

The Effect of the Reliance on Internal Audit Work and Ethical Rules on Perceived Audit Quality: Evidence from Jordan

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ABSTRACT

The poor of audit quality and how to offer directives and policies to generate high-quality auditing has become one of the phenomenal challenges facing the accounting sector in Jordan. Thus, the purpose of this study is to examine the attributes (the reliance on internal audit work RIAW and the level of compliance toward ethical rules (LCER)) affecting audit quality AQ for Jordanian auditors. The data were collected through the distribution of questionnaires to 150 respondents in Jordanian auditors and processed using Partial Least Squares-Structural Equation Modeling (PLS-SEM) software for the purpose of this study. The findings of the study show that there is a positive effect between LCER and AQ. On the other hand, RIAW indicates a negative and insignificant effect with audit quality. In addition, this study conducted robustness analysis by control the respondents based on Big 4 audit firms and non-big 4 audit firms. Based on the results, RIAW indicate positive and significant results for auditor from Big 4 audit firm but negative and significant results for auditors from non-big 4 audit firm. Furthermore, based on the demographic profile majority of the respondent is from non-big 4 audit firm, which could provide a unique result. The findings suggest that the non-big 4 audit firm must encourage the reliance on the internal audit work to improve audit quality in Jordan.

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INTRODUCTION

Auditing standards require auditors to plan and perform audits to obtain reasonable assurance about whether the financial statements are free of material misstatements and to express an opinion about the fair presentation of the financial statements (PCAOB 2010). The degree to which financial statement users can rely on an audit report depends on the quality of the audit performed (Christensen *et al.*, 2016). The high quality audit report will provide additional value to the financial statement that is stated in the financial report, in which investors utilizing this information for decision making (Salleh and Jasmani, 2014). Further, prior studies have indicated that auditing and the understanding about the audit quality are still central to the reliability of financial reporting and the assessment of the effective allocation of resources (Taylor, 2015).

Weak audit quality has resulted in unexpected collapse of high-profile companies such as WorldCom, One-Tel, Enron and Harris Scarfe. These scandals have led investors, regulators, general public, and the academician to pay their attention to consider audit quality, to identify the underlying causes of loss of quality audit and to develop and improve audit quality (Al-sraheen, 2014).

The users of financial statements have exasperated due to auditor failure that led to global accounting scandals (Nawaiseh, 2015). A report prepared by the Jordanian Association of Certified Public Accountants (JACA) in 2014 indicated that there are weak of audit quality in Jordan, evidently is the increasing tax evasion of many Jordanian companies. Moreover, the JACA (2014) reported that they decided to punish a number of auditors by preventing them from practicing auditing services for two years with accusing of violating international auditing standards and ethical rules. The same case had already occurred in 2013. The JACA decided to punish five auditors of the association by preventing them from practicing the profession; one of them is punished for one year and the rest were punished for six months due to committing disciplinary offenses and non-compliance in ethical rules.

This study extended the literature by examining the determinant of external audit quality in Jordan by introducing the reliance on internal audit work and the level of compliance toward ethical rules. Whereas, the internal auditors usually perform a wide variety of auditing and inspection procedures to assess whether the different functions within the organization are operating in accordance with the pre-specified rules and policies (Mihret and Admassu, 2011). Such procedures performed by internal auditors represent a feasible means of collecting evidence that external auditors usually utilize when performing their external audit work. Therefore, the external auditors' reliance on internal audit work is a key aspect of the external audit work. Thus, the reliance on internal audit work affects the quality of external audit, and improves the work and effectiveness of internal audit, which improves the quality of external audit. However, does the reliance on internal audit work effect on the audit quality of Jordanian auditors?

Moreover, this study examined the level of compliance toward ethical rules in relation to audit quality in Jordan where there is a lack of study in the literature. Generally, following ethical rules are essential in determining the success of the audit process. The deterioration of these ethics leads to fraud, deception, loss of public trust, mistrust and preference for personal interests over others' interests. So, auditors must commit to hold ethics and professional conduct in order to obtain a high quality audit report (Svanberg & Öhman, 2013). However, based on the issues reported by JACPA (2014), JACPA decided to punish a number of auditors by preventing them from practicing auditing services for two years due to committing disciplinary offenses and non-compliance in ethical rules. Based on the issues reported by JACA (2014), there is need to empirically analyse, does the level of compliance toward ethical rules effect on the audit quality of Jordanian auditors?

