it to gain the best return from practicing the profession, on the other hand those fees represent a financial burden for the facilities subject to auditing. Additionally, it is a cost spent on seeking an benefit that justifies bearing it and this is related to quality and effectiveness that offers that service, which is necessary for auditors seeking to upgrade the profession and keeping the customers of this profession who expect good effectiveness of this service for what they pay for having it (Al-Shateri & Al-Anqari, 2006, p.98).

2.3 Professional Specialization of Auditor

Professional specialization is considered one of the modern trends in the developing the audit profession and one of the most prominent entrances to continuity in the audit market to face the increasing competition under the opening of markets. Moreover, AICPA considers the issue of specialization in audit profession one of the most prominent five issues facing the profession in the 21st century and the demand for auditing services in specialized offices will be the dominant character during this period, in contrast, decreased demand for auditing services in other offices. (Al-Maqtari, 2011, p. 415).

Specialization in the audit profession means that the auditor specializes in auditing a sector of economic activity, such as: specialization in auditing banks or industrial or commercial establishments and others. This can be measured by the proportion of auditor's agents in a particular activity to the total of his clients, or the auditor's share of the total of agents in a particular activity. (Awad, 2006, p.68) defined professional specialization of the auditor as: "The Auditor to perform auditing services to clients belonging to one sector or industrial activity, including similar to the nature of the operations of the enterprises in the same sector, and possibility to access to knowledge and experiences connected with the nature of those operations."

2.4 Literature Review

Liu Hi Study (2007) This study aimed to reach the influential factors in determining audit fees of registered enterprises in Shanghai and Shenzhen for Securities Exchange Act of 2004, which amounted to (300) enterprises. The study reached several results, most important: that the audit fees are affected by the size of the enterprise to be measured by total assets and sales simultaneously, the complexities of audit process, risks of audit represented in the

proportion of rapid circulation and existence of fees premium when the audit office linked in one of the four major audit enterprises.

Knechel & et al. Study (2008) This study aimed to analyze the influential factors in selecting external auditor in the small and medium-sized enterprises operating in Finland, where the enterprises select external auditor from four types of audit facilities: international auditing enterprises, local auditing enterprises, local auditors who hold a license to practice the profession and local auditors not accredited. In order to achieve the objectives of this study, a questionnaire was designed as a basis for field study, which was conducted on a random sample of (2333) companies of the beneficiaries of the audit services to small and medium-sized enterprises operating in Finland. The study reached to several findings, the most important: the most important influential factors in selecting external auditor of small enterprises are: the size of enterprise business, complexity of its financial operations and the extent of the auditor's experience in auditing financial statements of such enterprises. With regard to the influential factors in selecting external auditor for enterprises that select certified auditor from Type I and II of the audit enterprises, most important of these are: the magnitude of the required funding for these enterprises, and renown of external auditor, and the extent to which he is linked to an international audit company. While the most important factors in selecting external auditor for enterprises that select international auditing enterprises are: fame of external auditor, and how it relates to international auditing enterprise, professional competence of external auditor and specialization in the areas of enterprise work.

Olyan Study (2010) This study aimed to determine the basis of selecting external auditor in the enterprises listed in Palestine Stock Market, studying and analyzing them. In addition, measuring relative importance of these factors and analyzing them from the point of view of external auditors and enterprises to determine the extent of their impact on independence of external auditor in those enterprises and his impartiality. The most important findings of this study that there are fundamental differences in the importance of the basis of selecting of external auditor and their impact from the point of view of external auditors and their impact from the point of view of enterprises. The most important recommendations of this study are that there is a need to identify frameworks and legislations that decide the process of selecting external auditor and developing them, so that experience and effectiveness remain the main factors in selecting external auditor.

Musalam Study (2011) This study aimed to identify the extent of effectiveness of external auditing of Palestinian Civil Institutions and the knowing the means that increase applying effective external auditing standards, through a survey of the views of those who are in charge of managing institutions working in Gaza Strip. The most important findings of this study that effective external audit for a civil institution is available in sufficient degree. Furthermore, that the elements of independence and professional selection of external auditor have several shortcomings: that the basis of selection process of auditing bureau are prior knowledge and personal relations, audit fees are unfair in amount and to being linked to the final result of the report.

