

# Navigating Ethics: Insights into External Auditor Compliance from Financial Managers and Internal Auditors in Jordanian Companies

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**Abstract:** - This study aims to assess to what extent Jordanian external auditors comply with the Code of Ethics for Professional Accountants, as perceived by financial managers and internal auditors. The hypotheses are tested using one sample and an independent sample t-test for a sample of 53 industrial public shareholding companies listed on the Amman stock exchange during 2020–2023. The study utilized the survey instruments to collect the necessary data from 200 participants. The findings show that the external auditor complies with the code of professional ethics at a high to moderate level per the Relative Important Index from the viewpoint of both financial managers and internal auditors. Moreover, the outcomes also show there are no significant variances between their beliefs regarding the adherence of external auditors to the code of ethics. The study consequences indicate that the enacted regulations that organize the work of the auditors can effectively enhance the compliance of Jordanian auditors with the code of professional ethics. Nevertheless, it emphasized the need for more shared efforts for more compliance with professional ethics in the auditing profession. The study suggests Many recommendations to enhance auditors' compliance such as continuous oversight of auditor compliance from the Jordanian Association of Certified Public Accountants, ethical awareness, research and development in the area of ethics, and training programs to explain ethical complexities. This study assures the importance of enhancing ethical compliance in the auditing profession in an emerging country to increase public trust, attract investment, and improve financial statements integrity.

**Key-words:** - professional ethics, compliance, external auditors, financial managers, internal auditors, public companies, Jordan.

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## 1 Introduction

In the past few years, there has been an accelerated rise in the failures of huge worldwide companies such as Enron and WorldCom in 2002. These scandals shed light on different causes such as the failure of management in reporting and financial disclosure. In addition, these collapses highlight the role of management in oversight and internal control, the importance of the quality of the auditing process, and the importance of the code of ethics for professional accounting.

Locally in Jordan, many company failures occurred during the last decades. Petra Bank, the second largest bank in early 1990 was dissolved because of deception fraudulent activities, counterfeit documents, and theft, [1]. Additionally, recently many public shareholding companies listed on the Amman Stock Exchange were going into the path of mandatory liquidation. Such as Unified

Holding Corporation in 2017, Jamil Investment Company in 2018, Amana Agricultural and Industrial Investments Company in 2019, and Jordan Garments in 2019, [2].

Building on the causes of the above-mentioned global financial collapses and the recent compulsory corporate liquidations in Jordan, the role of the auditor and the role of the professional conduct of the auditors in the accounting and auditing profession has become increasingly doubtful. Therefore, the accounting and auditing profession has encountered a constant and escalating ethical challenge that regulators and scholars must address to reinstate confidence in the auditing profession and reestablish credibility in financial reporting.

Ethical misconduct like fraud schemes, stealing, theft, and document deception comprise the triggers for the above high-profile corporation failure worldwide and locally. Accordingly, the ethical

predicament for professional accountants is a prominent issue and a subject of debate between the auditing legislators, the scholars, and the professionals themselves. Therefore, this study intended to investigate the compliance of auditors with ethical norms in an emerging country, specifically Jordan.

The ethical conduct standards that external auditors should maintain are established by the International Ethical Standard Board (IESBA). These standards include independence, objectivity, integrity, professional competence, confidentiality, and Professionalism. Upholding such standards can have significant benefits to the investors and economic systems among these benefits such an increase the public trust in the auditing profession through enhancing audit quality and uplifting the credibility of the financial statements.

Previous studies concluded that compliance with the code of professional ethics controls the auditors' attitude to achieve and meet their duties and liabilities towards their corporation clients, investors, and other stakeholders, [3]. On the other side, various previous research indicates that nonadherence with independence, integrity, and other codes of ethics leads to many corporate collapses, [4]. For example, the Enron and WorldCom scandals inversely impacted the image of the auditing profession and the reliability of the financial statements and caused huge financial losses, [5].

Accordingly, it is of great benefit to investigate the degree of compliance with the code of ethics in an emerging country with a specific focus on Jordan. By finding vulnerabilities and gaps within existing systems, research endeavors contribute to the enhancement of measures designed to mitigate the occurrence of fraudulent activities. Therefore, it sheds light on important aspects of the auditing profession, such as its resilience and commitment to ethical principles, thereby filling a notable knowledge gap.

The purpose of this study is to assess the level of conformity of external auditors with the Code of Ethics for Professional Accountants as perceived by the financial managers and internal auditors of industrial publicly traded companies listed on the Amman Stock Exchange (ASE). It is anticipated that the study will provide clear insight and substantial advantages to auditing profession regulators who wish to improve auditing quality, such as the Jordanian Securities and Exchange Commission, the Amman Stock Exchange, the

Ministry of Industry and Trade, the Central Bank, and the Jordanian Association of Certified Public Accountants (JACPA).

Enhancing adherence can lead to fostering the sustainability and resilience of the auditing profession, in turn bolstering and protecting the national economy and capital market against future shocks.

## **2 Theoretical Background, Previous Studies, and Hypothesis Development**

### **2.1 Theoretical Background**

Adherence to professional behavior guidelines plays a crucial role in shaping the credibility of audit reports and securing public trust, [6]. The Association of Certified Fraud Examiners (ACFE) has provided significant insights into the financial consequences that arise from straying away from ethical norms. On average, firms experience losses of approximately 5% of their annual revenues because of fraudulent behavior. Almost 1.6% of the total companies' losses are due to fraudulent financial statements, [7].

The public trust in the external auditor's adherence to the code of ethics deteriorated, due to the series of corporation collapses over the past few decades and due to the twenty-one century financial crises. Accordingly, the ethical dilemma is significant for the external auditor to sustain and retain some of the public confidence, [8].

The compliance of external auditors with the code of ethics is underpinned by the agency theory and the social responsibility theory.

From the viewpoint of the agency theory, the auditor is legally obligated to uphold professional ethics as an agent to provide the shareholders with valuable auditing services, [9]. Adherence to a robust code of ethics such as independence, integrity, and objectivity by external auditors can solve the conflict of interest between management and shareholders per this theory.

Social responsibility theory on the other side emphasizes that auditors should take the societal consequences of their auditing process. Therefore, under this theory auditors are required to ensure integrity, independence, and transparency of financial reporting in the best interest of shareholders, [10].

Accordingly, and based on solid theoretical foundations auditors are required to maintain various principles of ethical conduct while performing the auditing process to enhance the trust of the investors and other stakeholders.

## **2.2 Code of Ethics for Professional Accountants**

Adherence of auditors with ethical principles was of great concern to legislators after the worldwide financial crises. Therefore, various legislation has been enacted to enhance auditor independence, transparency, and integrity, [11].

The globally recognized code of ethics for auditors was set by the International Ethics Standards Board for Accountants (IESBA). These standards aim to maintain the public interest and represent a guideline for professional accountants. These principles comprise independence, objectivity, integrity, competence, confidentiality, and ethical behavior.

Likewise, in the United States, an external auditor is obliged to maintain integrity, independence, objectivity, and expertise. Moreover, under the American Institute of Certified Public Accountants (AICPA) Standard 101 (SAS 25) members are required to reveal any conflict of interest, preserve client information undisclosed, report any commission fees from their clients, and keep the public interest at the top, [12], [13].

