An Outline of the Growth of Jordan's Stock Exchange and the Enhancement of Auditing Standards

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Abstract: - The study examines “Middle Eastern (ME)” auditing from the early 20th century. The study uses Jordan to highlight the profession's development and its relationship to ME politics, economics, and culture. Jordan's geographical location, few natural resources, and bordering countries prompted economic changes and auditing profession growth. The profession's development is examined concerning the Jordanian capital market and normative documents. The country's auditing profession is impacted by its heavy reliance on foreign investment. Economic liberalization and prosperity until 2008 boosted accounting and auditing in Jordan. Financial services' strong position is due to public-private collaborations, free-trade zones, IT-industry investments, and infrastructure. Current developments in Jordan influencing auditing regulation and profession are highlighted in this paper.

Key-Words: - Jordan's economy, Jordanian capital market, audit history, auditing standards, Middle East, Jordan.

Received: August 12, 2024. Revised: April 14, 2025. Accepted: May 9, 2025. Published: June 24, 2025.

1 Introduction

Globalization in the last two decades has expanded international trade, making "international accounting and auditing standards" necessary. Thus, global trading nations needed strong investment agreements. Thus, high-quality financial standards would greatly improve worldwide financial statement soundness and comparability. "International Accounting Standards (IAS)" have increased scrutiny of the audit profession since external auditors must help customers understand the new accounting practices, [1]. "International Financial Reporting Standards (IFRS)" has major effects on accounting, [2]. Audited financial reports are suitable for reporting business outcomes and financial situations. Following the audit, independent qualified auditors provide an audit report indicating the financial reports' integrity and compliance with accounting rules. Since the adoption of IFRS, more clients have reported disclosure difficulty due to questionable assessments such as "Fair Value (FV)". Regulators and standard setters prefer the IFRS system for better financial reporting, but corporations must pay for auditors' higher costs, expertise, experience, and professional skills, [3].

Global governments have adopted urgent changes, especially in emerging economies without well-functioning financial markets, to adopt international accounting standards, [4]. This situation raises the possibility of significant misstatements in revealed financial information as a result of purposeful or incidental errors and fraud, increasing the likelihood of a lawsuit. Legal liabilities resulting from issues like financial statement substantial misstatements increase the possibility of audit failure. Financial statement fraud by large firms like "Xerox, Enron, WorldCom, and Tyco" raised concerns about corporate governance, integrity, and transparency in financial reporting, [5], [6]. Audit efficiency in detecting fraud and misstatements in financial reports also increased. The severity of the GFC has raised doubts regarding auditors' roles, [7]. In the face of financial failure, auditing must be reconstructed, revised, or developed to improve its position in society entails determining if auditors lack the necessary experience, independence, or motivation to evaluate firm transactions objectively. The Enron scandal illustrates the difficulty auditors face after complying with accounting framework changes. Continuous international accounting standards reforms will affect the world.

International accounting authorities have made major efforts to improve the integrity and reliability of financial reporting, [8]. "The World Bank (WB) and International Monetary Fund (IMF), among other important international accounting institutions, strongly criticize large accounting firms for their seeming endorsement of local "Generally Accepted Accounting Principles (GAAP)" in the compilation of financial reports. Thus, these institutions demonstrate the importance of coordinating international and national auditing standards, [9]. Following that, an updated agreement was approved to further unify accounting and auditing standards, resulting in international convergence and harmonization. This alignment is intended to produce concrete benefits for users, preparers, and auditors, [10].

The goal is to make financial information transparent and comparable in emerging markets like Jordan to boost Arab-international trade. Thus, worldwide accounting standards must be followed, [11], [12], [13], [14], [15]. Understanding Jordan's environment is vital. [16], [17] said environmental issues drive accounting standards, procedures, policies, and goals. We must explain how these environmental issues affect Jordan's accounting and auditing profession and economy. Over two decades of international accounting and auditing standards implementation in Jordan may reveal how this has affected the auditing profession in diverse circumstances, [18]. Jordan's impressive economic transformations make it an intriguing case study for developing country studies. Since the 1990s, the market privatization agenda has led to many international economic agreements with the "European Union (EU) and the World Trade Organisation (WTO)", [19].

This article examines the cultural, political, regional, and economic elements that shape auditing methods in developing nations, focusing on Jordan. Accounting rarely covers the auditing profession's major advancements, especially in this region. This research is descriptive since few studies have explained the incentives that have led to recent auditing profession enhancements in response to considerable changes in the global economy and worldwide accounting standards. The study is driven by expectations and worries about how remarkable economic gains and accounting and auditing requirements have changed accounting practices, particularly audit professionals. This investigation is motivated by the widespread adoption of international accounting and auditing standards in emerging economies due to financial, political, and technological pressures in recent decades, [20]. This inquiry is inspired by the desire and concerns about changes to accounting practices, standards, policies, and audit professionals, especially after the IFRS' fair value disclosure requirements.

The paper contributes to the body of knowledge by investigating the remarkable reforms and advancements in the audit profession. It discusses the substantial contribution made to accounting knowledge by connecting the institutional factors, recent requirements, and forces with the changes in Jordan's auditing practices. It also examines the primary reforms implemented by the Jordanian government in the aftermath of the "Global Financial Crisis (GFC)" and the significant implications of these changes for the audit profession. The subsequent sections of this paper are structured as follows. Jordan is briefly discussed in Section Two. The Jordanian capital market's significant developments are detailed in Section Three. The fourth section delves into the necessity of auditing and the advancements in financial reporting. The impact of the GFC on the audit profession is emphasized in Section Five. The audit profession is the focus of Section six, which examines the impact of recent advancements in the global economy and accounting standards. The conclusion concludes with a summary and discussion.