Al-Maqtari Study (2011) This study aimed to highlight the important role of professional specialization of external auditor improving assessing audit risks in Yemeni environment. The study population consisted of auditors working in private bureaus ,270 Auditors and auditors working in Central Organ, 117 auditors , whereas the study sample consisted of (159 and 90) auditors respectively. The most important findings of this study are the following: auditors' agreement on importance of professional specialization in improving the efficiency of audit risks represented in control risk, discovery risk and inevitable risk. Furthermore, the most important recommendations recommended by the researcher, the importance of further studies on professional specialization of auditor and auditors should undertake the exercise of their profession according to their professional specialization.

3. Methodology

The researchers used the analytical descriptive approach as it is appropriate for the purposes of this study, in the light of this; the study consists of two frameworks:

Theoretical Framework: It is represented in: knowledge and review of the findings of previous studies and research related to the study to take advantage of all the techniques, ideas and methods on the subject under study. Review of books, periodicals, websites and special publications on the subject under study.

Applied Framework: it is studying the professional reality of Jordanian auditing offices, particularly what is related to the influential elements in improving effectiveness of external audit, through designing a questionnaire suitable to the subject of the study, distributing it on the study sample, consisting of external auditors and then unloading and analyzing it using (SPSS).

3.1 Population & Sample

The total number of certified licensed external auditors of auditing profession in Jordan is 586 auditors, where the number of external audit practitioners is 380, which was adopted by the researchers as study population (the records of Jordan Association Certified Public Accountants, 2013) and a random sample of audit practitioners in Jordanian audit offices consists of 200 auditor with a percentage more than 53% of audit practitioners who work in audit offices, the study questionnaire was delivered to them and 172 questionnaires were returned means done, with a percentage of return reached 86% , questionnaires done by auditors working in audit offices and not obtaining the JACPA reached 38 questionnaires were excluded, thus 134 questionnaires were analyzed represent 78% of the returned questionnaires, which is an acceptable percentage for scientific research purposes.

Description of survey instrument (Questionnaire)

A special questionnaire was designed and developed to identify influential elements in improving effectiveness of external audit in Jordanian audit offices. The questionnaire consisted of three main parts, where the first part to identify the demographic factors of respondents from audit practitioners in Jordanian audit offices, the second part contains general guidance on some of the terms used in the questionnaire, and the respondent was asked to read them before proceeding to answer the questionnaire items. Whereas the third part was for the items that covered study variables. It consisted of four main core elements; each core element consisted of 6 items. The researchers used 5-point Likert Scale measure five to know the to get to get the respondents' answers on the questionnaire, the answers' degrees have been identified as following: (Strongly Agree 5 degrees, Agree 4 degrees, Neutral 3 degrees, Disagree two degrees, Strongly Disagree one degree).

Moreover, to verify content validity, the researchers introduced the instrument to a group of arbitrators consisting of eight members of the teaching staff in, governmental and private Jordanian universities, and some of the external auditors, in order to check what the items measure of the required performance, the extent of connection of items' scale with the variable to be measured and to judge the items, their formulation, the degree of their clarity and their suitability to the core elements. The researchers adopted the observations of arbitrators. The researchers also measured instrument reliability for the purposes of verification of the amount of internal consistency of the study instrument using the Cronbach's alpha coefficient for study sample answers obtained after the distribution of the questionnaire. The coefficient of internal consistency of Cronbach's alpha of study instrument is (88%) this means that the questionnaire reliability coefficient of high.

3.2 Descriptive Statistics Results of Demographic Variables Data for the Study Sample

Study sample distribution by sex: It shows that 91% of study sample is males, while the remaining 9% of the females, due to the nature of audit process that it needs greater effort, ability to work in the field and more movement among different enterprises.

Study sample distribution by age: It is found that 1.5% of study sample aged less than 25 years, 13.4% ranging from 25 to less than 35 years, 32.8% ranging from 35 to less than 45 years and 52.2% aged more than 45 years. It is noted that that the highest percentage of study sample aged more than 45 years, because in this period of life, the auditor has got various scientific and practical experience.

Study sample distribution according to scientific degree: It was found that 86.6% of the study sample is bachelor's degree holders, 9% are master's degree holders and 4.5% are doctorate degree holders. It is noted that the majority of study sample respondents hold a bachelor's degree, accounting for 86.6%, and over 13.5% have master's degrees and doctorates, which indicates that the existing staff of auditors is a qualified cadre, and thus this proves their ability to understand questionnaire and to answer them effectively.