Mandatory compliance with the code of ethics has several advantages for diverse parties, for auditors, it enhances the reliability of financial reporting, for industry, it increases the trust in the profession, and for the public, it advances their welfare, [8].

Independence is the most important ethical principle where the auditor must ensure their mental and actual independence. Auditors maintain independence, they do not participate in any personal relationship, get any contingent fees, and do not have any financial interest. The second principle is integrity, and integrity has a direct relationship with public trust and dependence on auditors' reports. So, auditors must maintain honesty and fairness during their auditing process. Integrity is enhanced by adhering to implementing auditing standards.

The third ethical principle is objectivity. Per this principle, auditors should actively protect their professional judgment. To promote objectivity auditors must avoid any conflict of interest that harms all parties depending on audited financial

statements. Competence is the fourth ethical principle. Auditors, to achieve their task effectively must have auditing knowledge, experience, and education. To fulfill the requirement of this principle, auditors must be updated about the latest auditing and accounting standards and business legislation. Moreover, they must understand their clients' financial system and industry.

Keeping the client's information confidential represents the fifth ethical principle. Through the auditing duration, auditors are not allowed to release client information to unauthorized parties, unless there is a legal requirement. Professional conduct is the last ethical principle. Abiding by this principle means that auditors comply with applicable laws and regulations and depart from any action that impairs the image and reputation of the auditing profession.

These are the code of ethics principles where upholding these ethical standards can enhance the public trust and the reliability of financial reporting.

## **2.3 Enhancing Ethics: The Role of the Jordanian Association of CPAs in Jordan**

To preserve the interest of investors and other stakeholders, enhance the transparency of the Jordanian capital market, and attract more investors, Jordan, like other countries of the world, paid attention to the auditing profession and valued the importance of auditors' adherence to the highest standards of professional conduct.

In Jordan to get a license to practice the auditing profession you must pass a strict and comprehensive exam in accounting, auditing, and related legislation. This exam is administered by the Jordanian Association of Certified Public Accountants (JACPA). Therefore, all certificated public accountants are affiliated with JACPA. many objectives driven the establishment of JACPA, [14]. The main role of the JACPA has been to oversight and enhance the auditing profession, and make sure that auditors adhere to the auditing standards and comply with the code of ethics. To fulfill its objectives the association carries out many training and educational programs to provide auditors with national professional certificates, this enhances the auditor's competence by expanding their skills and knowledge with the latest auditing and accounting standards. In turn, this role for JACPA increases the public trust and enhances the capital market in Jordan.

Additionally, The JACPA has set guidelines and instructions for a code of professional ethics. All members of the association should maintain independence, uphold objectivity, integrity, confidentiality and preserve professional conduct. These guidelines enhance auditors' performance. To oversight compliance with the guidelines, the JACPA established an inspection team. These disciplinary measures were following Article 12 of the 2006 Law on the Practice of the Legal Accounting Profession. These procedures show how important the role of the JACPA is in enforcing the ethical standards in auditing practices in Jordan.

## **2.4 Previous Studies**

### **2.4.1 Code of Ethics and Audit Quality**

Several previous studies conducted in the accounting literature have confirmed that there is a significant relationship between auditors' adherence to applying the rules of professional conduct and both the quality of the auditing process and the credibility of the financial statements. This enhances public trust in audits and financial reporting. [6], conducted a qualitative study that addressed the importance of adhering to the code of ethics and the repercussions associated with a deficiency in accountants' independence within Indonesia's public accounting firms. The findings demonstrated that implementing a code of ethics within the public accounting profession significantly secures public trust. Furthermore, auditors' independence impairment significantly breaches their objectivity in their professional judgment. Also, in Indonesia, [15], utilizes the survey of auditors in public accounting firms to explore the effect of auditors' adherence to a code of ethics on audit quality. The study showed that there is a significant correlation between the levels of auditor compliance with ethics and audit quality. The same findings were supported by [16], in Nigeria, where they studied the impact of professional ethics on the quality of auditing processes. The study showed that there is a significant association between compliance with auditing ethics, especially auditor independence, and quality assurance. Additionally, they showed that adherence to ethics enhances investor confidence in the reliability of audited accounts.

In a study conducted by [17], in Gaza, the focus was on investigating the various factors that influence audit quality. The study highlights that auditors' quality is influenced by multiple factors. The components that comprise auditor ethics

encompass professional expertise, academic qualifications, ongoing education, and the objectivity and independence of the audit business. A study conducted in Sweden by [18], discovered a noteworthy association between the adherence to ethical conduct inside auditing businesses and the objectivity and quality of audits. The research findings indicate that adhering to a code of professional behavior reduces the likelihood of errors in professional judgment and improves objectivity and precision.

### **2.4.2 Adherence with the Code of Ethics and its Consequences**

There was plenty of previous research that studied how adherence to a code of professional conduct may enhance corporate governance, decrease the rate of financial failure occurrence, and in turn, lead to protecting the public interest. In [19], Studied the association between professional ethics and financial fraud and failures. The researcher specifically concentrates on the auditors' non-compliance with the code of ethics and its consequences. The researcher surveys previous literature related to the research question. The study concluded that auditors should strictly adhere to ethical principles which in turn enhance the credibility and reliability of the financial reporting and minimize fraudulent activities. [20], investigated how adherence to the code of ethical standards could be a significant pillar of corporate governance mechanisms. The researcher analyzes different economic cases and different accounting and managerial scenarios. The study shows that adherence to a code of ethics at both the professional level and the personal level enhances the control environment, strengthens the corporate controlling system, and leads to a robust governance regime. It is apparent from this study that many gains result from compliance with the code of ethics such as minimizing financial risk, elevating the reputation of the auditing practices, and diminishing any potential collapses.

According to [21], study in Nigeria in 2021, the commitment to independence and ethical behavior plays a crucial role in protecting public interests, clients, and businesses. According to the study, intimidation emerged as the primary concern when it comes to the challenges faced by accountants in maintaining ethical behavior. The findings suggest that when management provides encouragement and motivation, auditors are more likely to adhere to the code of ethics.

[22], surveyed in Jordan to explore the relationship between professional ethics and the audit expectation gap among auditors. The results show that adhering to values like honesty, independence, competence, and professionalism can reduce the audit expectation gap.

#### **2.4.3 The Extent of Compliance with the Code of Ethics and Factors Influencing Ethical Compliance**

Different previous studies have discussed the extent of compliance with professional standards and the factors that influence ethical compliance. These prior studies prove that compliance with robust ethical principles is fundamental to warranting audit quality. Departure from these standards can have severe outcomes, such as professional censure and the potential compromise of financial statement accuracy. From this perspective, [23], examined Ethiopian external auditors' conformity with professional accounting ethics. Data was acquired by a questionnaire from 68 auditors and 29 tax auditors. Results show that professional misconduct and accounting standards non-compliance are substantial issues in chosen cities. The researchers suggest that the accounting profession establish a monitoring system, impose punishments, suspend auditors who break professional norms, and provide professional and ethical training to solve this issue. In this regard, [24], in Maputo, Mozambique, evaluated accountants' ethical behavior and the elements that motivate it. 180 Mozambique Institute of Accountants-registered accountants and auditors contributed primary data. Results show that most professional accountants follow the code of ethics concepts and systems. The study indicates that potential sanctions, ethical principles, company internal legislation, and religious and social traditions urge auditors to observe the code of ethics.