2 Country Background

Jordan, or "The Hashemite Kingdom of Jordan," is a constitutional monarchy and a minor Arab country that is in the process of development. It is also a constituent of the "Arab Nation", and its inhabitants are members of the Arab people. Jordan adheres to the Arab traditions that are prevalent in the region. The primary distinction between Jordan and other Arab nations is the homogeneity of the local culture and that of the surrounding countries. There are a few differences. Jordan, despite its location in the Middle East, is devoid of numerous natural resources, including energy and water, that neighboring countries possess. However, it does possess an abundance of human resources. Jordan was recently classified as an "upper middle-income country by the WB", [21]. Jordan is the fourth most free-market economy in the "Middle East and North Africa (MENA)" region and the 53rd most free-market economy in the globe, as per the "2019 Index of Economic Freedom" (Ghazal & Faulkner). Jordan's legal system is rigorously enforced, and individuals' rights and obligations are respected, [22].

In the aftermath of "World War I (WW1)", the Congress of Versailles resulted in the establishment of the Jordanian dominion in 1921, under the leadership of Emir Abdullah. The "Hashemite Kingdom of Jordan" was a province of the Ottoman Empire that was governed by the Turks during WWI. Jordan became a British mandate following the conclusion of WWI. Emir Abdullah was proclaimed the King of Jordan on 25 May 1964, marking Jordan's independence. In 1948, the first Arab-Israel War resulted in approximately 500,000 Palestinians migrating to Jordan. Jordan's population experienced a nearly instantaneous trebling as a result. An economic transformation was observed as a consequence of this migration, which indicated a transition from agriculture to services. This was a consequence of the fact that Palestinians were unable to labor on agricultural lands. The years that followed 1952 were marked by political stability and marked the onset of democracy in Jordan. Regrettably, the second Arab-Israeli War began in 1967, and this political stability was short-lived, [23], [24], [25], [26], [27], [28]. The most challenging period in Jordan's modern history was the period 1967-1973, during which two conflicts occurred within a four-year period. More Palestinian refugees were displaced from the "West Bank to the East Bank" of Jordan. In a single year, these events resulted in a substantial increase in the country's population, approximately one-quarter.

Even though these events led to a recession in Jordan, the country's economy was able to expand and develop due to the political stability that characterized the period. The government has been instrumental in the expansion of Jordan's economy during those periods by issuing new policies and directives that are designed to attract new investment. Consequently, Jordan's government was anxious to establish a financial and economic framework that adhered to international standards. This effort was instrumental in luring foreign investors to the country. The primary events in Jordan's history are summarised by [29] (Table 1).

Table 1. Timeline of Jordan's History

Year	Events
(1970-1971)	Tensions between Palestinian militants and the Government of Jordan erupt, leading to the expulsion of Palestinian organizations and marginalisation of Palestinians from the public sector.
(1988)	King Hussein relinquishes Jordan's claim to the West Bank, thereby denationalising 1.5 million Palestinians.
(1991)	Kuwait expels Palestinians following the Iraqi invasion and occupation. 300,000 of these Palestinians hold Jordanian citizenship and are returned to Jordan, although many had never lived in the Kingdom. The mass expulsion increased Jordan's population by nearly 10%.
(1999)	King Abdullah II assumes the throne and develops an ambitious economic reform agenda, which includes the privatisation of state enterprises and creation of special economic zones, leading to high economic growth between 2001-2008.
(2011-2012)	Peaceful protests begin in Jordan calling for economic, constitutional and electoral reforms. Protests continued throughout the year and were further fuelled by the Government's reduction of fuel subsidies in late 2012.
(2012-present)	Refugees fleeing the conflict in Syria begin to enter Jordan and other neighbouring countries in large numbers. The vast majority of refugees settle in host communities due to unsatisfactory living and security conditions in the Za'atari refugee camp.

3 Problem Formulation

3.1 Subsection

According, [22] Jordan's economic changes call for the creation and revision of fresh rules as well as financial market reforms to improve the nation's financial reporting system and so support international trade. The adoption of international accounting and auditing standards is the most important reform that has been carried out with the aim of encouraging overseas investment, [15]. The varying rates of winter precipitation, the paucity of rain, and the limited availability of water sources all contribute to Jordan's depletion of natural resources. This suggests that the dry and hazardously parched arable plains of Jordan drastically reduced her agricultural output. The most important sectors in Jordan are those involving potash and phosphate production. Apart from this, tourism, remittances from expatriates working overseas, the fertilizer sector, medicine, and international aid define Jordan's main sources of foreign currency. Jordan also lacks lignite, water, and energy sources as well as oil for commercial and industrial uses. With natural gas output only at 10%, the Jordanian government is forced to rely much on outside sources, especially the Gulf states and Iraq, which also give Jordan oil derivatives, [30], [31].

4 Development of the Jordanian Capital Market

Arab Bank was Jordan's first public shareholding business in 1930, while "Jordan Tobacco & Cigarettes" was founded in 1931. Following these events, the "Jordanian Electric Power Company and Jordan Cement Factories" were founded in 1938 and 1951, respectively. Before 1978, public shareholding firms traded shares uncontrolled through unregistered offices in the region 32, [32]. Corporate bonds were issued in the 1960s. As a consequence of this share trading, there were numerous unorganized securities markets. Consequently, the government was compelled to establish a system that would facilitate the safe and efficient trading of securities and facilitate the issuance of new ones. In this manner, the government could safeguard small investors by establishing a mechanism that would ensure an equitable price in accordance with the supply and demand policy, [33].