Study sample distribution according to academic specialization: It was found that 91% of study sample has an accounting specialization, 3% has financial and banking specialization, 3.7% has business administration and 2% has other specializations (economy). It is noted that the majority of study sample respondents have an accounting specialization accounting for 91%, and this is a natural consequence as auditing profession is based on accounting.

Study sample distribution according to practical experience: The study indicates that 1.5% of study sample respondents have less than 5 years of practical experience, 17.2% ranging from 5 to less than 10 years and 32.8% ranging from 10 to less than 15 years and 48.5% have more than 15 years of experience. This shows a high level of expertise for auditors, which helps that the answers are characterize with relative accuracy, in turn leads to the validity and integrity of results to be reached.

Study sample distribution according to professional certification: It was noted that that 12% have professional certificate besides the Jordanian certified professional accountant certificate (JCPA) which is a good percentage to indicate that the auditors have professional certification that increase their effectiveness work in the area of auditing.

Results related to answering the first sub-study question: Does the element of selecting external auditor affect improving effectiveness of external audit? The study indicated that the views of study sample respondents in all items regarding basis of selecting auditor were positive, with an exception of the item stating that "Selecting o auditor based on prior knowledge and personal relations of the enterprise management with the auditor affects positively in improving effectiveness of external audit" ,where results indicate disagreement of study sample respondents, with an arithmetic mean less than 3, where this generally indicates disagreement of study sample respondents that the selecting process should not depend on personal relations absolutely. This is considered a positive indication that selecting external auditor should be based on auditor's experience and effectiveness, which achieves a lot of advantages, most importantly, auditor's independence which qualifies him to give an opinion in all neutrality and strengthen the confidence of financial statements' users, that would improve effectiveness of external audit. The item stating that "Selecting auditor based on availability of sufficient experience for the auditor in the type of enterprise's industry and that it belongs to affects positively in improving effectiveness of external audit" came in the first place with an arithmetic mean of 4.5 and a standard deviation of 0.52 as this refers to the conviction of the study sample that it is necessary to select auditor based on his professional specialization in the enterprise's industry to be audited. While the item "Selecting auditor based on his association with one of the international auditing offices or enterprises affect positively in improving effectiveness of external audit" came in fifth place, before the last, with an arithmetic mean of 4.07 and a standard deviation of 0.83.

Results related to answering the second sub-study question: Does the element of auditor's independence affect improving effectiveness of external audit?

The study revealed that the views of study sample respondents in all items regarding auditor's independence were positive and the item stating that "There are financial relationships between auditor and enterprise's administration to be audited or accepting valuable gifts shall negatively affect effectiveness of external audit" came in the first place with an arithmetic mean of 4.35 and a standard deviation of 0.74. In the sixth and last place came the item stating that "The auditor provides some advisory services for the enterprise to be audited replace affects negatively on effectiveness of external audit, with an arithmetic mean of 4.16 and a standard deviation of 0.78 .

Generally this shows the agreement of study sample respondents on the negative impact of previous factors on the auditor's independence, this means that the availability of true independence of external auditor on the ground, which means that the auditor can be objective in taking decision devoid of any interest or relationship that may arise with enterprise to be audited. This is a positive indicator of improving effectiveness of external audit.

Results related to answering the third sub-study question: Does the element of auditing fees of the auditor affect improving effectiveness of external audit?

The study showed that the views of study sample respondents in all items regarding auditing /auditor's fees were positive and the item stating that: "Determining auditor's fees affects disproportionately with time and effort spent in the process of auditing process and with the reputation, expertise of the auditor negatively on effectiveness of external audit" came in the first place with an arithmetic mean of 3.92 and a standard deviation of 0.96. As the item stating that "Determining auditor's fees affects by the enterprise's board of directors and not by enterprise's general assembly to be audited negatively on effectiveness of external audit" came in the sixth and final place with an arithmetic mean of 3.45 and a standard deviation of 0.93, this indicates the agreement of study sample that whenever there is fairness in auditor's fees for the effort exerted, and whenever there is justice in determining the of the external auditor's fees, therefore this leads external auditor to exert the necessary professional care, therefore issuing a report expresses honestly and fairness of the reality of the financial position, leading to improving the effectiveness of external audit.

