

The Commitment of Audit Committees to Their Tasks and Failure from the View of Managers of Internal Audit Departments in Public Shareholding Companies in Jordan

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Abstract

This study aimed to identify the extent of the commitment of audit committees in public shareholding companies in Jordan doing their tasks, in addition to their failure in the performance of those tasks, from the view of managers of internal audit departments as they are employees inside the company, so they are aware of all circumstances and tasks of audit committees. To achieve the objectives of the study, the two researchers designed a questionnaire which was distributed to managers, one for each company. The volume of the sample reached (135) companies, and the number of returned questionnaires was (96) questionnaires, at which (88) questionnaires were used for the purposes of analysis.

The study found that audit committees are committed to do their tasks which are related to the financial statements moderately, and their tasks which are highly related to the activities of internal audit, which came as a reflection of the confidence in audit committees by the departments of internal audit, emphasizing the weak role for some of the tasks of these committees such as the appointment of the external auditor and determine his fees.

Keywords: audit committees, internal audit departments.

JEL Classification: M41, M42.

1. Introduction:

The cases of financial and administrative default and failure have lead to financial collapses and administrative scandals in a lot of big companies in many countries of the world such as the United States and East Asian countries like (Enron) company, (WorldCom) and others; this resulted the loss confidence of the majority of society in most public shareholding companies, and responsibility was attributed to the administrative bodies of companies. That was attributed to weakness or failure of the boards of directors in the supervision and control operations, lack of effective commitment to internal regulations and laws related to the affairs of companies' business, and the lack of transparency, clarity and accuracy in the declared financial statements. As a result, many international institutions, stock exchanges and professional organizations in many countries put a number of laws, regulations, norms and ethical principles for the financial and non-financial control on the administration of the company, which was named corporate governance, that refers, in essence, to the rules and principles which determine how decisions are made and the distribution of powers and responsibilities between the General Assembly and the Executive Board of Directors in public shareholding companies.

The audit committees are considered as one of the main pillars of corporate governance, so that they have an active role in enhancing the credibility of financial statements, improving the effectiveness of internal control systems and internal audit work, strengthen the effectiveness and independence of the external auditor, thus contributing in the restoration of confidence on these companies.

2. Problem of the Study:

The expected from the Audit Committee is to possess the knowledge and sufficient experience, and to develop procedures to implement its tasks efficiently to enable it to practice its control and supervision tasks efficiently and effectively on all actions that are practiced in the company. Her, the main problem of the study is summed up in determining the extent of commitment of these committees in doing their tasks, and what is the failure in their performance by answering the following questions:

- 1- Do audit committees commit to do their tasks which are related to the financial statements in the public shareholding companies in Jordan?
- 2- Do audit committees commit to do their tasks which are related to the activities of internal audit in the public shareholding companies in Jordan?
- 3- Do audit committees commit to do their tasks which are related to the activities of external audit in the public shareholding companies in Jordan?
- 4- What is the extent of failure in the committees' performance for their tasks in the public shareholding

companies in Jordan?

3. Importance of the Study:

In view of the importance of the role of audit committees, the Law of the Securities No. (76) for the year 2002 in Jordan has been issued, which has committed public shareholding companies to form the Audit Committee to be the point of control. It also committed Article No. (32) Of the Banking Law No. (28/2000) to form an audit committee consists of members of the non-executive directors, in addition to the issuance of disclosure rules of exporting companies, accounting standards and auditing standards for the year 2004 issued by the Board of Commissioners of the Securities Commission.

In the framework of the efforts made recently by the board of directors of the Insurance Commission to develop the audit process, the instructions of Corporate Governance (2) for the year 2006 have been issued determined the terms of reference for audit committees (Jordan Banking Law, 2000), (the Securities Law No. 76 for the year 2002), (securities commission, 2004.2006); thus the concern about audit committees came because it is the primary means used by senior management in the public shareholding companies to practice the tasks of control and supervision on the various activities and processes inside these companies, so that control processes are not only on the financial and accounting operations, but also on the administrative in order to make sure that all controls and internal control systems have been put in line with achieving the determined goals as well as control over the external audit and ensure impartiality and objectivity.

From here, the importance of this study is highlighted to discuss the importance of the commitment of the audit committee in doing their tasks, and the failure in their performance in public shareholding companies in Jordan, as well as the relative modernity of applying the concept of audit committees in Jordan.