[25], found many reasons that hinder external auditor independence in Egyptian enterprises. The lack of a law requiring Egyptian companies to change auditors was the biggest factor. Also, Egyptian external auditors violated international auditing norms' professional ethics. They also fell behind Egyptian auditing legislation and standards in their efforts to adapt to the changing business climate.

According to the above studies, ethical behavior is the foundation of the accounting and auditing profession, preventing company collapses, reducing dishonest management, and boosting stakeholder

confidence. Many high-impact studies emphasize the importance of ethical guidelines for auditors and the financial environment.

The preceding literature differs from this study. Prior research examined the influence of a code of ethics on the quality of audits and the reliability of financial statements. Alternatively, some studies have examined the factors that lead to a higher level of adherence to the code of ethics. In contrast, the study carried out by [23] and [24], examined many facets of adherence to professional ethics as seen by external auditors. The research is distinctive because it examines compliance measurement from the viewpoint of the customers of the auditing firm, specifically the financial managers and internal auditors, who are the main pillars of the financial systems of publicly listed firms. Considering this, their convictions on the perpetual adherence to ethical standards by auditors would, to some extent, be devoid of bias.

#### **2.5 The Study Hypotheses**

Based on the literature review, the following study hypotheses are proposed in the null format: H01: Financial managers in Jordanian industrial companies do not perceive a high level of compliance with (independence, integrity, objectivity, competence, confidentiality, and professional behavior principles) among external auditors. H02: Internal auditors in Jordanian industrial companies do not perceive a high level of compliance with (independence, integrity, objectivity, competence, confidentiality, and professional behavior principles) among external auditors. H03: The perception of compliance with independence, integrity, objectivity, competence, confidentiality, and professional behavior principles by external auditors does not differ significantly between financial managers and internal auditors in Jordanian industrial companies.

### **3 The Study Methodology**

The study's methodology will outline how data sources, the study population, the sample, and the development of the measurement tool, represented by the "questionnaire," were chosen. This section will also clarify the essential components that make up this tool.

#### **3.1 Study Participants**

The main objective of this study is to investigate the level of compliance of external auditors with the

Code of Ethics for Professional Accountants as perceived by financial managers and internal auditors. According to the Jordanian Securities and Depository Center, there are 53 industrial companies, [26]. Then, a questionnaire was drafted and disseminated to a sample of financial managers and internal auditors employed by publicly traded industrial companies. A research sample of 170 questionnaires was successfully collected from the study population of 200 participants. Within the examined cohort, a total of 120 individuals were identified as internal auditors, while 50 individuals held the position of financial managers.

### 3.2 Data Sources

This study relies on two data sources: secondary sources, which include a comprehensive investigation of prior research and relevant theoretical frameworks pertinent to the research topic, and primary sources, which include the design of questionnaire-based research instruments. This questionnaire was meticulously crafted to answer the researchers' pragmatic questions and provide insight into their research needs and hypothesis testing. The study also examines the Company Guide published by the Amman Stock Exchange to get knowledge about companies' financial managers and internal auditors, where the questionnaires were sent to them to provide a comprehensive assessment of their prospects.

### 3.3 The Questionnaire Instruments.

The questionnaire contained two primary sections. The first part pertains to the sample's demographic variables. The second section included queries regarding auditors' professional ethical standards. On a five-point Likert scale, financial managers and

internal auditors were asked to indicate the extent to which they believe external auditors adhere to each aspect of code professional ethical standards when conducting audits in your company (Table 6, Table 7, Table 8, Table 9, Table 10 and Table 11).

### 3.4 Statistical Tools

The means, percentages, and standard deviations were calculated using descriptive statistics to meet the goals of the research and evaluate its hypotheses. This provided a preliminary overview of the replies provided by the participants and their compliance with the Code of Conduct. An investigation of the reliability of the compliance-related questionnaire questions was carried out to assess the degree of internal consistency among them. To evaluate the views of compliance with external auditors held by internal auditors and finance managers, a t-test with a single sample was used. To compare the mean compliance evaluations of internal auditors and finance managers, this research used a t-test on independent samples.

The computation of the hypothetical mean is required to conduct a single sample t-test study. This hypothetical mean is the average of a Likert scale with five points, and it may be stated mathematically as illustrated in equation (1).

The hypothetical mean is equal to the sum of the upper limit of the Likert scale (five) and the lower limit of the Likert scale (one) divided by two, which equals three.

To determine the degree of adherence, the Relative Importance Index (RII) was used, which also served as the basis for the ranking list. It is possible to compute the RII by using the formula [27], as well as by referring to the equation (2) and Table 1 that pertain to the five-point scale:

$$\text{The Hypothetical Mean} = \frac{\text{Upper Limit of Likert scale}(5) + \text{Lower Limit of Likers Scale}(1)}{2} = 3 \dots (1)$$

$$\text{The Relative Importance Index (RII)} = \sum \frac{W}{A \times N} * 100 \dots (2)$$

Table 1. The Relative Important Index Variables

| Variable                | Description  |
|-------------------------|--|
| W                       | The weighting given by each participant on a scale from 1 to 5 (1 = lowest weighting, 5 = highest weighting) |
| A                       | Weight with the highest Value  |
| N                       | Total number of participants in the study  |
| RII Value Range         | Adherence Level  |
| $0.8 \leq (RII) \leq 1$ | (H), High  |
| $0.6 \leq (RII) < 0.8$  | H-M, High to medium  |
| $0.4 \leq (RII) < 0.6$  | M, Medium  |
| $0.2 \leq RII < 0.4$    | M-L, Medium to Low   |
| $0 \leq RII < 0.2$      | L, Low   |

## 4 Findings

This section will examine the reliability of the research instrument as well as provide a detailed analysis of the demographic characteristics of the respondents and the information they provided. This section will finish by examining the theories that have been subjected to empirical verification.

### 4.1 Internal Consistency of the Research Instruments

Table 2 shows that the internal consistency coefficient Cronbach's alpha for the items of the study tool varied between 0.73 and 0.91. The Cronbach's alpha coefficient for all items in the study was determined to be 0.83, indicating a high level of internal consistency. This number surpasses the recommended threshold of 0.60, affirming the reliability of the study tool and its suitability for conducting statistical analysis.

Table 2. Internal consistency Cronbach's alpha coefficients

| No. | Code of Ethics Principles        | coefficient |
|-----|----------------------------------|-------------|
| 1   | Independence Standard            | 0.73        |
| 2   | Integrity Standard               | 0.80        |
| 3   | Objectivity Standard             | 0.84        |
| 4   | Professional Competence Standard | 0.81        |
| 5   | Confidentiality Standard         | 0.77        |
| 6   | Professional Behavior Standard   | 0.91        |
|     | Total                            | 0.83        |

### 4.2 Study Sample Demographics Analysis

The following tables provide a comprehensive depiction of the group of participants, including their employment position, specialty, and professional credentials.

Table 3 displays the participants categorized by their profession. Table 3 reveals that 70.59 percent of the participants were internal auditors. The explanation is that every corporation has an internal audit department staffed with several internal auditors. while each corporation has just one financial manager.