Results related to answering the fourth sub-study question: Does the element of professional specialization of the auditor affect improving effectiveness of external audit?

The study indicated that the views of study sample respondents in all items concerning professional specialization were positive, and the item stating that: "Professional specialization of the auditor assist him to know special accounting and auditing standards of his client's activity, which positively affect in improving effectiveness of external audit" came in the first place with an average of 4.28 and a standard deviation of 0.74, while the item stating

that "Auditor's professional specialization contributes to improving auditor's ability to eliminate fraud and cheating risk, which in turn has a positive impact in improving effectiveness external audit" came in the sixth and final place with an arithmetic mean of 3.97 and a standard deviation of 0.794. It generally indicates to the agreement of study sample respondents that auditor's professional specialization in the enterprise's industry to be audited resulting in raising the quality of financial statements and reports and adding them trust and credibility, and thus increasing effectiveness external audit. The researchers believe that professional specialization in enterprise's industry leads to an understanding of all matters with regard to the enterprise to be audited leading to improving effectiveness of external audit.

3.3 Testing Study Hypotheses

In order to test study hypotheses, study sample respondents' answers were subject to t-test, with a significance level of (0.05) under the resolution base for this test: null hypothesis shall be rejected if calculated t is more than its tabulated t-value, which equals 2 or if the significance level is ($\alpha \leq 0.05$). The null hypothesis is accepted if calculated t is less than its tabulated, which equals 2 or if the level of significance ($\alpha \geq 0.05$), based on the foregoing, the testing hypotheses' results are as follows:

First Hypothesis: There is no statistically significant effect of the element of selecting external auditor in improving effectiveness of external audit in Jordanian audit offices from the point of view of external auditors at the significance level of ($\alpha \leq 0.05$).

Table 1. Test results (One sample t-test) for the impact of the element of selecting auditor in improving effectiveness of external audit

Arithmetic Mean	Standard Deviation	t-value	Significance Level	Statistical Decision
4.07	0.34	36.21	0.000	Rejecting the null hypothesis

Tabulated t-value at the significance level of ($\alpha \leq 0.05$) equals 2.

Generally, it is clear that arithmetic mean of all items of element of selecting auditor in improving effectiveness of external audit selection equals 4.07 ,calculated t equals 36.21, it is greater than tabulated t which equals 2 and the significance level equals (0.000), which is less than ($\alpha \leq 0.05$).Therefore, the null hypothesis is rejected, and the alternative hypothesis is accepted which states that " There is a statistically significant effect of the element of selecting external auditor in improving effectiveness of external audit in Jordanian audit offices from the point of view of external auditors at the significance level of ($\alpha \leq 0.05$).

Second Hypothesis: There is no statistically significant effect of the element of auditor's independence in improving effectiveness of external audit in Jordanian audit offices from the point of view of external auditors at the significance level of ($\alpha \leq 0.05$).

Table 2. Test results (One sample t-test) for the impact of the element of auditor's independence in improving effectiveness of external audit

Arithmetic Mean	Standard Deviation	t-value	Significance Level	Statistical Decision
4.21	0.38	36.85	0.000	Rejecting the null hypothesis

Tabulated t-value at the significance level of ($\alpha \leq 0.05$) equals 2.

Generally, it is clear that arithmetic mean of all items of element of auditor's independence in improving effectiveness of external audit equals 4.21 ,calculated t equals 36.85, it is greater than tabulated t which equals 2 and the significance level equals (0.000), which is less than ($\alpha \leq 0.05$).Therefore, the null hypothesis is rejected, and the alternative hypothesis is accepted which states that " There is a statistically significant effect of the element of auditor's independence in improving effectiveness of external audit in Jordanian audit offices from the point of view of external auditors at the significance level of ($\alpha \leq 0.05$).

Third Hypothesis: There is no statistically significant effect of the element of auditor's fees in improving effectiveness of external audit in Jordanian audit offices from the point of view of external auditors at the significance level of ($\alpha \leq 0.05$).

Table 3. Test results (One sample t-test) for the impact of the element of auditor's fees in improving effectiveness of external audit

Arithmetic Mean	Standard Deviation	t-value	Significance Level	Statistical Decision
3.74	0.63	13.55	0.000	Rejecting the null hypothesis

Tabulated t-value at the significance level of ($\alpha \leq 0.05$) equals 2.