In terms of audit attributes, previous study has focused on attributes that influence audit quality such as: audit fees (Yuniarti, 2011), audit tenure (Adeniyi and Mieseigha, 2013), audit firm size (Al-khaddash at al, 2013), auditor reputation (Widenius, 2016), auditor independence (Adeniyi and Mieseigha, 2013) and non-audit services (Ilaboya and Okoye, 2015), without highlighting the effect of the reliance on internal audit work on the external audit quality. Hence, this study extended the literature by examining the determinant of external audit quality in Jordan by introducing the reliance on internal audit work. It is hope that the research findings assist the Jordanian Association of Certified Public Accountants (JACA) in laying down strategies for support and motivation in the work environment of Jordanian auditors. Examination of audit quality is among the top issues in accounting sector, indicating that auditors may find a suitable means of sustaining and improving the quality of work. Moreover, the research findings will be useful for audit firms in Jordan will also be able to conduct an analysis regarding their work environment and assessment of the auditors' work performance. Audit firms will be able to effectively identify the most optimum way to enhance work environment quality. Lastly, this study will significantly contribute to improve and enhance Jordanian auditors work. To this end,

the findings of the study will facilitate the laying down of plans, policies and procedures based on the information provided.

The rest of the paper is organized as follows. Section two, literature review, considers the guidance from new trade, knowledge assets and new growth theories regarding the sources of bilateral trade flows. Section three extends the standard gravity model to incorporate knowledge assets as a new national economic size factor. Section four presents the empirical results and finally section five offered a conclusions remarks.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Audit quality is debatable, but difficult to understand because an audit process involves the implementation of testing procedures that could not be observed by the users of the financial statement (DeAngelo, 1981). Thus, there are some researcher define audit quality by looking at the approach of audit results or auditor or audit firm's competency. DeAngelo (1981. p186) defines audit quality as "the market-assessed joint probability that a given auditor will both discover a breach in client's accounting systems and report the breach". Accordance to the Generally Accepted Auditing Standards (GAAS), auditor bears the responsibility to offer affordable warranty that the audited financial statements and associated disclosures are (1) supplied in accordance with the Generally Accepted Accounting Principles (GAAP), and (2) are not materially misstated from errors or fraud. Consequently, deviations from the standards also are presumed to mirror weak audit quality (Knechel et al., 2013).

Internal auditor usually assist management and helps the organization in achieving its objectives by bringing a disciplined and systematic approach to enhance and assess the effectiveness of internal control system, risk management and governance processes (Ntsiful, 2011). External auditors, on the other hand, are interested in the truth and fairness of the financial statements. To achieve this objective, external auditors are allow to rely on the work of internal auditors in many respects in carrying their external audit duties and avoid unnecessary duplicated of work. Such substitution of effort with no duplication of work should logically lead to increase audit quality. There should be no doubt that cooperation between internal and external auditors can be mutually beneficial. Nevertheless, to what extent the external auditors able to rely on internal audit works in order to ensure a good quality of audit?

The extent of this reliance is associated with several factors, among others, independence and work performance of internal auditors (Schneider, 1985), internal audit's competence and scope of work (Haron et al., 2004), objectivity (Margheim, 1986) and inherent risk that an audit client entails (Carey, et al., 2006). Prawitt *et al.*, (2012) explained that the size of information's acquires by the external auditor from the internal audit on the evaluation of the internal control system or any accounting information's leads to improving the external audit quality. Therefore, the weak of reliance on internal audit work affects the external audit quality. In addition, Dezoort *et al.*, (2001) confirmed that the weak of internal audit work quality affects external audit by impacting in planning of audit process. As stated by Dessalegn (2011), the variation of internal audit effectiveness (measured by internal auditor independency, efficiency of internal auditor, the experience of internal auditor, the degree of management response to the internal auditor's recommendations and use the plans and work papers of the internal auditor when planning the audit process) may lead to the level of external auditors' reliance on internal audit work. The variations in empirical research results on factors that determine external auditors' reliance on internal audit may raise interest to explore associations between these factors and audit quality. This leads to the following hypothesis:

H1- There is a significant effect between the reliance on internal audit work and the audit quality of Jordanian auditors.