Jordanian companies disclosed and reported their finances under many "Company and Security Acts", [34], [35]. The 1964 "Company Act" was the first to contain financial statement criteria. The 1989 "Company Act" replaced it, which strengthened and broadened firm disclosure obligations. Both regulations required firms to report profit-and-loss statements and balance sheets under GAAP. Neither statute indicated the GAAP to be used, [22]. Jordan's accounting body, the "Jordanian Association of Certified Public Accountants (JACPA)," was founded in 1989. Jordan had no relevant local accounting rules. Thus, JACPA helped local businesses adopt IAS in 1990. However, it could not force listed Jordanian corporations to comply with IASs, hence they may choose the technique that benefited them, [34]. The "Company Act (1989)" introduced the "Directives for Disclosure, Auditing, and Accounting Standards" and was a milestone in Jordan's corporate transparency system. In 1976, the government worked with the WB's "International Finance Corporation (IFC)" to create an economic strategy to establish a securities market. Following Temporary Law No. 31, the "Amman Financial Market (AFM)" opened in January 1978. AFM was founded to encourage investors to create more public firms in Jordan's capital market, [32]. Between 1978 and 2018, secondary market transaction volume fluctuated between JD9.7 million and JD2.3 billion. The market valuation rose from JD286 million in 1978 to JD16.1 billion in 2018, [36].

The 1976 AFM law and its 1990 modifications did not require Jordanian-listed firms to disclose certain information in their annual reports. [22] did not mention financial details or disclosure timeframe. Due to poor disclosure regulations, listed corporations' disclosures were “voluntary disclosure”. Therefore, AFM was an unregulated market without disclosure rules. More financial disclosure and audited financial accounts were needed as trading increased. Accountants and auditors were needed, [32]. Jordanian companies must disclose information under "Company Act No.22" (1997). It reiterated that Jordanian-listed companies must report using IFRS. In 1997, "Securities Law No. 23" urged Jordanian companies to implement IFRS. Failure to comply resulted in delisting and fines. In conflicts, the law requires local standards to prevail above international ones, [37]. The Jordanian capital market was reformed to remove investment barriers, improve monitoring, introduce new financial instruments to increase transparency and create an attractive investment environment. Another breakthrough was automated trading, clearing, and settlement.

The "Jordan Securities Commission (JSC)", "Amman Stock Exchange (ASE)", and "Securities Depository Centre (SDC)" were established as key capital market organizations after these reforms. The government-run "Jordan Securities Commission (JSC)" was established in 1997 to oversee capital markets. ASE had two main markets in 1999: first and second. Founded as a private, non-profit legal entity. Company listings in the secondary market are often transferred to the primary market if they match "Securities Act No. 76" of 2002 standards. The company must have been listed on the second market for one year and have 100% shareholders' equity of the paid-up capital. The company must have net pre-tax profits for two years in the three years before the listing transition. The firm's free float to subscribed shares ratio must be at least 5% at the end of the fiscal year when its paid-up capital is JD 50 million. If the firm's paid-up capital is less than JD50 million and it has at least 100 shareholders at the fiscal year's end, the proportion must be 10%. Additionally, the company's shares must have traded on 20% of trading days in the previous fiscal year. At least 10% of free float shares must be exchanged simultaneously under [38].

Financial brokers transfer and register trading business ownership and security prices through the SDC, a private entity created in 1999, [39]. The "Company Act No. 23" (1997) established Jordanian corporations' corporate governance systems to protect shareholders' rights. This rule also stressed the board of directors' importance for Jordanian-listed enterprises, [40]. Three non-executive directors had to constitute an audit committee for listed companies. This committee discussed and resolved internal control concerns such as internal and external auditor roles and Company and Securities Act compliance for company transparency and IFRS compliance, [21]. The ASE is the region's largest securities market due to foreign investment, [41]. Jordan's regulatory authorities have restructured the market and improved enterprises' financial reporting and transparency. The main change is the separation of Jordan's financial market's executive and supervisory duties from legislative ones. Thus, the market has grown larger and had more transactions than other MENA countries, [19]. ASE-listed equities might be traded electronically under the "Securities Law No. 23" (1997), [18].

"JSC Law No. 1 (1998)," also known as "the Directives of Disclosures, Auditing, and Accounting Standards," established the financial information operational enterprises listed on ASE had to report and present in conformity with the "Commission for Enhancing Transparency". These directives aim to give investors vital financial information to help them decide. Thus, financial information became more trustworthy and the capital market became more open in accordance with international standards, [42]. No local institution supervised accounting and auditing at the time. Thus, international accounting standards became essential. The 1997 "Jordanian Companies Law No. 22" specified what domestic companies had to include in their annual reports, unlike the 1976 AFM law and its 1990 modification. The JSC also mandated listed enterprises to provide financial accounts in accordance with "International Auditing and Accounting Standards (IAAS)".

Listed enterprises regulated by the JSC under the Companies Law had to file a balance statement and profit-and-loss report with comparative numbers for the previous year in 1997. These documents were to follow "internationally recognized accounting and auditing principles." The reference covered public shareholding, limited partnership, general partnership, limited liability, private shareholding, and foreign corporations operating in Jordan. External auditors might be employed for one year or renewed. The company's shareholders choose the auditors and might renew or switch them. However, the Companies Law 1997 did not require structure or transparency. The regulation also did not clarify the "internationally recognized accounting and auditing principles" listed firms had to follow. IFRS Standards were also required for publicly listed shareholding firms governed by the "Jordan Securities Commission (JSC)", financial firms regulated by the "Central Bank of Jordan (CBJ)", and "Insurance Firms Regulated by the JIC". "The Companies Law 1997" also required external auditors to verify public shareholding company financial papers using international auditing standards. The JACPA must adopt IAS/IFRS. The law further stressed the independence of external auditors from the firm and its directors, [22].

The "Securities Law 2002" was more effective than the "Companies Law 1997", which was updated in 2002. In addition, the new "Directives of Disclosures, Auditing, and Accounting Standards" were established in compliance with the Securities Law of 2002. The "Securities Law 2002" strengthened the controlling power of the capital market's legal institutions, especially the JSC, SDC, and ASE, and increased transparency requirements. This was accomplished by giving these agencies the authority to impose penalties on entities that did not comply. Foreign investors may also trade in ASE and purchase up to 100% of any entity operating in the market, except for those engaged in building contracting and commerce services, [22], [43]. By the end of 2020, non-Jordanian (foreign) investors controlled 51.7% of the total market value of ASE-listed firms. Arab investors accounted for 37.3% of the total, while non-Arab investors made up 14.4%. Similarly, the number of listed businesses has grown significantly, from 66 in 1978 to around 235 in 2020, [36]. In comparison to other "Middle Eastern countries", Jordan has a moderately emerging economy. The ASE is Jordan's stock market, with roughly 235 firms listed as of 2019, [38]. The stocks listed on the exchange are classified according to their financial strength. Although the stock exchange only includes 236 firms, a large majority of them are not listed since they are registered as private limited liability corporations or partnerships. Approximately 30,000 organizations in Jordan are legally required to undertake external audits, [44].