Generally, it is clear that arithmetic mean of all items of element of auditor's fees in improving effectiveness of external audit equals 3.74 ,calculated t equals 13.55, it is greater than tabulated t which equals 2 and the significance level equals (0.000), which is less than ($\alpha \leq 0.05$).Therefore, the null hypothesis is rejected, and the alternative hypothesis is accepted which states that " There is a statistically significant effect of the element of auditor's fees in improving effectiveness of external audit in Jordanian audit offices from the point of view of external auditors at the significance level of ($\alpha \leq 0.05$).

Fourth Hypothesis: There is no statistically significant effect of the element of professional specialization in improving effectiveness of external audit in Jordanian audit offices from the point of view of external auditors at the significance level of ($\alpha \leq 0.05$).

Table 3. Test results (One sample t-test) for the impact of the element of professional specialization in improving effectiveness of external audit

Arithmetic Mean	Standard Deviation	t-value	Significance Level	Statistical Decision
4.13	0.51	25.62	0.000	Rejecting the null hypothesis

Tabulated t-value at the significance level of ($\alpha \leq 0.05$) equals 2.

Generally, it is clear that arithmetic mean of all items of element of professional specialization in improving effectiveness of external audit equals 4.13 ,calculated t equals 25.62, it is greater than tabulated t which equals 2 and the significance level equals (0.000), which is less than ($\alpha \leq 0.05$).Therefore, the null hypothesis is rejected, and the alternative hypothesis is accepted which states that " There is a statistically significant effect of the element of professional specialization in improving effectiveness of external audit in Jordanian audit offices from the point of view of external auditors at the significance level of ($\alpha \leq 0.05$).

4. Results

It is clear that the study results are summarized in the following points:

- 1- Independent variables of the study represented by (basis of selecting auditor, auditor's independence, auditor's fees and auditor's professional specialization) combined and separated have a positive impact in improving effectiveness of external audit in Jordanian audit offices from the point of view of external auditors practitioners.
- 2- The most important elements that affect in effectiveness of external audit are: auditor's independence, then selecting auditor, after that auditor's professional specialization finally, auditor's fees.
- 3- Selection auditor based on prior knowledge and personal relations of the enterprise's administration to be audited has a negative impact on the effectiveness of external audit in Jordanian audit offices.
- 4- Auditor's independence is considered the backbone of auditing profession in general, and thus there is an urgent need to strengthen this neutrality and protecting it. In addition, and there is an existence of many obstacles and threats that face independence and effectiveness of audit, such as: appointing or dismissing the auditor by enterprise's board of directors rather than enterprise's general assembly to be audited, establishing financial relations between the auditor and the enterprise to be audited, accepting valuable gifts from the enterprise or providing auditor some advisory services for the enterprise to be audited to replace the scrutiny.
- 5- Presence of a lot of obstacles and threats that face determining auditor's fees, such as absence of clear criteria to calculate auditing fees commensurate with auditor's responsibility, therefore all of these affect on availability of justice.
- 6- Professional specialization in the industry to be audited leads to improving effectiveness of external audit, leads to enhancing and promoting auditing profession and reducing cases and complaints filed against the auditor.

5. Recommendations

The researchers suggest a number of recommendations that could contribute to improving effectiveness of external audit in the Jordanian audit offices as follows:

- 1- The need to inform all interested parties in the auditing process of the importance of effectiveness of external audit, and making it the appropriate standard when selecting the auditor, through issuing of professional bulletins to educate auditors and carrying out seminars and lectures to financial statements' users by the Association of Certified Accountants.
- 2- The need for auditors to exercise the profession according to professional specialization, taking into account the developments in current professional environment of intense competition.
- 3- The necessity to provide the essential legal protection for external auditor to maintain its independence, through the introducing of the necessary amendments to the legislations and laws regulating external auditing profession.
- 4- The need that professional bodies shall set minimum fees of the auditor, based on acceptable criteria for all parties and the auditor may not in any case to waive them, with the need that professional bodies to follow up this matter, and not to leave it to the bargain between the parties.
- 5- The recommendation of more studies and future researches, especially in measuring effectiveness of external audit and evaluating them from the point of view of other parties of the financial statements' users and enterprises' to be audited, where there is a clear deficiency in this area.