The professional conduct signifies a set of ethical virtues and rules which are obligatory to all the groups and individuals who work in the society, through their performance to their duties. For the existence and continuity of the societies, these rules of morals and ethics are essential. Therefore, because of the importance of professional conducts and ethics, and to allow the professionals to perform their profession fully in subjective, integrity, and sincerity, the coordinators of the profession legislated the principles, laws and regulations of the professional conducts (Zarefar et al., 2016). These rules usually include honesty, loyalty, respect, credibility, integrity, and a sense of concern for the benefit of justice, adherence and others to the laws and regulations (Al Qtaish et al., 2014). Like other professionals,

auditors need to obey and comply with these principles as the results of their work affect the community, their customers, and other users. Hence, they must commit to follow the professional conduct and rules of ethics to have productive impact (Al Qtaish et al, 2014).

Furthermore, Ardelean (2013) confirmed that compliance of auditors in the ethical rules effect positively on public trust, as public trust in the auditor report increases the value and quality of this report. Thus, the compliance to ethical rules are essential for success of the audit process, and the deterioration of these ethics leads to fraud, deception, loss of public trust, mistrust and preference for personal interests over others' interests. Therefore, there must be a commitment to ethics and professional conduct in order to obtain a high quality audit report (Svanberg and Öhman, 2013). Hence, this study developed the following hypothesis:

H2- There is a significant effect between level of compliance toward ethical rules and the audit quality of Jordanian auditors.

DATA AND METHODOLOGY

This study was carried out through a survey method by developing and distribution of questionnaire. The survey questionnaires were distributed during actual visits to participants' location based on the list of population. This study collected data from Jordanian auditors by distributing questionnaire. From the total population of registered Jordanian auditors are 419 auditors in 42 audit firms. Based on Krejcie & Morgan (1970) sampling size table, the initial sample for this study is 200 auditors in Jordan. This study measured audit quality from iterant perspectives, which refer to seven elements and four elements for level of compliance toward ethical rules, further, this study measured the reliance on internal audit work by examine five elements. As summary, the following Table 1 explained the operational definition of the dependent variable and independent variables.

According to Sekaram (2003), it was suggested that, sample population for pilot study should not be necessarily big. Therefore, 30 respondents were selected for pilot test in this study. The respondents are Jordanian postgraduate students in University Malaysia Perlis and University Utara Malaysia mostly in accounting and finance department because of their knowledge in auditing. The result of the pilot study revealed that the Cronbach's Alpha obtained for the items under each variables are reliable. The Cronbach's Alpha for AQ (0.769), LCER (0.895) and RIAW (0.748) are above the threshold of 0.70 as presented. According to Hair et al, (2011) the acceptable threshold for the reliability of this kind of study is 0.60 and above. The study achieves acceptable seemingly because the items were adopted from previous related studies.

Table 1 Resume of variables measurement

Variables	Operational definition	Source
Audit quality	AQ1: Compliance with auditing standards. AQ2: A proper planning process. AQ3: Commitment to ethical standards. AQ4: Obtain sufficient evidence to support an audit opinion. AQ5: Assessment of the risks associated with the client financial statements. AQ6: Completed in a timely manner. AQ7: Review the work before the audit is completed.	(Sulaiman, 2011)
The level on compliance toward ethical rules	LCER1: Compliance to professional conduct and care. LCER2: Compliance to confidentiality of information. LCER3: Integrity in audit work. LCER4: A professional efficiency.	(Almtary, 2012)
The reliance on internal audit work	RIAW1: Internal auditor independency. RIAW2: The internal auditor performs his professional duties diligently, in line with the ethics and standards. RIAW3: Experience of internal auditor. RIAW4: Management response to the internal auditor's recommendations. RIAW5: Use the plans and work papers of the internal auditor when planning the audit process.	(Madhoun, 2014)

RESULTS

The data for this study was collected through questionnaire from the external auditors in Jordan. Total numbers of 200 questionnaires were distributed to the respondents whereas 164 questionnaires were answered and received out of 200 survey questionnaires were distributed during actual visits to participants' location based on the list of population. Therefore, a response rate of 82% was achieved by receiving filled and returned survey instruments from 200 respondents. Table 2 showing the detail about response rate.

Table 2 Response rate

Questionnaire	Frequency	Percentage
Total Questionnaire Distributed	200	100%
Less: Not Returned	36	18%
Total Returned:	164	82%
Less: Not completed	14	7%
Completed	150	75%

Present study shown the demographic results of respondents which contains, gender, age, education level, professional qualifications, length of services, Academic major and working in Big 4 audit firm. Which represent the basic information of respondents on base of 150 questionnaires in present study. Table 3 showing the results of respondent's information in detail.