Table 3. Participants According to Occupation

| Occupation         | Frequency | Percentage |
|--------------------|-----------|------------|
| Internal Auditors  | 120       | 70.59      |
| Financial Managers | 50        | 29.41      |
| Total              | 170       | 100        |



Table 4. Participants According to Educational Disciplines

| Disciplines             | Frequency | Percentage | Financial Managers (%) | Internal Auditors (%) |
|-------------------------|-----------|------------|------------------------|-----------------------|
| Accounting              | 125       | 73.53      | 21.76                  | 51.76                 |
| Business Administration | 4         | 2.35       | 0.59                   | 1.76                  |
| Economics               | 8         | 4.71       | 1.18                   | 3.53                  |
| Finance                 | 33        | 19.41      | 5.88                   | 13.53                 |
| Total                   | 170       | 100.00     | 29.41                  | 70.59                 |

Table 5. Participants by Professional Credential

| Professional Credential | Frequency | Percentage | Financial Managers (%) | Internal Auditors (%) |
|-------------------------|-----------|------------|------------------------|-----------------------|
| CPA                     | 7         | 4.12       | 1.18                   | 2.94                  |
| CMA                     | 26        | 15.29      | 4.71                   | 10.59                 |
| JCPA                    | 114       | 67.06      | 19.41                  | 47.65                 |
| CFA                     | 3         | 1.76       | 0.59                   | 1.18                  |
| Others                  | 20        | 11.76      | 3.53                   | 8.24                  |
| <b>Total</b>            | 170       | 100        | 29.41                  | 70.59                 |

Table 4 indicates that a significant majority of the participants, particularly 73.53%, had accounting credentials. This is significant since accounting plays a vital role in the finance and auditing industry. This highlights the responsibilities of finance management and internal auditors. The inclusion of persons from the domains of Business Administration, Economics, and Finance enhances the diversity of the sample and bolsters the overall breadth of the research, underscoring the importance of accounting practices in the fields of finance and auditing.

According to Table 5, the Jordanian Certified Public Accountant (JCPA) stands out as the most prevalent professional certification among the participants, making up 67.06% of the sample. The majority of individuals holding this certification are financial managers and internal auditors. Specifically, 19.41% of the respondents are financial managers, while 47.65% are internal auditors. The distribution of JCPA certification underscores its significance in the financial industry, showcasing a comprehensive grasp of ethical conduct and standards. Additional credentials like CPA, CMA, and CFA add diversity to the evaluation process.

### 4.3 Descriptive Analysis of Questionnaire Respondents' Responses

This part of the study provides a comprehensive descriptive analysis of replies obtained from the participants of the questionnaire. The statistical measurements employed for data description include the mean, standard deviation, Relative Importance Index (RII), ranking, and importance level.

Table 6 indicates that respondents generally have a positive perception of external auditors' adherence to independence aspects, with an adherence level of high to moderate and mean scores of 3.84, 3.77, and 3.79 obtained for financial managers, internal auditors, and all respondents, respectively. The perceptions show moderate variability, as indicated by a standard deviation of 0.506.

For financial managers, the aspect "Audit committee role: isolation and appointment of independent auditors" is ranked first, with a Relative Importance Index (RII) of 0.930, a high level of adherence (H), and an average score of 4.65. On the other hand, the category of "demonstration of apparent and intellectual independence" exhibits the lowest ranking with a (RII) of 0.650 and an adherence level as high to moderate (H-M). Additionally, it ranks tenth with the lowest mean score of 3.25.



Table 6. Perceptions of External Auditor Independence Descriptive Analysis

| No. | Independence Aspect  | Financial Managers |       |      |            | Internal Auditors |       |      |            | Total |       |      |            |       |
|-----|--|--------------------|-------|------|------------|-------------------|-------|------|------------|-------|-------|------|------------|-------|
|     |  | M                  | RII   | Rank | Importance | M                 | RII   | Rank | Importance | M     | RII   | Rank | Importance | SD    |
| 1   | Demonstrate both apparent and intellectual independence.               | 3.25               | 0.650 | 9    | H-M        | 4.35              | 0.870 | 1    | H          | 4.03  | 0.806 | 1    | H          | 1.52  |
| 2   | Ensure no financial interests in the audited company.                  | 3.62               | 0.724 | 6    | H-M        | 3.72              | 0.744 | 5    | H-M        | 3.69  | 0.738 | 6    | H-M        | 1.09  |
| 3   | Audit committee's role: isolate and appoint auditors for independence. | 4.65               | 0.930 | 1    | H          | 3.44              | 0.688 | 9    | H-M        | 3.8   | 0.760 | 5    | H-M        | 1.54  |
| 4   | Identify and mitigate potential risks effectively.                     | 4.42               | 0.884 | 2    | H          | 3.79              | 0.758 | 4    | H-M        | 3.98  | 0.796 | 2    | H-M        | 1.13  |
| 5   | Personal relationships don't influence external auditors' work.        | 3.69               | 0.738 | 5    | H-M        | 3.87              | 0.774 | 2    | H-M        | 3.82  | 0.764 | 4    | H-M        | 1.09  |
| 6   | Provide impartial information to stakeholders.                         | 3.89               | 0.778 | 4    | H-M        | 3.52              | 0.704 | 8    | H-M        | 3.63  | 0.726 | 8    | H-M        | 0.87  |
| 7   | Auditor's fees relative to total income ensure objectivity.            | 3.61               | 0.722 | 7    | H-M        | 3.65              | 0.730 | 7    | H-M        | 3.64  | 0.728 | 7    | H-M        | 0.91  |
| 8   | Assess the company's bankruptcy susceptibility adeptly.                | 4.1                | 0.820 | 3    | H          | 3.86              | 0.772 | 3    | H-M        | 3.93  | 0.786 | 3    | H-M        | 0.78  |
| 9   | Remain independent from consulting fees and services                   | 3.31               | 0.662 | 8    | H-M        | 3.7               | 0.740 | 6    | H-M        | 3.59  | 0.718 | 9    | H-M        | 0.82  |
|     | The overall scale  | 3.84               | 0.768 |      | H-M        | 3.77              | 0.754 |      | H-M        | 3.79  | 0.758 |      | H-M        | 0.506 |

From the viewpoints of internal auditors, the aspect of "demonstration of both apparent and intellectual independence" received the highest grade, with a RII of 0.870, a significant level of adherence (H), and a mean score of 4.35, placing it at the pinnacle of the ranking. The dimension under "Audit Committee Role: Isolation and Appointment of Independent Auditors" was rated the lowest by internal auditors, as indicated by a (RII) of 0.688 and having a "high to medium compliance" (H-M) level and is ranked tenth in terms of its 3.44 mean score.

Both participants share the perception that auditors place great emphasis on the component of "demonstrating both apparent and intellectual independence" within the principle of independence, which is considered the highest priority. The solidification of this element's position as widely recognized in assuring auditor independence is supported by its high (RII) of 0.806, high adherence level (H), and an average score of 4.03. In contrast, the element of "remaining independent of

counseling fees and services" was scored by all participants with a high to moderate degree of adherence (H-M) at the ninth position (RII) of 0.718 and a mean score of 3.59. Therefore, to preserve independence from impairments, it is necessary to allocate more attention to the audit fees associated with consulting and non-audit services.

Table 7 shows that the respondents' perception of external auditors' adherence to integrity aspects is generally positive, with a high to medium level of adherence (H-M) and an overall mean score of 3.84, 3.90, and 3.88 for financial managers, internal auditors, and all respondents, respectively. The data also suggests moderate variability, as indicated by a standard deviation of 0.55.