The enterprise boards of directors had three months after the fiscal year finished to write JSC annual reports under the statute. In recent years, Jordan has joined several worldwide IAS adoption groups. The "International Organisation of Securities Commissions (IOSCO)" promotes global accounting standards. Listed firms must disclose their finances in their annual report by law, [18]. By 45 days after the fiscal year ended, companies had to submit their financial preliminary results to the JSC and specify the main content of their annual reports in accordance with the Securities Law 2002 and its regulations. Semi-annual reports were due 30 days after the first half of the fiscal year under the law, [21].

5 Development of a Financial Framework and Need for Audit

Jordanian policymakers, such as JACPA, rely only on IFRS/ISAs, despite the fact that Jordan's economic situation differs greatly from that of industrialized countries, [45]. As a result, the "Jordanian Investment Commission (JIC), the Central Bank of Jordan (CBJ), and publicly listed shareholding firms" must all comply with certain requirements while implementing IFRS Standards. These regulations are primarily intended to boost the amount of financial information revealed in corporations' annual reports. When a result, when more quality financial information becomes available, consumers will be able to make better investment selections. As a result, Jordanian-listed companies are legally required to have their annual reports evaluated by external auditors, [41]. On the other hand, the trend towards IFRS/IAS has an impact on the global function of accounting institutions as well as accounting and auditing procedures, [44]. The dilemma is aggravated by the fact that the fundamental goal of IFRS is to adopt fair value accounting, which involves periodic re-evaluations of assets and liabilities based on current market prices, [46]. Nonetheless, the goal of fair value accounting is to provide relevant information when fair values are determined primarily based on deep and liquid marketplaces. In places where markets are judged illiquid and inefficient, fair valuation can lead to significant manipulation. As a result, the audit profession in Jordan is now subject to far more strict monitoring and control than it was previously. The implementation of IFRS in Jordan will also have an impact on the accounting and auditing professions.

All firms in Jordan must follow Jordan's commercial standards for financial reporting. "Securities Law" governs publicly traded companies, "Banking Law" banks, and "Insurance Law" insurance companies. Companies Law No. 22 (1997) classifies Jordanian companies as "Public

Shareholding Companies, Limited Partnership, Limited Partnership in Shares, Limited Liability Companies, and General Partnerships". The capital market supports the trading of securities issued by public shareholding organizations with 500000 JD minimum paid-in capital. These companies must retain an external auditor to review their financial statements, internal controls, and suitability for trading and asset protection. To clarify, "Companies Law No. 22 (1997)" mandates audited balance sheets, income statements, and cash flow statements for public shareholding enterprises within three months of the fiscal year's end. In addition, firms must produce semi-annual financial statements that their auditors verify within two months of the half-fiscal year, [36]. According to "Securities Law No. 76 (2002)," first-market listed companies must use IFRSs for quarterly financial statements and undergo audits in accordance with "International Standards on Auditing (ISAs)", [32].

British accountants created a few local accounting firms in Middle Eastern countries under British mandate (e.g., Egypt, Palestine, and Iraq). Residents from these locations, as well as a few British organizations, audited the branches of these firms. Jordan's economy was primitive in the 1920s, therefore no audit businesses were in existence. As a result, West Bank auditors performed the accounting and auditing tasks. By the 1930s, Jordan had seen a growth in demand for improved accounting and auditing processes and services as a result of the adoption of the first Jordanian constitution and the election of the first "Legislative Council," which followed the establishment of Jordanian public businesses. The Jordanian accounting and auditing profession began to emerge in the 1940s, with [1] opening its doors in 1944. This was followed by "Saba and Co.", which relocated from “Jerusalem to Jordan/Amman in 1948”. These two auditing firms controlled Jordan's audit business until the early 1950s, [32].

In 1950, foreign audit firms such as "Russel and Co. and Whinney, Murray, and Co." were encouraged to set up subsidiaries in Jordan's audit industry, [47], [48]. The number of public firms on the stock market increased as a result of the country's economic progress and independence in 1946, [32]. According to [49], the significant improvement in the “accounting and auditing profession” in Jordan was a result of the 1950s economic development. This advancement was foreshadowed by the formation of numerous large firms, including the "Jordan Phosphate Mines Company" in 1953, the Jordan Petroleum Refinery Company in 1956, and the Arab Potash Company in 1958, [44]. The demand for accounting and auditing services expanded dramatically in the following years as a result of the increased number of businesses that commenced operations. Jordan eventually had 20 audit companies by 1975, [32].

Between 1961 and 2003, Jordan's government enacted several regulations to control the external auditing profession. The inaugural law, The "Auditing Profession Practice Law No. 10", was passed in 1961. External auditors may practice auditing and get a license to practice if they have two years of experience in Jordan, regardless of their academic qualifications, under this statute. Furthermore, no examination was set as a requirement for the position of auditor. At the time, there were no official pronouncements on local accounting and auditing standards, or at least professional ethics, to regulate the country's audit profession, as the primary concern was the audit profession operating in the private sector, [39], [50], [51], [52], [53].