Table 3 Respondent's information

Demography	Frequency (n=150)	Percentage (%)
Age (years)		
25 – 30 years	30	20%
31 – 35 years	72	48%
36 – 40 years	40	26.6%
41 and above	8	5.4%
Total	150	100%
Gender		
Male	139	93%
Female	11	7%
Total	150	100%
Education level		
Diploma	25	17%
Bachelor	97	65%
Master	25	16%
Doctorate	3	2%
Best Doctorate	0	0%
Total	150	100%
Professional qualifications		
CPA	0	0
JCPA	150	100%
CFA	0	0
others	0	0
Total	150	100%
Academic major		
Accounting	150	100%
Management	0	0
Finance	0	0
Others	0	0
Total	150	100%
Working in Big 4 audit firm		
Yes	42	28%
No	108	72%
Total	150	100%

Table 3 has shown that most of the respondents were male (93%) while, the rest (7%) were female, this is because Jordanian society does not encourage women to work. Demographic results also shows that the majority of respondents age is between 25 to 30 years old (20%), the age group starts at 25, because in Jordan it is the age at which the auditor begins as an auditor. When an aspired auditors' finishes bachelor's degree at the age of 23, they need two years to complete the work of auditing and obtaining the license (JCPA). Follow by those who were Less than 35 (48%), follow by those who were between 36 to 40 years old (26.6 %) while, the lowest percentage goes to those who were above 41 years old (5.4%), maybe because they go to work outside the country such as Saudi Arabia and Qatar to get more fees.

Furthermore, demographic result of education level in the analysis indicates that most auditors were have bachelor with percentage of (65%), whereas, the second score goes for those who were diploma (17%), and then to the master (16%), However, the lower percentage was the doctorate with percentage of (2%). Demographic result also shows that all respondents has professional qualifications (JCPA) with percentage of (100%).

According to the demographic result also shows that all respondents have academic major (Accounting) with percentage of (100%). The last demographic result was the working in Big 4 audit firm, Table 3 has shown that most of the respondents were don't working in Big 4 with percentage (72%) while, the rest (28%) were working in Big 4.

Moreover, part B in the questionnaire aim to capture respondent's opinion about dependent variable (audit quality) which includes seven items to measure audit quality. Meanwhile, part C solicits respondent's opinion about independent variables which includes the level of compliance toward ethical rules (4 items) and the reliance on internal audit work (5 items). The questionnaire is attached in Appendix. Table 4 provide the details of descriptive analysis.

Table 4 Descriptive statistics of the constructs (n=150).

Construct	Minimum	Maximum	Mean	Std. Deviation
Audit Quality	1.00	5.00	3.60	0.837
The Level of Compliance Toward Ethical Rules	1.00	5.00	3.60	0.792
The reliance on Internal Audit Work	1.00	5.00	3.54	0.841

As stated in Table 4, the constructs have been on a five-point scale anchored on 1 = strongly disagree to 5= strongly agree. All construct have a minimum value of 1 and maximum value of 5. Meanwhile, the mean value of Audit Quality and The Level of Compliance Toward Ethical Rules are both 3.60. Whereas, the mean value of the reliance on Internal Audit Work is 3.54. the standard deviations are within 0.792 to 0.841.

By using PLS-SEM path model, there are the measurement model (also called the outer model in the PLS-SEM) and structural model (also known as the inner model in the PLS-SEM) (Hair *et al.*, 2011). Specifically, to ascertain the individual item reliability and other measurement model assessments, the study performed PLS algorithm. The individual item or factor reliability of reflective constructs was determined using the outer loadings of each construct's indicators.

Table 5 Convergent validity and reliability analysis

Construct	Items	Loadings	Composite Reliability	AVE
Audit Quality	AQ2	0.785	0.817	0.529
	AQ4	0.671		
	AQ5	0.659		
	AQ7	0.784		
The Level of Compliance Toward Ethical Rules	LCER1	0.673	0.746	0.504
	LCER3	0.785		
	LCER4	0.649		
The reliance on Internal Audit Work	RIAW 2	0.706	0.800	0.502
	RIAW 3	0.822		
	RIAW 4	0.690		
	RIAW 5	0.600		