Within the cohort of financial managers, the statement "Reports are perceived as credible and representative" holds the highest rank, as indicated by a Relative Importance Index (RII) of 0.822, denoting a significant level of importance (H).

Table 7. Perceptions of External Auditor Integrity Descriptive Analysis

| No. | Integrity Aspect  | Financial Managers |       |      |            | Internal Auditors |       |      |            | Total |       |      |            |      |
|-----|---|--------------------|-------|------|------------|-------------------|-------|------|------------|-------|-------|------|------------|------|
|     |   | M                  | RII   | Rank | Importance | M                 | RII   | Rank | Importance | M     | RII   | Rank | Importance | SD   |
| 1   | Uphold honesty and impartiality in audits.                        | 3.86               | 0.772 | 4    | H-M        | 4                 | 0.800 | 3    | H          | 3.96  | 0.792 | 4    | H-M        | 1.38 |
| 2   | Follow international audit standards for account Auditing.        | 4.07               | 0.814 | 2    | H          | 4.23              | 0.846 | 1    | H          | 4.18  | 0.836 | 1    | H          | 0.83 |
| 3   | Comply with Applicable local regulations and laws.                | 3.97               | 0.794 | 3    | H-M        | 4.05              | 0.810 | 2    | H          | 4.03  | 0.806 | 2    | H          | 0.77 |
| 4   | Transparently declare responsibilities and services to the Client | 3.72               | 0.744 | 7    | H-M        | 3.58              | 0.716 | 9    | H-M        | 3.62  | 0.724 | 9    | H-M        | 0.75 |
| 5   | Interact with prior auditors for information                      | 3.67               | 0.734 | 8    | H-M        | 3.69              | 0.738 | 8    | H-M        | 3.68  | 0.736 | 8    | H-M        | 1.27 |
| 6   | Decline client gifts, material, or non-material.                  | 3.65               | 0.730 | 9    | H-M        | 3.92              | 0.784 | 5    | H-M        | 3.84  | 0.768 | 5    | H-M        | 0.92 |
| 7   | External auditors offer transparent data about senior management  | 3.72               | 0.744 | 6    | H-M        | 3.81              | 0.762 | 7    | H-M        | 3.78  | 0.756 | 7    | H-M        | 1.15 |
| 8   | Maintain transparency and integrity in audits.                    | 3.74               | 0.748 | 5    | H-M        | 3.88              | 0.776 | 6    | H-M        | 3.84  | 0.768 | 6    | H-M        | 1.01 |
| 9   | Reports are perceived as credible and representative.             | 4.11               | 0.822 | 1    | H          | 3.97              | 0.794 | 4    | H-M        | 4.01  | 0.802 | 3    | H          | 0.89 |
|     | The overall scale   | 3.84               | 0.768 |      | H-M        | 3.9               | 0.780 |      | H-M        | 3.88  | 0.776 |      | H-M        | 0.55 |

Furthermore, this statement attains a mean score of 4.11, positioning it in the top rank. On the other hand, the behavior of "decline client gifts, material or non-material" is perceived as having the lowest rating among financial managers, with an (RII) of 0.730. This behavior is classified as having high-medium importance (H-M) and has a mean score of 3.65, placing it in the ninth position in terms of ranking.

According to the findings, internal auditors have assigned the highest rank to "Follow international audit standards for account auditing" with a (RII) of 0.846, signifying a high level of importance (H). Following auditing standards was ranked at the highest with a mean score of 4.23. In contrast, the internal auditors provide the least significant rating to the action "Transparently declare responsibilities and services to the client," which has a (RII) of 0.716, indicating a high-medium-important level. Additionally, this aspect has a mean score of 3.58, positioning it in the ninth rank.

Among all participants, the item "Follow international audit standards for account auditing" retains its foremost position with a (RII) of 0.836, denoting high importance (H), and an average score of 4.18, placing it at the top rank as a crucial factor

in maintaining external auditor integrity. However, there is room for improvement in "Transparently declare responsibilities and services to the client," which received the lowest rating in terms of importance from all participants, a (RII) of 0.724, which denotes a high-medium level of importance. Additionally, it has a mean score of 3.62, placing it in the ninth position in terms of ranking.

Table 8 shows that financial managers and internal auditors perceive external auditors as adhering positively to the principles of objectivity, with an adherence level of high to moderate (H-M). The average scores for their perception were 3.77, 3.70, and 3.72 for financial managers, internal auditors, and all participants, respectively. The perception variability was low, as shown by a standard deviation of 0.58.

Within the realm of financial managers, the attribute of "commitment to objectivity while performing tasks" holds the first rank, as indicated by a (RII) of 0.800 and supported by a mean score of 4.00. In contrast, the aspect titled "Use of statistical methods in selecting audit samples" received the lowest rating, placing it in sixth place with a (RII) of 0.692, an adherence level of high-medium (H-M), and a mean score of 3.46.

Table 8. Perceptions of External Auditor Objectivity Descriptive Analysis

| No. | Objectivity Aspect  | Financial Managers |       |      |            | Internal Auditors |       |      |            | Total |       |      |            |      |
|-----|---|--------------------|-------|------|------------|-------------------|-------|------|------------|-------|-------|------|------------|------|
|     |   | M                  | RII   | Rank | Importance | M                 | RII   | Rank | Importance | M     | RII   | Rank | Importance | SD   |
| 1   | Commitment to objectivity while performing tasks.   | 4.00               | 0.800 | 1    | H          | 3.63              | 0.726 | 5    | H-M        | 3.74  | 0.748 | 5    | H-M        | 0.78 |
| 2   | Use of statistical methods in selecting audit samples.                                    | 3.46               | 0.692 | 6    | H-M        | 3.37              | 0.674 | 6    | H-M        | 3.39  | 0.678 | 6    | H-M        | 0.63 |
| 3   | Adherence to the work plan set by the responsible auditor.                                | 3.60               | 0.720 | 5    | H-M        | 3.87              | 0.774 | 2    | H-M        | 3.79  | 0.758 | 2    | H-M        | 0.85 |
| 4   | Documenting observations in working papers and retaining them.                            | 3.93               | 0.786 | 2    | H-M        | 3.89              | 0.778 | 1    | H-M        | 3.90  | 0.78  | 1    | H-M        | 0.94 |
| 5   | Audit firm instilling the concept of objectivity among auditors.                          | 3.67               | 0.734 | 4    | H-M        | 3.77              | 0.754 | 3    | H-M        | 3.74  | 0.748 | 3    | H-M        | 1.16 |
| 6   | Estimating the materiality of financial statement items and the possible risks they face. | 3.93               | 0.786 | 3    | H-M        | 3.66              | 0.732 | 4    | H-M        | 3.74  | 0.748 | 4    | H-M        | 1.09 |
|     | The overall scale   | 3.77               | 0.754 |      | H-M        | 3.70              | 0.740 |      | H-M        | 3.72  | 0.744 |      | H-M        | 0.58 |

Within the internal auditors, the activity of "documenting observations in working papers and retaining them" is regarded as having the highest rank, with a RII of 0.778 and an adherence level of high to moderate (H-M). These findings are supported by an average score of 3.89. On the other hand, the topic of "Use of statistical methods in selecting audit samples" ranked at the bottom, with a (RII) of 0.674, a high-medium adherence level (H-M), and a mean score of 3.37, placing it in the sixth position.