This law established the basic requirements for auditors, [54]. Jordanian auditing remained unsupervised until 1961. The "Auditing Profession Practice Law No. 12 (1964)" replaced the 1961 law by requiring all publicly traded company accounts to be audited. Under Law No. 28 (1952), the Audit Bureau published the "Audit Bureau act has been set to audit the revenues and expenditures of the state and ways of expenditure". The Audit Bureau then oversaw Jordanian auditing entrance, [53]. In 1985, Jordan passed the "Auditing Profession Practice Law No. 32" to meet its business needs after economic growth and public shareholding company expansion. All of these required stricter audit procedures in Jordan. The Auditing Profession Law No. 32 (1985) confirmed that external auditors needed a college degree in accounting to pass the "High Council of the Accounting Profession's exam", [41]. This test matches those of the "American Institute of Certified Public Accountants", [55]. The BAP organized the auditing profession, which includes the following members: BAP “President to be the Audit Bureau President; Deputy of the Audit Bureau; Deputy of the Ministry of Finance; Deputy of the Ministry of Industry and Trade; Director General of the Income Tax Department; Deputy Governor of the Central Bank; Amman Financial Market Manager; two academics; and three Certified Accountants”, [32]. examined licensed accountants under BAP supervision. Article 18 founded the JACPA in 1987, the country's first accounting association, adding to this law's importance. JACPA thereafter oversaw audit company operations and financial matters, [56].

The "International Federation of Accountants (IFAC)" established IAS and "International Standards on Auditing (ISA)". In the interim, the "American Institute of Certified Public Accountants (AICPA)" developed a number of auditing standards. In 1989, Jordan mandated that its public shareholding firms follow worldwide accounting and auditing standards in conformity with the government's company-related regulations and in response to the regional economic and political climate. Since 1988, this adaption has been in line with JACPA and IFAC membership agreements, allowing the organization to join IFAC. Since then, Jordanian enterprises have been required to disclose audited financial reports in order to protect consumers from misinformation. This rule is critical for enhancing the quality of Jordanian enterprises' annual reports and thereby increasing investor confidence in these disclosures, [57]. Since 1987, the JACPA has been responsible for evaluating professional standards and regulating financial reporting quality, [32], [58].

Accounting agencies in Jordan, notably JACPA, rely exclusively on the ISA, even though Jordan's economic climate is vastly different from that of more developed countries. ISA is considered a reference for external auditors and financial information consumers, while Jordanian authorities were unable to set local standards due to a lack of knowledge in this sector, [45]. External auditors are responsible for protecting shareholders' and users' interests and needs under "Jordanian Law No. 22", 1997 Article 21 (Securities Depository Centre 1997). This was followed by the "Jordanian Law of Accounting Career No. 73" (2003), the "Law of Jordanian Companies No. 22" (1997), the "Law of Jordanian Banks", and the "Jordan Securities Commission Law No. 76" (2002). These pieces of law specifically required auditors to follow worldwide accounting and auditing standards, including the requirement to check firms' financial accounts and offer a final opinion. Auditors break the law when they present certified financial statements that do not comply with accepted worldwide accounting and auditing standards, as well as deceptive or fraudulent data to the commission.

When this happens, the auditor must reimburse the consumers for the resultant damage. Auditors are expected to follow Jordanian legislation, which includes the "Jordanian Companies Law No. 22 (1997) and the Law of Accounting Career No. 73 (2003)", [44], [48]. The "Jordanian company's law No. 22 (1997)" emphasized the importance of selecting external auditors, the contents of auditors' reports, auditors' presence at general meetings, and the restrictions placed on external auditors. The "law of accounting career No. 73 (2003)" regulated external auditors' practices, ensuring that both Jordanian firms and external auditors adhered to international accounting and auditing standards, identified the technical and educational levels that Jordanian auditors were required to possess, reinforced auditor integrity and independence, and promoted adherence to the code of professional ethics, [59]. JACPA became an independent financial and managerial organization when it joined the "High Council of the Accounting Profession," which is supervised by the Minister of Industries and Trade and has the authority to oversee the auditing profession under "Accounting Career Law No. 73 (2003)". This law gave the JACPA new powers, such as the capacity to establish rules and regulations, reprimand members, and investigate their work licenses, [44]. According to Law of Accounting Career No. 73 (2003), applicants to become auditors in Jordan must now hold a Professional Practice License. To obtain this document, the applicant must be a Jordanian citizen with a clean criminal record, have completed the mandatory training course (a minimum of 40 hours per year), have a Bachelor's degree in accounting or at least a Diploma in accounting, and have passed the "Jordanian Certified Public Accountant (JCPA)" examination administered by the Licensing Committee with an average pass rate of approximately 15% per year. The JCPA exam covers a wide range of topics, including auditing, sales and income taxes, business law, financial accounting, managerial accounting, and cost accounting.

The ISA was ratified by JACPA in 1989 and subsequently implemented in 1990. It is important to mention that the JACPA has not issued any local standards due to the high cost of issuing local standards and the scarcity of qualified and experienced practitioners, [60]. This was succeeded by the “New Company Law (1997)”, which mandated that Jordanian-listed firms implement IFRS and conduct financial report audits in accordance with ISA. Furthermore, the “Securities Commission Law (1997)” incorporated IFRS and ISA for all firms under the Securities Commission's supervision, [37]. Jordan has attracted substantial foreign investment since the advent of globalization. The external auditor's reports, which were prepared in accordance with the ISA, are relied upon by creditors, authorities in Jordan, foreign investors, and other professionals. Auditor's reports must provide more credible disclosures regarding the financial health of companies, which will foster foreign investment in the region and establish a more stable and prosperous economy, [45]. The consistency of financial statements is improved, and users are able to make informed decisions when they utilize ISA rather than the local auditing standards. Consequently, the implementation of ISA becomes a critical component of the financial statement consumers' experience, [45].