References

Arabic References

- Al-Jaafreh, Mohammad Mufleh Mohamed. (2008). The extent of keenness of audit offices to provide the requirements for improving the effectiveness of external audit of the Jordanian public shareholding companies. Unpublished Master's Thesis, University of the Middle East, Amman, Jordan.
- Al-Maqtari, Mu'ad Tahir Saleh. (2011). Importance of professional specialization of auditor in improving auditing risk assessment. Journal of economic and legal sciences, Damascus University, Issue 27, No.4, p. 405-438.
- Al-Matarneh, Ghassan Falah. (2006). *Contemporary auditing, theoretical part*. (1st ed.) Amman: Dar Al-Maseera for publishing, distribution and printing.
- Al-Najdawi, Akram & Al-Quda, Laith. (2011). *Contemporary trends in auditing science. part1*, (1st ed.). Amman: Tasnim foundation.
- Al-Obeidi, Fatima Naji. (2012). Risks of using of computerized accounting information systems and their impact on the effectiveness of the audit process in Jordan, Master thesis, University of the Middle East, Amman, Jordan.
- Al-Shateri & Al-Anqari, Iman Hussein, Hussam Abdulmohsen. (2006). Low level of audit fees and its effects on professional performance quality: A field study on audit offices in the Kingdom of Saudi Arabia, King Abdul Aziz University Magazine, Economics and Management, vol.20, No.1, pp. 97-163.
- Al-Tamimi, Hadi. (2004). *Introduction to auditing in theory and practical*. (4th ed.).
- Al-Thunaibat, Abdulqader. (2010). *Auditing in the light of international standards, theory and application*, (3rd ed.). Amman: Dar Wael for Publishing.
- Awad, Amal Mohammad. (2006). Studying and testing the impact of industrial specialization of the auditor on the quality of the accounting profits of companies listed on the Egyptian Stock Exchange. The Journal of Faculty of Commerce for scientific research. No1.
- Jomaa, Ahmad Hilmi. (2005). *Introduction to modern auditing*. (2nd ed.). Amman : Dar Safaa for publication and distribution.
- Mahmoud, Raafat Salameh & Kalboneh ,Ahmed Yousef & Zuraiqat Omar, Omar Mohammad. (2011), *theoretical auditing Science*. (1st ed.). Amman: Dar Al- Maseera for publishing, distribution and printing.
- Mohammad, Ali & Surror, Jamal. (2009). Influential factors in determining audit fees in Republic of Yemen, Certified Accountant Magazine. No.8.Yemen Association of Certified Public Accountants.
- Musalam, Khaled Tayseer. (2011). The extent of effectiveness of external audit of Palestinian civil institutions operating in Gaza Strip. prospective study. Unpublished Master thesis. Islamic University of Gaza, Palestine.

- Olyan, Hazim Fuad. (2010). Basis of selecting external auditor in listed companies at Palestine Stock Exchange, Master thesis. Islamic University. Gaza, Palestine.
- Records of Jordanian Association of Certified Accountants (2013), Amman, Jordan.
- Securities Commission (2011). Annual report. Amman, Jordan.
- The International Association of Accountants. (2011). Issuances of international standards for quality control and auditing, other auditing related processes and related services. (1st ed.). Part1. Translation of International Arab Society Certified Accountants. Jordan.

Foreign References

- Boddy, David Albert Boonstral, & Graham Kennedy, (2009). *Managing Information Systems: Strategy and Organization*, 3rd ed, Financial Times Press.
- Knechel W . Robert, Niemi, Lasse, & Sundgren, Stefan. (2008). Determinante of Auditor Choice: Evidence from a Small Client Market. *International Journal of Auditing*, 12(8).
- Kwon Soo Young, Lim CheeYeow & Tan Patricia Mui-Siang. (2007). Legal Systems and Earning quality: The Role of Auditor industry specialization. *Auditing: A Journal of Practice & Theory*, 26(2), 25-55.
- Liu Ji-hong. (2007). On determinants of audit fee: New evidence from China. *Journal of Modern Accounting and Auditing*, 3(4).
- Mayhew, Brian W., Wilkins, Michael S. (2003). Audit Firm Industry Specialization as a differentiation Strategy: Evidence from fees charged to firms Going Public Auditing. *Journal of Practice and Theory*, 22(2), 33-52. <https://doi.org/10.2308/aud.2003.22.2.33>