The findings suggest that the element of "documenting observations in working papers and retaining them" is perceived as highly significant by all respondent groups. The mean score for this aspect is 3.90 (H-M). Conversely, the element of "use of statistical methods in selecting audit samples" had the lowest level of importance according to all categories of respondents, as indicated by a mean score of 3.39 (H-M). Accordingly, employing statistical methodologies within the audit process is pivotal to upholding objectivity.

Table 9 presents respondent responses regarding the extent to which auditors adhere to competency principles. Financial managers and internal auditors positively perceived that auditors adhered to the proficiency code of ethics. The mean

scores for financial managers, internal auditors, and all respondents were 3.83, 3.82, and 3.82, respectively, with high to moderate levels of compliance and a standard deviation of 0.53, which signifies a moderate degree of diversity.

The statement "Securing the necessary license from auditing regulatory bodies" received the highest average score among all respondents, with an average score of 4.37 for financial managers, 4.34 for internal auditors, and 4.35 overall. The observed high scores, along with RII values of 0.87, which indicate a high adherence level, suggest that the acquisition of the requisite license from auditing regulatory authorities is seen as a significant indicator of the competency of Jordanian auditors.

In contrast, there was variation observed in the lowest mean score between finance managers and internal auditors. Among financial managers, the variable "accuracy of the auditor in identifying client risks" ranked at the bottom and obtained the lowest average score of 3.28 and a (RII) of 0.656, indicating a high to moderate level of adherence. While internal auditors assigned the lowest rating to the statement "Auditors obtaining international professional certifications," with a mean score of 3.51, a RII of 0.702, and a high to medium adherence level, they placed it in the tenth position in the ranking.

Table 9. Perceptions of External Auditor Competence Descriptive Analysis

| No. | Competence Aspects   | Financial Managers |       |      |            | Internal Auditors |       |      |            | Total |       |      |            |      |
|-----|--|--------------------|-------|------|------------|-------------------|-------|------|------------|-------|-------|------|------------|------|
|     |  | M                  | RII   | Rank | Importance | M                 | RII   | Rank | Importance | M     | RII   | Rank | Importance | SD   |
| 1   | Securing the necessary license from auditing regulatory bodies                   | 4.37               | 0.874 | 1    | H          | 4.34              | 0.868 | 1    | H          | 4.35  | 0.87  | 1    | H          | 0.73 |
| 2   | Training sessions organized by the audit office for auditors                     | 3.46               | 0.692 | 9    | H-M        | 3.57              | 0.714 | 8    | H-M        | 3.54  | 0.708 | 9    | H-M        | 0.83 |
| 3   | Auditors obtaining international professional certifications.                    | 3.74               | 0.748 | 6    | H-M        | 3.51              | 0.702 | 10   | H-M        | 3.58  | 0.716 | 8    | H-M        | 0.75 |
| 4   | Selection of a qualified academic and practical work team.                       | 3.58               | 0.716 | 8    | H-M        | 3.73              | 0.746 | 7    | H-M        | 3.68  | 0.736 | 6    | H-M        | 1.18 |
| 5   | Auditor's familiarity with international audit regulations, laws, and standards. | 4.28               | 0.856 | 2    | H          | 4.08              | 0.816 | 2    | H          | 4.14  | 0.828 | 2    | H          | 0.78 |
| 6   | Role of penalties in cases of incompetence.                                      | 4.09               | 0.818 | 3    | H          | 3.91              | 0.782 | 4    | H-M        | 3.96  | 0.792 | 3    | H-M        | 0.83 |
| 7   | Exercising necessary and sufficient professional care.                           | 3.95               | 0.790 | 4    | H-M        | 3.85              | 0.770 | 5    | H-M        | 3.88  | 0.776 | 5    | H-M        | 0.93 |
| 8   | Accuracy of the auditor in identifying client risks.                             | 3.28               | 0.656 | 10   | H-M        | 3.76              | 0.752 | 6    | H-M        | 3.62  | 0.724 | 7    | H-M        | 0.85 |
| 9   | Presence of a quality control system for auditors' work.                         | 3.6                | 0.720 | 7    | H-M        | 3.52              | 0.704 | 9    | H-M        | 3.54  | 0.708 | 10   | H-M        | 0.81 |
| 10  | Understand and fulfill their Civil or criminal responsibilities.                 | 3.95               | 0.790 | 5    | H-M        | 3.94              | 0.788 | 3    | H-M        | 3.94  | 0.788 | 4    | H-M        | 0.76 |
|     | The overall scale  | 3.83               | 0.766 |      | H-M        | 3.82              | 0.764 |      | H-M        | 3.82  | 0.764 |      | H-M        | 0.53 |

Table 10. Perceptions of External Auditor Confidentiality Descriptive Analysis

| No. | Confidentiality Aspect  | Financial Managers |       |      |            | Internal Auditors |       |      |            | Total |       |      |            |      |
|-----|---|--------------------|-------|------|------------|-------------------|-------|------|------------|-------|-------|------|------------|------|
|     |   | M                  | RII   | Rank | Importance | M                 | RII   | Rank | Importance | M     | RII   | Rank | Importance | SD   |
| 1   | Auditor's commitment to client confidentiality when providing information                 | 4.09               | 0.818 | 3    | H          | 3.97              | 0.794 | 2    | H-M        | 4.01  | 0.802 | 2    | H          | 0.89 |
| 2   | Protecting company secrets from competitors   | 4.09               | 0.818 | 4    | H          | 3.9               | 0.78  | 4    | H-M        | 3.96  | 0.792 | 4    | H-M        | 0.83 |
| 3   | information is provided impartially, without favoring certain parties with relationships. | 3.88               | 0.776 | 5    | H-M        | 3.66              | 0.732 | 6    | H-M        | 3.72  | 0.744 | 6    | H-M        | 1.05 |
| 4   | Compliance with auditing standards and laws in the Disclosure of information              | 4.28               | 0.856 | 1    | H          | 4.18              | 0.836 | 1    | H          | 4.21  | 0.842 | 1    | H          | 0.95 |
| 5   | Auditor's safeguarding of client secrets through disposal of working papers               | 3.56               | 0.712 | 6    | H-M        | 3.89              | 0.778 | 5    | H-M        | 3.79  | 0.758 | 5    | H-M        | 1.14 |
| 6   | Auditor's preservation of client privacy through Safeguarding client confidentiality.     | 4.16               | 0.832 | 2    | H          | 3.91              | 0.782 | 3    | H-M        | 3.98  | 0.796 | 3    | H-M        | 0.98 |
|     | The overall scale   | 4.01               | 0.802 |      | H          | 3.92              | 0.784 |      | H-M        | 3.95  | 0.79  |      | H-M        | 0.76 |

From all participants, it was observed that the component with the lowest average score of 3.54 was "Presence of a quality control system for auditors' work," which ranked last and had a RII of 0.708, indicating a high to moderate level of adherence. Therefore, fortifying quality control systems can contribute to the enhancement of the overall perception of competence among financial managers, internal auditors, and all individuals involved.

Table 10 shows that respondents have a positive perception of auditors' adherence to confidentiality principles. With a standard deviation of 0.76, the mean scores for financial managers, internal auditors, and all respondents were 4.01, 3.92, and 3.95, respectively, indicating a moderate degree of heterogeneity. The adherence level was high to moderate from the perspective of internal auditors and both respondents combined, while a high adherence level is observed from the perspective of financial managers.