Jordan has roughly 300 audit firms, the bulk of which are very small enterprises. Nonetheless, prominent international auditing firms (Big 4) do business in the region, [18], [61]. According to [44], the JACPA represents Jordan's licensed accountants and auditors. The JACPA is in charge of defining the minimum audit fees for external auditors. Its goal is to prevent any disagreements between auditors and their customers while maintaining an acceptable level of auditing competence. The regulatory agencies in Jordan that govern the external audit profession are the "Anti-Corruption Commission (JACC), the Companies Control Department (CCD), and the Jordan Securities Commission (JSC)". Since the establishment of the governance system, Jordanian organizations have been required to form audit committees. Nonetheless, the efficiency of these committees is limited by the strong links between the executive and non-executive members of the board of directors. In addition, Jordanian corporate committees lack significant financial understanding and skills. Although Jordanian authorities have made efforts to improve accounting and auditing practices, further improvements are required to facilitate compliance with international accounting and auditing standards, particularly in the context of disclosures about fair value measurements, [44].

The accuracy of auditing is significantly influenced by the nature of the customers, despite the implementation of international regulations in financial reporting and auditing. Even in the case of publicly listed enterprises and financial institutions, family businesses dominate the business landscape in Jordan, [62], [63]. The capacity of auditors to accurately document the state of affairs within a company has frequently been significantly compromised by the excess power that management possesses, [64]. Corporate governance and internal control mechanisms are frequently inadequate in family-controlled enterprises, [44]. The demand for high-quality auditors in Jordan has been restricted by the existence of such situations, [56]. This is a situation in which companies can easily switch auditors without facing severe repercussions, which is further exacerbated by the ambiguity of penalties in the event that the rules are violated, [65].

The institutional theory says three "institutional isomorphic pressures: normative, mimetic, and coercive" influence regional accounting and auditing. International institutions and capital markets exert isomorphic coercion. The WB and IMF's coercive constraints helped introduce IFRS. Future accounting system advancements are likely driven by "normative and mimetic isomorphic pressures". Attracting multinational firms, foreign direct investment and international commercial partners create "mimetic isomorphic pressures". Offering additional accounting training sessions is the accounting profession's normative isomorphic demand to increase skills and knowledge, [66]. The "economic, political, legal, and cultural issues" in MENA nations and professional literacy have shaped accounting and auditing practices, [67]. For economic growth, developing nations' accounting policies and practices attempt to understand their particular social environment, [46]. Accounting systems are based on human-environment interactions, [68]. Accounting processes are adjusted to accommodate changing human requirements and expectations, [69]. Environmental factors in a location and time may influence accounting practices, [70], [71], [72]. "Language, beliefs, traditions, religions, and geography" are similar among ME countries, which strengthens their cultural, social, and economic foundations, [73]. Technological, financial, and political advances have led to ME adoption of global "accounting and auditing standards" in recent decades, [74].

6 Global Financial Crisis and Its Effect on Auditing

When the global financial crisis struck in 2008, many academics and practitioners were interested in specific financial products. Although the goods manipulated during the 2008-2009 GFC differed from those manipulated by Enron and dot.com businesses earlier in the decade, the same basic concepts of manipulation were employed by a wide range of organizations. Essentially, management estimations would be used to determine the starting worth of items or goods/services and to track revenues as the market expands. Nonetheless, when managers became more reliant on their companies' inflated valuations for remuneration, changes to their financial predictions would not be considered losses. In extreme circumstances, accounting trickery caused multiple companies to fail. During the GFC, corporate managers frequently falsified financial statistics to disguise their poor, if not criminal, business practices, [75], [76]. As a result, this conduct may increase the risk to clients, necessitating the development of additional audit tests and processes. As a result, it was anticipated that hefty audit fees would be imposed to compensate for the auditors' efforts.

In 2008, the "Financial Reporting Council (FRC)" launched the first campaign to improve audit quality in the UK following the GFC. The FRC issued an "Audit Quality Framework" to improve the credibility of auditing methods and institutions while adhering to laws imposed by independent agencies rather than depending on self-regulation. [77] evaluated the impact of this project and concluded that the framework fails to adequately reflect the interests of a wide range of stakeholders and other issues that could imperil audit firms' commercial and competitive position. Throughout the GFC, the possibility of giving an inaccurate audit opinion increased due to increased legal risks and reputational damage, especially given the heightened regulatory pressure that was encountered throughout the crisis, [78].

Auditors can reduce these risks by eliminating risky auditees, issuing going-concern views, and increasing auditing, [78]. ISA development increased during financial crises like the "Asian Financial Crisis of 1997-98" and the GFC of 2008-9. Financial statements and auditing standards are questioned, [67]. In 2005, financial statement forgeries by "Xerox, Enron, WorldCom, and Tyco," prompted calls for better governance, audit efficiency, accuracy, and confidence in financial reporting, [79]. Many financial firms received unqualified audit opinions during the GFC, causing scandal and catastrophe, [7]. This circumstance requires considerable adjustments to auditing, as auditors may not have the experience, independence, or motivation to conduct a fair and accurate examination of organizations' financial problems. Many authors believe these standards help build an efficient and effective global economy by providing investors and capital markets with relevant and reliable financial information.

Increasing numbers of complicated multinational organizations and auditing standards-setting and governance processes have internationalized the auditing profession during the last two decades. In certain countries, the IAASB publishes ISAs with public supervisors 80. While the AICPA established "statements on auditing standards (SAS) for non-public firms in the United States," auditors use the Public Company Accounting Oversight Board (PCAOB)'s "auditing standards (AS)" for public companies. ISAs are concept-based, while SAS and AS are rule-based, [80] revealed considerable US-international auditing standards discrepancies. An alternate auditor, financial reporting internal controls, continuous concern, and risk assessment are examples. Auditing verifies IFRS-reported data, according to [81]. However, auditors' standards application determines this method's efficiency. The adoption of ISAs by 127 nations, according to the IFAC, shows high IFRS compliance. Africa has 96% ISA compliance, followed by "Europe, Asia-Pacific, the Americas and Caribbean, and the Near East" with 96%, 73%, 57%, 56%, and 50% (Table 2).