4. Purpose of the Study:

This study aimed to identify the extent of the commitment of audit committees in doing their tasks which are related to the financial statements, the activities of the internal audit, the activities of external audit, as well as to identify the failure in the performance of the tasks of these committees, through:

- 1- Showing the commitment of audit committees to do their tasks which are related to the financial statements in the public shareholding companies in Jordan?
- 2- Showing the commitment of audit committees to do their tasks which are related to the activities of internal audit in the public shareholding companies in Jordan?
- 3- Showing the commitment of audit committees to do their tasks which are related to the activities of external audit in the public shareholding companies in Jordan?
- 4- Highlighting the extent of failure in the committees' performance for their tasks in the public shareholding companies in Jordan?

5. Theoretical Framework:

The idea of audit committees in its simple concept goes back to the early seventies of the nineteenth century, when "Great Western Railway Company" had a private audit committee, and it issued a report addressed to the members in 1872, acknowledges that the external auditor did his work the best way possible, and the Committee recommended to let him continue with the company. In the United States, the idea of the emergence of the audit committees has been associated with the economic recession crisis in 1929, and one of the reasons for its emergence was the weakness of independence of auditors (Saka, and Abu al-Khair, 2002).

In 1967, the executive committee recommended the American Institute of Certificated Public Accountants (AICPA) to form audit committees in the public shareholding companies consisting the external members of the board of directors. In 1978, New York Exchange board of directors for securities issued a decision requires the American companies which trade securities in the market to form audit committees consist of non-executive members (Sulieman, 2006).

The interest in the formation of audit committees has been increased because of the report of (Tread Way Commission) in 1987, at which it recommended the necessity to form audit committees for the companies listed on U.S. stock exchanges, and the members of the audit committees should be non-executive members. In the UK, the report of (Cadbury Committee) was issued in 1992, which called for the formation of audit committees registered in London Stock Exchange for general securities in order to control the performance of legal accountants who audit the financial statements of companies, and the companies should issue within their published financial reports a report entitled internal control report (Momani, 2010).

American Institute of Certificated Public Accountants (AICPA, 1990) defined it as: the tool used for the curbing of illegal acts of the Supreme departments for companies.

(Bank of England, 1987) defined it as: "A subcommittee of the Board of Directors responsible about the follow-up of financial matters in the company, to assist the board in making financial decisions that they may not have the time or the expertise to know its details."

(Arens, et. al., 2003) defined it as: A selected number of people from among the members of the board of directors of the company who are responsible about maintaining the independence of the auditor.

In the Jordanian business environment, many agencies and authorities focused on the existence of audit committees in public shareholding companies in Jordan, in terms of commitment to its formation, its mechanism of action and responsibilities; the laws that rule the work of audit committees include the following:

- 1 - CBJ oblige banks to form audit committees from among the members of the Board of Directors, according to the memo number (2020/68) for the year 1996.
- 2 - Jordanian Banks Law No. (28) for the year 2000: through it, the banks committed to form audit committees from three members of the non-executive directors, and identified the tasks and powers of these committees by articles (32) and (33).
- 3 - The Securities Law No. (76) for the year 2002, where the article (46) of the Act oblige the Board of Directors to form an audit committee consisting of three non-executive members and inform the Securities Commission about this formation and any possible change. However, the Securities Law and the above article, paragraph (B) did not specify the terms of reference of the Audit Committee, but left it to the Board of Directors.
- 4 - The instructions of disclosure of issuing companies, accounting standards and auditing standards for the year 2004 issued by the Board of Commissioners of the Jordan Securities Commission, under which obliged boards of directors in issuing companies to form an audit committee of three members of its non-executive members, and identified the tasks, powers and responsibilities of audit committees to enhance disclosure and transparency in the financial menus to support the financial independence of the internal and external auditor, which will reflect positively on the integrity and accuracy of the financial data announced by companies (JSC 0.2004).
- 5 - Manual to Corporate Governance: at which the Arab Society of Certified Accountants has issued this manual, which included the existence of an audit committee within the organizational structure of each company, which is expected to produce positive results through the supervision and control and provide support for the administration of the company, that its activities have become more complex, and for financial institutions which includes varied involved parties in it (The Arab Society of Certified Accountants, 2007).