Note: 5 items (AQ1, AQ3, AQ6, RIAW1, LCER2) were deleted to low items loading

As suggested by Joseph F Hair *et al.*, (2017) factor loading and AVE are used to assess convergent validity. More so, Hair *et al.*, (2017) argued that composite reliability is used to measure the validity of data. Hence, the indicator loading, composite reliability and AVE of the reflective constructs are shown in Table 5 above. The table shows that all the indicator loadings are above 0.60 which indicate convergent validity at indicator level (Bagozzi and Yi, 1988);

while the average variance extracted (AVE) values for all the variables are above 0.50 which also indicate convergent validity at construct level (Hair *et al.*, 2011). Furthermore, all the composite reliability values are more than 0.80; hence all these values meet the criteria for convergent validity of data as required in quality criteria.

Moreover, the exogenous latent constructs of this study (i.e. LCER and RIAW) explain 54.5 percent variance of audit quality. Following Chin (1998) recommendation, the R2 value explained by the exogenous constructs on the endogenous construct in their direct relationships is substantial effect. It indicates that audit quality is 54 percent dependent on the four predictors considered in this study. The remaining 46 percent may be explained by other factors.

Next, table 6 explain the normality and multicollinearity test. Based on the results, the data is normally distributed since the value of skewness is less than ±3 and the kurtosis is less than ±10. Meanwhile, the VIF value is less than 10 which means that there is no multicollinearity problem.

Table 6 Normality and Multicollinearity VIF test

Variables	Skewness	Kurtosis	VIF
AQ	-0.285	0.277	1.739
LCER	-0.054	-0.339	1.563
RIAW	-0.104	-0.313	1.459

This study proved bootstrapping analysis enable to test statistically the research hypotheses. Table 7 contain the Std. Beta and the bootstrapping results, where the hypothesized effects below were tested:

Table 7 Result of hypothesis testing

Hypotheses	Effects	Std. Beta	Standard error	T-value	Decision
H1	RIAW > AQ	0.142	0.076	1.869	Rejected
H2	LCER > AQ	0.673	0.082	8.191***	Accepted

Notes: ***P<1% **P<5% *P<10%

The reliance on internal audit work was hypothesized to have effect on the audit quality. However, the Std. Beta for this variable was 0.142 and the corresponding the T-statistic was 1.869. This finding revealed that reliance on internal audit work doesn't have any significant effect on the audit quality, which leads to the decision that hypothesis H1, is not accepted. This result was not expected because it is contrary to the findings of famous accounting researchers that found negative effect Prawitt at al, (2012) and Dezoort at al, (2001). Therefore, insignificant effect between Level of external auditor reliance on internal auditor's work and audit quality. To confirm the results, this study conducted robustness analysis by control the respondents based on Big 4 audit firms and non-big 4 audit firms. Furthermore, based on the demographic profile majority of the respondent is from non-big 4 audit firm which could provide a unique result. On the other hand, the level of compliance toward ethical rules has effect on the audit quality. This hypothesis got strong support as the Table 6 depicted that the Std. Beta value is 0.673 and the corresponding T-statistics is 8.191 that indicates 1% significance level. So, it is accepted that the level of compliance toward ethical rules has positive and significant effect on the audit quality. This finding is consistent with the findings of report Ardelean (2013), Qtaish *et al.* (2014) and Almtary (2012). They all found positive effect between the level of compliance toward ethical rules and audit quality. The path model is illustrated in figure 1. R square is 67.8%.

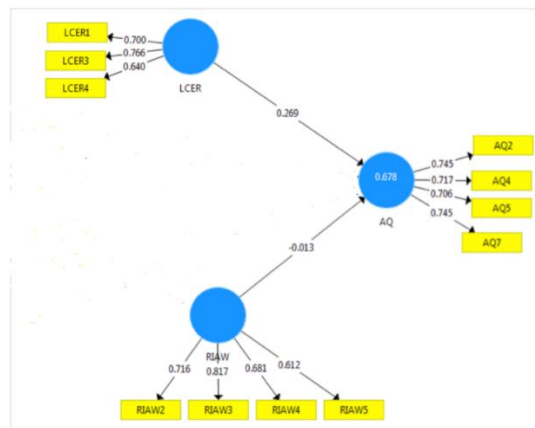


Figure 1 Path model of the reliance on internal audit work and ethical rules on perceived audit quality