Table 2. ISA adoption by region (2019)

ISA Adoption Status								
Region	Number of Jurisdictions	% of total	Adopted	% of total jurisdictions	Partially Adopted	% of total jurisdictions	Not Adopted	% of total jurisdictions
Africa	24	18%	23	96%	1	4%	0	0%
Americas and Caribbean	25	19%	14	56%	9	36%	2	8%
Asia-Pacific	23	18%	13	57%	9	39%	1	4%
Europe	48	37%	35	73%	13	27%	0	0%
Middle East	10	8%	5	50%	5	50%	0	0%
TOTAL	**130**	**100%**	**90**	**69%**	**37**	**28%**	**3**	**2%**

Source: [82]

Furthermore, the "Americas, Caribbean, and Asia-Pacific" are the only three regions that have yet to implement ISAs, with 8% and 4%, respectively, [82]. Specifically, ISAs are widely used, according to, [82] systematic investigation. ISAs have been fully adopted by 93 countries (69% of total jurisdictions), with 37 countries (28% of total jurisdictions) partially embracing them. In the interim, three jurisdictions have not been adopted, accounting for 2% of the total. Three Arab ME countries have ISAs (38% of the total number of ME countries), while five have partially adopted them (63%). Furthermore, as seen in Table 3, no nation has yet implemented the ISAs.

The implementation of IFRS in developing countries, particularly Jordan, has led to the use of “fair value estimates”, which has influenced the prices of securities listed on the ASE. In 2005, a number of banks generated financial profits by fairly valuing stocks, as opposed to through operations. This resulted in a significant number of individuals investing heavily and incurring substantial financial losses as a result of a sharp decline in prices, [83]. These events compelled the government to implement measures through the JSC, which declared that securities must be valued at a fair price, which would encompass the income statements.

Table 3. ISA adoption by country (2019)

Adopted					Partially adopted	Not adopted
Albania	Greece	Sweden	Cameroon	Peru	Argentina	Brunei
Lithuania	Guyana		Canada		Azerbaijan	Darussalam
Armenia	Switzerland		Philippines		Bolivia	Haiti
Luxembourg	Hong Kong		Chile	Portugal	Cayman Islands	Honduras
Australia	Thailand		Costa Rica	Romania	China	
Madagascar	Hungary	Togo	Cote d'Ivoire	Rwanda	Chinese Taiwan	
Austria	Iceland	Tunisia	Croatia	Saudi	Colombia	
Malawi	Indonesia	Uganda	Arabia		Cyprus	
Bahamas	Ireland	Ukraine	Czech Republic	Senegal	Dominican Republic	
Malaysia	Italy		Denmark		Egypt *	
Bahrain *	Zimbabwe		Singapore		Fiji	
Malta	Jamaica		El Salvador	Slovakia	France	
Bangladesh	Jordan *		Estonia	Slovenia	Germany	
Mauritius	Kenya		Finland	South	Guatemala	
Barbados	South Korea		Africa		India	
Mexico	Kosovo		Georgia	Spain	Iraq *	
Belgium	Kyrgyz Republic		Ghana	Swaziland	Israel *	
Montenegro	Latvia				Japan	
Benin	Lebanon *				Kazakhstan	
Namibia	Lesotho				Kuwait *	
Bosnia and	Liberia				Macedonia	
Netherlands	Papua New Guinea				Moldova	
Herzegovina	Tanzania,				Mongolia	
New	United Republic				Morocco	
Zealand	Trinidad and Tobago				Nepal	
Botswana	United Kingdom				Palestinian Territory *	
Nicaragua	Zambia				Paraguay	
Brazil					Poland	
Nigeria					Russian Federation	
Bulgaria					Serbia	
Norway					Sierra Leone	
Burkina					Sri Lanka	
Faso					Turkey	
Pakistan					United States	
Cambodia					Uruguay	
Panama					Uzbekistan	
					Viet Nam	
** Arab Middle Eastern Countries.*						

Source: [82]

The Jordanian government issued more orders through the "Central Bank of Jordan (CBJ)" during and after the 2007 GFC. These limits and standards helped Jordan's economy recover from the crisis. These instructions emphasized "fair value accounting". Additional instructions were given for financial and non-financial data dissemination. Jordanian banks needed reforms to continue their financial market leadership and provide reliable, high-quality financial reports. These revisions targeted commercial bank structure and operations. The Jordanian government enacted the law at the end of 2007 and modified it in 2011 to lessen market volatility. Fair value adjustments of trading securities needed to be disclosed as unrealized gains in the firm's retained profits statements. However, firms cannot distribute unrealized gains as dividends. For investment prosperity under IAS 40, the requirements required historical cost instead of fair value accounting, with "fair values" of these assets stated in the financial statements' comments. The requirements also required IAS 16 historical expenses for "property, plant, and equipment".

In 2011, a few more changes were made, requiring the open disclosure of "unrealized holding gains from securities trading and biological assets" as a component of retained earnings. Despite having made the appropriate adjustments in terms of "fair value estimates," Jordanian authorities have limited jurisdiction to control auditors' and clients' actions because it would contradict the IFRS, [84]. Before the economic recession of the peak years, a greater number of companies had been established in Jordan in the investment and real estate sectors by the end of 2007. Numerous organizations have made substantial investments in the stock market and real estate, [85]. The regulations implemented by JSC were unsuccessful in preventing the abuse of fair valuation as a result of the absence of a framework that guided companies to operate in a specific manner. Consequently, a number of accounting forgeries were reported, [86]. This led to the bankruptcy of numerous companies and the rapid decline in the value of their assets, resulting in financial losses and the firms' insolvency.