The statement "Compliance with auditing standards and laws in disclosure of information" ranked first for both respondents, with a high adherence level (RII) of 0.856, 0.836, and 0.842, as indicated by a mean score of 4.28, 4.18, and 4.21 for

financial managers, internal auditors, and all respondents, respectively. This suggests that both participants place great weight on the adherence of external auditors to auditing standards and legal requirements when sharing information.

In contrast, the financial manager ranked "Auditor's safeguarding of client secrets through disposal of working papers" at the bottom, at the least important component, with a mean score of 3.56 and a RII of 0.712, and an adherence level of high-medium. The dimension that received the lowest rating in terms of importance, as assessed by internal auditors and all respondents combined, is "information is provided impartially, without favoring certain parties with relationships," with a mean score of 3.66, 3.72, and a RII value of 0.732, 0.744, respectively, suggesting a high to moderate level of importance, placing it in the lowest position among the evaluated criteria.

In essence, enhancing the perceived competence of external auditors in terms of confidentiality can be achieved by directing attention towards two key areas: bolstering auditor commitment to client confidentiality during information provision and safeguarding client secrets, as well as ensuring the correct disposal of working papers.

Table 11. Perceptions of External Auditor Professional Behavior Descriptive Analysis

| No. | Professional Behavior Aspect  | Financial Managers |       |      |            | Internal Auditors |       |      |            | Total |       |      |            |      |
|-----|---|--------------------|-------|------|------------|-------------------|-------|------|------------|-------|-------|------|------------|------|
|     |   | M                  | RII   | Rank | Importance | M                 | RII   | Rank | Importance | M     | RII   | Rank | Importance | SD   |
| 1   | Auditor conducting work honestly and with integrity.                      | 3.92               | 0.784 | 1    | H-M        | 3.93              | 0.786 | 2    | H-M        | 3.92  | 0.784 | 1    | H-M        | 0.94 |
| 2   | The audit fees are appropriate for the time spent on an audit             | 3.73               | 0.746 | 6    | H-M        | 3.87              | 0.774 | 5    | H-M        | 3.83  | 0.766 | 4    | H-M        | 1.12 |
| 3   | Auditors not tarnishing the reputation of fellow auditors.                | 3.84               | 0.768 | 4    | H-M        | 3.9               | 0.780 | 3    | H-M        | 3.88  | 0.776 | 2    | H-M        | 0.89 |
| 4   | Auditors do not use promotional methods that violate professional ethics. | 3.77               | 0.754 | 5    | H-M        | 3.79              | 0.758 | 6    | H-M        | 3.78  | 0.756 | 5    | H-M        | 1.11 |
| 5   | Auditor performing work that serves the company's interests.              | 3.32               | 0.664 | 8    | H-M        | 3.95              | 0.790 | 1    | H-M        | 3.76  | 0.752 | 7    | H-M        | 0.81 |
| 6   | Auditor's ability to service various financial statement users equally    | 3.42               | 0.684 | 7    | H-M        | 3.78              | 0.756 | 7    | H-M        | 3.67  | 0.734 | 8    | H-M        | 0.79 |
| 7   | The auditor not accepting contingent fees.                                | 3.89               | 0.778 | 3    | H-M        | 3.73              | 0.746 | 8    | H-M        | 3.77  | 0.754 | 6    | H-M        | 0.89 |
| 8   | Auditor's ability to use international standards.                         | 3.91               | 0.782 | 2    | H-M        | 3.87              | 0.774 | 4    | H-M        | 3.88  | 0.776 | 3    | H-M        | 1.22 |
|     | The overall scale   | 3.73               | 0.746 |      | H-M        | 3.85              | 0.770 |      | H-M        | 3.81  | 0.762 |      | H-M        | 0.57 |

Table 11 indicates that compliance with professional behavior by external auditors is generally regarded positively, with mean scores of 3.73 for financial managers, 3.85 for internal auditors, an overall mean score of 3.81, and a modest degree of heterogeneity with a standard deviation of 0.94.

Financial managers ranked the feature of "auditor conducting work honestly and with integrity" as the most significant, with a (RII) of 0.784. placed it in the first position with a high to moderate level of adherence, as indicated by a mean score of 3.92. This underscores the utmost significance of ethical behavior as perceived by financial managers. On the other hand, financial managers consider the role of an "auditor performing work that serves the company's interests" to be of lesser significance (RII 0.664), with an average rating of 3.32 and a high to moderate level of adherence.

According to the findings, internal auditors ranked "auditor performing work that serves the company's interests" at the top, as indicated by a (RII) of 0.790 and a mean score of 3.95. This highlights the significance internal auditors place on external auditors aligning their work with the best interests of the firm. Nevertheless, there is a relatively diminished significance placed on the concept of auditors refusing to accept contingent compensation. The RII of 0.746 and the mean value of 3.73 indicate that internal auditors hold the belief that external auditors should prioritize minimizing the use of contingent fee arrangements to improve their professional behavior.

Among the entire sample, the attribute "auditor conducting work honestly and with integrity" was evaluated as the most important. as supported by a mean score of 3.92 and a RII of 0.784, with a high to moderate level of adherence. The feature "Auditor's ability to provide equal service to various users of financial statements" received the lowest

rating with a mean score of 3.67 and a (RII) of 0.734, indicating a high to moderate level of importance. Accordingly, to uphold professional behavior, external auditors should enhance their capacity to provide equitable service to diverse users of financial statements, refrain from accepting contingent payments, and guarantee that audit fees align with the effort expended on audits.

#### 4.4 Hypothesis Testing

To evaluate hypotheses one and two, a one-sample t-test is used. The one-sample t-test is a statistical test that is used to assess whether or not the sample mean of a single group varies significantly from the hypothesized population mean, which is calculated to be (3), see equation 1. Based on this information, the null hypothesis ( $H_0$ ) states that "the sample mean is less than 3," whereas the alternative hypothesis ( $H_a$ ) states that the sample mean does not fall below 3 (a one-tailed right-tailed t-test).

##### 4.4.1 Testing the First Hypothesis

The first hypothesis of this study asserts that financial managers in Jordanian industrial companies do not perceive a high level of compliance with (independence, integrity, objectivity, competence, confidentiality, and professional behavior principles) among external auditors.

Table 12 displays the results of a one-sample t-test for all aspects of the code of ethics for professional accountants from the perspective of financial managers. The table demonstrates that the p-value for each code of professional conduct was less than the significance threshold of 0.05. Therefore, the null hypothesis is not accepted, and we adopt the alternative hypothesis, which states that the financial manager perceives that the external auditor complies with the code of ethics in every respect.

Table 12. The one-sample t-test Results for the first hypothesis

| Code of Ethics Principles     | Mean | Calculated t value | p-value |
|-------------------------------|------|--------------------|---------|
| Independence                  | 3.84 | 5.2761             | 0.0004* |
| Integrity and transparency    | 3.84 | 14.2576            | 0.0000* |
| Objectivity                   | 3.77 | 8.5717             | 0.0002* |
| Competence                    | 3.83 | 7.3318             | 0.0000* |
| Confidentiality               | 4.01 | 9.6652             | 0.0001* |
| professional behavior         | 3.73 | 8.8977             | 0.0000* |
| All code of ethics Principles | 3.85 | 16.8004            | 0.0000* |

\*  $p < .05$

#### 4.4.2 Testing the Second Hypothesis

The second hypothesis asserts that internal auditors in Jordanian industrial companies do not perceive a high level of compliance with (independence, integrity, objectivity, competence, confidentiality, and professional behavior principles) among external auditors.