THE RELIANCE ON INTERNAL AUDIT WORK AND AUDIT QUALITY IN BIG 4 AND NON-BIG 4 AUDIT FIRMS

To confirm the results in hypotheses 1 in Table 7, this study conducted robustness analysis by control the respondents based on Big 4 audit firms and non-big 4 audit firms. Furthermore, based on the demographic profile in Table 3, majority of the respondent is from non-big 4 audit firm which could provide a unique result. In more details, the sample for this study collected from Jordanian auditors, which include 150 auditors, where these auditors working in big 4 audit firms and non-big 4 audit firms in Jordan. This study tested the hypothesized effects by running PLS bootstrapping algorithm for the auditors who working in big 4 audit firms separately from the auditors who work in non-big 4 audit firms. Table 8 shows the results of hypotheses testing for auditors working in big 4 audit firms (which include 42 auditors):

Table 8 Results of hypotheses testing for auditors working in big 4 audit firms (which include 42 auditors)

Hypotheses	Effects	Std. Beta	Standard error	T-value	Decision
H1	RIAW > AQ	0.441	0.186	2.366***	Accepted
H2	LCER > AQ	0.501	0.198	2.531***	Accepted

Notes: ***P<1% **P<5% *P<10%

Based on In Table 8, H1 is accepted. Table 8 depicted that the Std. Beta value is 0.441 and the corresponding T-statistics is 2.366 that indicates 1% significance level. So, it is accepted that the reliance on internal audit work has positive and significant effect on the audit quality. That is means, there is positive significant effect between the reliance on internal audit work and the audit quality in big 4 audit firms. The results suggested there is positive effect between the reliance on internal audit work and audit quality in big 4 audit firms because there is communication between the internal and external auditors before and during audit process. Table 9 shows the results of hypotheses testing for auditors working in non-big 4 audit firms (which include 108 auditors):

Table 9 Results of hypotheses testing for auditors working in non-big 4 audit firms (which include 108 auditors)

Hypotheses	Effects	Std. Beta	Standard error	T-value	Decision
H1	IAE > AQ	0.036	0.081	0.444	Rejected
H2	LCER > AQ	0.838	0.067	12.459**	Accepted

Notes: ***P<1% **P<5% *P<10%

Based on Table 9, H1 is rejected. Table 9 depicted that the Std. Beta value is 0.036 and T-value is 0.444. So, it is unaccepted that the reliance on internal audit work has no significant effect on the audit quality. That is means, there is no significant effect between the reliance on internal audit work and audit quality in non-big 4 audit firms. This because the Non-big 4 normally audit non-listed firms, in which the firms often do not have an internal audit function. Thus, the respondents may never do rely on the internal audit works as small firms normally do not have effective internal control. In the case, the external auditors often do not rely on auditor work regarding the firm internal control.

DISCUSSION AND CONCLUSION

Consistent with the first research question, the study was to examine the effect between the reliance on internal audit work and audit quality, the research question hypothesized that the reliance on internal audit work has effect on the audit quality. However, the PLS result shown insignificant effect. Thus, the reliance on internal audit work is insignificantly effect on the audit quality. Nevertheless, this study has proceeded with further analysis by controlling Big 4 and non-big 4 auditors. Surprisingly, the results proved that the reliance on internal audit work is significant effect on the audit quality in big 4 audit firms and insignificant effect on the audit quality in non-big 4 audit firms. The result is consistent with Prawitt at al, (2012) and Dezoort at al, (2001).

Moreover, the theoretical design of this study provided a unique opportunity to the effect of level of compliance toward ethical rules by using bootstrapping test. The second question assumed that there is effect between the level of compliance toward ethical rules on the audit quality. The result of the PLS analysis confirmed that the effect between level of compliance toward ethical rules on the audit quality. Thus, the level of compliance toward ethical rules is

positively and significantly effect on the audit quality. This finding is consistent with the findings Ardelean (2013), Qtaish et al. (2014) and Almtary (2012). They all found positive effect between the level of compliance toward ethical rules and the audit quality. Qtaish et al. (2014) confirmed the commitment of the auditors to comply with the auditing standards and the ethical rules impact positively the quality of auditing. The auditor's adoption of the ethical rules leads to the improvement of the services provided by the auditors.

On the other hand, this study provided a deeper understanding of the impact of the auditor's compliance toward ethical rules and audit quality where there is a dearth in the literature. The findings have shown that the more compliance toward ethical rules will be able to demand for higher audit quality of Jordanian auditors.