Several agencies, authorities, local and international professional organizations have Identified the tasks and responsibilities assigned to audit committees, so as to enable them to play their role effectively and efficiently, and to assist the Board in carrying out its supervisory and control responsibilities, and contribute to activate the mechanisms of corporate governance.

(Wolnizer, 1995) classified the tasks and responsibilities of the audit committees to tasks related to the issues of accounting and financial reporting, and tasks related to the activities and work of the auditors, as well as the tasks related to institutional governance.

The primary task of the Audit Committee is limited with the help of the Board of Directors to perform their duties efficiently and effectively in the preparation of financial statements making sure they were prepared in a proper way, and were disclosed properly to its users; as well as increase the efficiency and effectiveness of the control system and internal audit , and be sure that the external auditor has support and independence in doing his tasks. Their responsibilities are to supervise the preparation of the financial statements to be presented fairly in accordance with the International Financial Reporting Standards , and meeting with the external auditor to discuss the results of audits, to ensure the integrity of the internal control systems in the company as well.

The audit committees are found to Assess Board of Directors to carry out their control and supervisory duties, as its effectiveness depends on the extent of the Council's response to recommendations of the tasks assigned to them, providing reports and recommendations to the Board on the results of operations, financial statements and internal control systems.

The results of (Rabinowitz, 1996) study, that was conducted on forty of the largest U.S. banks which assets amounts ten billion dollars or more each, showed that the majority of the members of audit committees lack accounting and finance experience, and 35 % of these important banking institutions have no expert accountant or expert auditor in their audit commissions; therefore, it is obvious that most of the recommendations for improving the effectiveness of these committees indicate the need for formation including independent executive directors, one should be expert accountant or expert auditor. The study by (Bradbury, 1990) showed that some boards of directors are not aware of the importance of forming audit committees; whereupon formed just to satisfy external parties such as legislators, shareholders and even the external auditors.

The article No. (7) Of the Corporate Governance Rules No. (2) For the year 2006 pointed out that the Audit Committee should include key elements, including: independence and experience (JSC, 2006).

6. Previous Studies:

Many Arab and foreign studies have addressed the role of audit committees and their effectiveness in the companies, the following is a summary for the most important of these studies:

- 1- **(Momani, Mohammed Abdullah, 2010)**. The aim of this study was to assess the extent of the commitment of the Jordanian public shareholding companies in the standards of the formation and mechanisms of audit committees' work in strengthening corporate governance. To achieve the goal of the study, questionnaires were distributed to the members of the boards of directors representing (67) joint-stock companies consist of two parts: the standards of the formation and mechanisms of audit committees' work. Among the most important findings of the study, the Administrative Board is committed to a fair degree of both the standards of the formation and mechanisms of audit committees' work. The results show that audit committees still lack independence and full effectiveness.
Most importantly, the study recommended the necessity to require boards of directors in Jordanian companies to inform the public authority on how the formation of audit committees occurs, taking into account the need for efficiency, experience and independence by companies' boards of directors before when selecting members of audit committees.
- 2- **(Mare'I, Nabeeh Tawfeeq, 2009)**. The aim of this study is to show the role of the Audit Committee in improving the internal audit job in the Jordanian insurance companies. The study concluded that there is a role for the audit committee in strengthening the independence of the internal audit in Jordan Insurance companies, as the Audit Committee ensures that the place of the internal audit department is in the organizational structure which enhances its independence and allows it to carry out its duties. The results showed that there is a role for the audit committee to review the internal audit activities in Jordanian insurance companies, as the Audit Committee makes sure of the commitment of the Internal Audit Department with the policies, administrative decisions, regulations and laws. The results also showed that there is a role for the audit committee in improving the internal audit plan in Jordanian insurance companies, where the audit Committee discusses the director of internal audit on any substantive issues may arise during the work.
The study recommended that the Audit Committee shall hold regular meetings and permanently with the internal auditor to follow up all matters and events in the company, and the need for the formation of audit committees from experienced financial and accounting members.
- 3- **(Cahill, 2006)**.The study focused on the effectiveness of Internal Audit and the Audit Committee through a case study of National Irish Bank (NIB). This study characterized by high credibility because of their access to information from the supreme bodies; it has obtained information from published reports in the Government of Ireland and from a government parliamentary committee for accounts, it also got some information from inside the bank, as well as by reference to court cases filed against the bank, showing the presence of illegal transactions with customers represented is tax evasion and concealment of facts; the study has covered a period of ten years ended in 1998.
The study found that the system of internal audit and the Audit Committee were aware of the existence of these problems and abuses, but they were not treated properly and correctly. The study predicted that the international bank is subject to severe control from different parties, and the parent companies abroad, but this study showed the failure of audit committees in their tasks.
- 4- **(Lee, Mande and Ortman, 2004)**.The study aimed to highlight the impact of audit committees and boards of directors on the auditor's independence , as the administration care about making the legal responsibility to take its course, without affecting the reputation of these committees and boards of directors negatively . The study sample included (280) companies have been taken from the database of American exchange market; the financial statements from 1996 to 2000 have been discussed. The study found that the independence of audit committees and boards of directors lead to serious cooperation with the auditor, in addition to reducing the likelihood of his resignation; the lack of independence of the Audit Committee and the Board of Directors leads to choose a new less efficient auditor than the old one.
- 5- **(Al-Twajjry, el. Al. 2002)**. This study was conducted to test the role of audit committees in the Saudi Arabia companies' sector, through a series of interviews and meetings with non-random sample consisting of 33 academic, external and internal auditors.
The study found that there is a weakness in the powers granted to the audit committees, with restrictions on the scope of work as there are close ties between the members of the audit committee and executive management which make decisions of committees subject to the influence of the executive departments, and therefore the independence of the members of the committees are doubtful, at which members of audit committees lack the financial and accounting experience and qualifications necessary to perform their tasks efficiently and effectively, due to lack of expertise and the requirement of special features of the Committee members. As well as, the proportion of companies that have audit committees reaches 85% of public shareholding Saudi companies; however, the Commission's role and scope of work varies from one company to another because of the difference in the interpretation of the legislation for the formation of audit committees.
- 6- **(Read and Raghunandan, 2001)**.This study was conducted following the issuance of the committee