Table 13 shows the results of the one-sample t-test conducted to test the second hypothesis. The table illustrates that the p-value for each code of ethics principles, as well as for their combined effect, was found to be below the predetermined significance level of 0.05. As a result, the null hypothesis is not accepted, and the alternative hypothesis is supported, indicating that internal auditors perceive that the external auditor adheres to the code of ethics in all aspects.

#### 4.4.3 Testing the Third Hypothesis

The third hypothesis posits that there is no significant difference in the perception of compliance with principles of independence, integrity, objectivity, competence, confidentiality, and professional behavior by external auditors between financial managers and internal auditors in industrial companies in Jordan. This study employed an independent sample t-test to compare the mean

compliance judgments of internal auditors and finance managers.

Table 14 displays the outcomes of the independent sample t-test. The result shows that the statistical significance of the variables of independence, integrity, objectivity, competence, confidentiality, and professional behavior was assessed using p-values. The p-values obtained for these variables were found to be 0.6999, 0.4414, 0.5874, 0.9496, 0.4792, and 0.1604, respectively. Moreover, it was found that the p-value for all the principles delineated in the Code of Ethics was calculated to be 0.9877. Remarkably, it was noted that all of the p-values obtained in this investigation were above the predefined threshold of 0.05.

As a result of the study, the null hypothesis for the third hypothesis has not been challenged. This means that there is not a statistically significant difference between the perceptions of financial managers and internal auditors. The discovery is of significant importance as it highlights the notable convergence in ethical perspectives among diverse professional groups. The implementation of this alignment serves to enhance trust in the precision of financial reporting, bolster the dependability of the external audit process, and hold significant implications for regulatory considerations and the scholarly contributions of this study.

Table 13. The one-sample t-test Results for the second hypothesis

| Code of Ethics Principles     | Mean | Calculated t value | p-value |
|-------------------------------|------|--------------------|---------|
| Independence                  | 3.77 | 8.7878             | 0.0000* |
| Integrity                     | 3.90 | 13.9572            | 0.0000* |
| Objectivity                   | 3.70 | 8.886              | 0.0002* |
| Competence                    | 3.82 | 9.8782             | 0.0000* |
| Confidentiality               | 3.92 | 13.4873            | 0.0000* |
| professional behavior         | 3.85 | 30.927             | 0.0000* |
| All code of ethics Principles | 3.83 | 24.5798            | 0.0000* |

\*  $p < .05$

Table 14. Independent sample T-test Results for the third hypothesis

| Code of Ethics Principles     | Financial Manager Mean | Internal Auditor Mean | Calculated t value | p-value |
|-------------------------------|------------------------|-----------------------|--------------------|---------|
| Independence                  | 3.84                   | 3.77                  | 0.3925             | 0.6999  |
| Integrity                     | 3.83                   | 3.9                   | -0.7895            | 0.4414  |
| Objectivity                   | 3.77                   | 3.7                   | 0.5606             | 0.5874  |
| Competence                    | 3.83                   | 3.82                  | 0.0641             | 0.9496  |
| Confidentiality               | 4.01                   | 3.92                  | 0.735              | 0.4792  |
| professional behavior         | 3.73                   | 3.85                  | -1.4822            | 0.1604  |
| All code of ethics Principles | 3.83                   | 3.83                  | 0.0155             | 0.9877  |

\*  $p < .05$



## 5 Conclusion and Recommendations

### 5.1 Study Conclusion

This study examines the perceptions of financial managers and internal auditors in Jordanian industrial companies regarding the adherence of external auditors to the IFAC's Code of Ethics. The study findings show that both financial managers and internal auditors perceive that external auditors strictly follow the Code of Ethics. This congruence of their agreement enhances the ethical competency of the external auditor, thereby strengthening the confidence and credibility of auditing practices in an emerging country like Jordan. The findings give insight into adherence to ethical standards in the auditing landscape in Jordan, which in turn reflects the role of the auditing regulating bodies' effectiveness and stakeholder confidence.

The outcomes of this study agree with the study of [24], on the other side our findings disagree with the results of [23]. Moreover, the results are consistent with prior research of [6], [16], [17], [19], [20], [21], and [18]. All of the above studies confirmed that strictly following a robust code of ethics can improve auditing quality, lead to financial statement reliability, foster public confidence, and pave the way for a healthier investment environment.

The consensus of the participant's perception of external auditor compliance has a significant impact on auditing practices and financial statement users. The finding implies that ethical values are prioritized in the auditing landscape in Jordan. This is consistent with the auditing profession, which advocates for a unified ethical framework. The alignment of financial reporting and auditing systems is anticipated to enhance trust and confidence levels. The absence of significant differences in ethical perceptions suggests that existing regulations can promote ethical conduct within the industry. This aligns with the ethical perspectives of key professionals, such as financial managers and internal auditors, which can enhance stakeholder trust, resulting in a more transparent and reliable financial reporting environment.

### 5.2 Study Recommendations

The outcome demonstrates that external auditors comply with the code of ethics. Accordingly, this study concludes that existing regulations are capable of effectively promoting ethical behavior among auditors. Descriptive statistics indicate that there is room for improvement in some areas of the code of

ethics in the Jordanian auditing landscape, such as ensuring independence from consulting and non-audit services, incorporating statistical methods for greater precision, enhancing the accuracy of risk identification, maintaining confidentiality when providing information, providing equitable financial statement services, and avoiding contingent payments.

Based on the above it is therefore recommended that the auditing regulatory bodies elevate auditors' adherence by considering the following recommendations: the need for continuous monitoring, industry education, ethical awareness, research and development, public awareness, and future research. Regulatory authorities have to emphasize the need to continuously monitor and evaluate the effectiveness of current legislation and adapt to evolving sector dynamics. Industry education is crucial for establishing the foundation for ethical behavior, and comprehensive education and training programs are essential for auditors to understand ethical complexities and maintain their dedication to ethical conduct. Ethical awareness is essential for auditors to make ethical decisions within their organizations, and promoting open dialogues and discussions can help them handle complex ethical dilemmas. Research and development are crucial for auditors to maintain a competitive edge in ethical deliberations and anticipate emerging ethical concerns. Public awareness should be guided by transparency and openness, ensuring that all stakeholders, including investors and the broader public, understand the commitment of auditors to uphold ethical principles.

### 5.3 Limitations and Directions for Future Research

The study has been conducted in Jordan as an example of an emerging market. It would be interesting to evaluate the adherence level of external auditors in other emerging countries. In addition, the study's limitation lies in its focus on examining adherence solely from the perspective of financial managers and internal auditors. Considering other stakeholders, such as audit committee members, the board of directors, and shareholders of public companies, may provide a more comprehensive understanding of external auditors' compliance. Additionally, the study focused only on the auditors of publicly listed businesses in the industrial sector. Future research should aim to investigate the external auditors of other sectors, such as banks, insurance companies,

and service organizations. Finally, it is imperative to explore auditor ethics and performance in the context of emerging technologies like AI and blockchain.

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The authors have no conflicts of interest to declare.

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