From the findings of this research, several practical implications in audit quality and specifically in the context of Jordan can be achieved. In particular, the findings assist the Jordanian Association of Certified Public Accountants (JACA) in laying down strategies for support and motivation in the work environment of Jordanian auditors. The significant findings shown that Jordanian auditors need good working environment to offer high-quality of audit. Based on the results detected, the JACA must impose law (instead of instructions) encourages an increase the audit tenure to increase the audit quality by providing the auditor with an opportunity to understand the client's internal system. Also, the JACA should enhance the auditor's ethical rules to improve audit quality through the provision of training courses and awareness lectures compulsively for auditors that promote and develop the ethical rules of the auditor. Lastly, strengthen communication between the internal auditor and the external auditor by creating a meeting between the internal auditor and the external auditor before audit process and obligate the external auditor to rely on the internal auditor work to get high-quality of audit.

Furthermore, the research findings useful for audit firms in Jordan by conduct an analysis regarding their work environment and assessment of the auditors' work performance. Moreover, Audit firms will be able to effectively identify the most optimum way to enhance work environment quality. The results helped the audit firms to understand and improve the audit quality by increasing the audit tenure this positively affects the audit quality, while paying attention to ethical rules by observing auditors' compliance with ethical rules. Further, enhancing communication between the internal auditor and the external auditor.

The findings of this study have also limitations. Limitation provides the opportunities for scholar to further investigate the current study with different perspectives. First limitation of present study that only focused on perceptions of auditors which may be bias. Future research is to examine the other perceptions of interested parties, such as auditing professional associations, clients and legislators. Second limitation is that due to lack of the time and budget issues present study focused on the survey cross sectional study. Future research will be longitude study to bring the more and reliable data and comprehensive results. Third research method techniques of data collection do not provide the equal chance to all respondents. Hence, future researchers may enhance the findings of questionnaire by conducting interview with the respondents.

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APPENDIX

PART A: Demographic Information.

Instruction: Please provide some background information about yourself by ticking the most appropriate box in each of the following questions.

1. Gender

Male

Female

2. Age

25 – 30 years

31 – 35

36 – 40 years

41 and above

3. Highest education level

Diploma

Bachelor

Master

Doctorate

Best Doctorate

4. What professional qualifications do you hold

CPA

JCPA

CFA

others

5. Academic major

Accounting

Management

Finance

Others

6. Are you working in Big 4 audit firm?

Yes

No

PART B: Audit Quality

Instruction: Please read the statement and tick in the box based on the level of your agreement. The numbers below have the following meanings:

1	2	3	4	5
Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

B. Questions Related to the Audit Quality						
1.	The audit is carried out in accordance with international auditing standards.	1	2	3	4	5
2.	The audit work is determined by a proper planning and consecutive process.	1	2	3	4	5
3.	The audit is carried out in accordance with ethical auditing standards.	1	2	3	4	5
4.	The audit process is done at the level which obtain a sufficient evidence to support an auditor opinion.	1	2	3	4	5
5.	The audit work undertaken is based primarily on an assessment of the risks associated with the client financial statements.	1	2	3	4	5
6.	The audit is completed in a timely manner.	1	2	3	4	5
7.	The work done in carrying out the audit is subject to review before the audit is completed.	1	2	3	4	5

PART C: Independent Variables

C. Questions Related to the Level of Compliance Toward Ethical Rules						
1.	The auditor should not interfere personal affairs during performance his duties.	1	2	3	4	5
2.	The auditor must avoid the exploitation of the customer’s information acquired for personal benefits or interest of others.	1	2	3	4	5
3.	The auditor work should be integrity, honesty and faithful.	1	2	3	4	5
4.	Auditor has to perform the professional duties diligently, in line with the ethics of the profession, governing standards and laws.	1	2	3	4	5

C. Questions Related to the Reliance on Internal Audit Work						
1.	The external auditor evaluates the independency of internal auditor in order to determine the audit sample size (auditing process design).	1	2	3	4	5
2.	The external auditor considers the efficiency of internal auditor to performs his professional duties diligently, in line with the ethics of the profession, governing standards and laws.	1	2	3	4	5
3.	The internal auditors experience affects the decision of the external auditor to approve their work.	1	2	3	4	5
4.	The external auditor finds that management responds to the internal auditor's recommendations to determine the degree of reliance on his work.	1	2	3	4	5
5.	The external auditor may use the plans and work papers of the internal auditor when planning the audit process.	1	2	3	4	5