Authorities, including the JSC, were compelled to establish regulations that mandated the registration of companies and the rotation of two auditors every four years in each firm. It established stringent regulations that forbade any familial relationships between auditors and the boards of companies. Any violation of these regulations would result in the auditing firm being temporarily or permanently barred from performing its duties. Some of these regulations and laws may be marginally effective in limiting malpractices, [51]. Nevertheless, additional control systems must be implemented to guarantee equitable practices in financial reporting and auditing within Jordan. Jordan was not immune to the significant economic challenges that were confronted by numerous countries worldwide by 2008. The total volume of real estate trading decreased from $879 million Jordanian Dinars in 2008 to $577 million Jordanian Dinars in 2009, a nearly 34% decrease, [51]. According to [51], the Jordanian economy is capable of withstanding the effects of the global financial crisis due to its robust structure. Moreover, Jordan capitalized on certain opportunities that allowed it to maintain its stability and strength, as well as to become a preferred investment destination for trade and economic interaction. The index in Amman's financial market reached its lowest point of (3000) points during the crisis period, but it subsequently rebounded to (6000).

Regulators were forced to act to reduce the impact of the financial crisis on Jordan's economy and prevent the Jordanian capital market from collapsing. As a result, the Jordanian government, through the Central Bank of Jordan, made a determined effort to protect the "Jordanian Dinar" exchange rate and various financial assets in the banking and market sectors. Some remedial efforts were taken to reduce inflationary pressures, including financing the Jordanian current account deficit for the balance of payments. In addition, the "Central Bank" bolstered the market's domestic liquidity by roughly 1.25 billion in 2009, a 6.8% increase over 2008. Furthermore, to combat the crisis, commercial banks raised their domestic deposits by 8.9% to 19.66 billion. The CBJ required commercial banks to increase their local lending by about 9% (119.6 million) to encourage Jordanian projects. The CBJ subsequently decreased credit facility interest rates by 30 basis points, [87].

7 Current Developments Affecting Audit

Jordan is an Arab nation with strong international and social ties. Cultural and political issues have considerably influenced the compilation of accounting statistics in its firms, [44]. Jordan joined the "International Accounting Standards Committee (IASC)" in early 1988, ushering in significant advances in accounting regulations. Following this, the JACPA was founded as a local accounting body in 1989. In 1990, the IASC proposed that the JACPA apply the IASs to all Jordanian enterprises. In 1997, "Companies Law No. 22" was established, requiring all Jordanian enterprises to generate accounting records and submit audited financial statements in conformity with "internationally recognized accounting and auditing principles", [19]. Jordan's governance policy framework was once again implemented in 1997 with the "Companies Law." In 1998, the "Securities Act No. 23" was established, and the JSC subsequently announced that all listed firms must follow IFRS financial reporting regulations and that auditing must be undertaken in accordance with ISA criteria. Developing economies, such as Jordan, adopted IAS/IFRS standards to improve the comparability and transparency of financial information, hence enabling commerce between "Arab countries" and their international trading partners, [12], [13]. The major purpose of these rules is to improve the disclosures in firms' annual reports, allowing investors and users of annual reports to make more informed choices. Nonetheless, the shift to IFSR/IAS has had a substantial impact on the accounting and auditing profession globally, particularly in Jordan, [44].

The key worry that has resulted in considerable economic challenges in Jordan is the use of IFRS in conjunction with "fair value accounting". Many researchers have reported on the difficulties of utilizing such sophisticated estimations to assess the quality of financial reporting by Jordanian enterprises, and the difficulties of generating and auditing financial statements continue to be a major concern. The key reasons for certain firms' excessive use of fair value accounting are a lack of trustworthy information to utilize in the "fair valuation" process and a lack of direction from government agencies. The audit profession in Jordan has been considerably impacted by the auditing of complicated estimations following the implementation of IFRS, [18]. The quality of accounting information is more crucial than ever, as the availability of credible and comparable accounting information will maintain consumer confidence, [88].

8 Conclusion

Jordan is a smaller country with scant natural resources and a small population. This, in turn, made Jordan vulnerable to external crises and regional political upheaval. Nonetheless, the country has been politically stable for the bulk of its modern history, making it unsuitable to accept large influxes of Syrian, Iraqi, and Palestinian refugees until recently. This study looked at important developments in the Jordanian capital market in regard to the audit profession. The impact of the 2008 global financial crisis, as well as the need for foreign investment to spur economic growth, were investigated in relation to the country's auditing profession. The Jordanian government's economic privatization and governance programs, as well as the implementation of international economic agreements with the EU and the WTO, and the application of international accounting and auditing standards, have significantly improved the country's auditing industry. It can be concluded that the implementation of an international set of accounting and auditing standards caused tensions owing to increased complexity and demand. Furthermore, the profession's ongoing reforms were driven by the increased knowledge and professional abilities required to apply the new auditing standards.

Acknowledgments:
The authors are grateful to the Middle East University, Amman, Jordan, for the full financial support granted to this research paper.

Declaration of Generative AI and AI-assisted Technologies in the Writing Process

During the preparation of this work the authors used Grammarly in order to proofread the manuscript. After using this service, the authors reviewed and edited the content as needed and take full responsibility for the content of the publication.

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Contribution of Individual Authors to the Creation of a Scientific Article (Ghostwriting Policy)

Conceptualization, E.E.A. and A.L.; methodology, S.M.A., A.M., and E.E.A.; software, S.M.A., A.A.S., and E.E.A.; validation, E.E.A., and A.M.; formal analysis, A.M., E.E.A. and A.L.; investigation, E.E.A. and A.A.S.; resources, S.M.A. and E.E.A.; data curation, E.E.A.; writing—original draft preparation, S.M.A., A.Y.A.B.A, and E.E.A.; writing—review and editing, S.M.A. and F.A.Q.; visualization, E.E.A; A.M; S.M.A., A.Y.A.B.A and A.L.; supervision, E.E.A.; project administration, A.A.S.; funding acquisition, A.M. All authors have read and agreed to the published version of the manuscript.

Sources of Funding for Research Presented in a Scientific Article or Scientific Article Itself

This project has funded by Middle East University, Amman, Jordan.

Data Availability Statement

The dataset used and/or analysed during the current study are available from the corresponding author on reasonable request.

Conflicts of Interest

No potential conflict of interest was reported by the authors.