recommendations in the United States called (Blue Ribbon Committee) (BRC), which urged the trading of U.S. securities and American stock exchanges to ask listed companies to set up audit committees include only independent members, where a Member at least should be expert accountant or financial expert. The study aimed to identify the extent of improving the effectiveness of audit committees that adopt the Committee's recommendations in terms of the independence and qualifications of members, considering that these two factors influence the objectivity and efficiency of audit committees in handling their responsibilities. A questionnaire was distributed to (123) directors of internal audit work in big industrial American companies, and the results were that 69% of audit committees took the recommendations of the Committee (BRC) into account in terms of the independence of the audit committees members and the presence of one financial or accounting expert at least from among the members of committee, while (31%) of these committees did not take them into account.

The study recommended providing the two features of independence and financial expertise, which lead to the presence of aware effective committee improves the performance of these committees, and establish a direct strong relationship with internal and external auditors, provide open and clear lines of communication for a dialogue based on trust and cooperation with the rest of the participants in the Corporate Governance as well, which reflect an effective institutional control.

7. What distinguishes this study from previous studies?

Although this study is considered an extension for the efforts of the researchers in the field of the tasks and powers of audit committees, it differs from the previous ones in being dealing with these tasks and powers from the perspective of departments managers of internal audit in the public shareholding companies in Jordan, especially that these managers are considered employees in the company, so they have full knowledge of all the circumstances and the tasks of audit committees; in addition, this study shed light on the extent to which audit committees commit to do their tasks related to the activities of internal and external audit, and this contributes to the possibility of real interaction between internal and external audit and audit committees because they are the main three forces of the integrated supervisory tasks in order to protect the company and maintain its rights .

8. Hypotheses of the Study:

First Hypothesis: audit committees do not commit to do their tasks which are related to the financial statements in the public shareholding companies in Jordan?

Second Hypothesis: audit committees do not commit to do their tasks which are related to the activities of internal audit in the public shareholding companies in Jordan?

Third Hypothesis: audit committees do not commit to do their tasks which are related to the activities of external audit in the public shareholding companies in Jordan?

Fourth Hypothesis: there is a failure in the committees' performance for their tasks in the public shareholding companies in Jordan?

9. Methodology of the Study:

This study used the descriptive analytical method to indicate the extent to which audit committees commit doing their tasks from the perspective of managers in the departments of internal audit in public shareholding companies in Jordan.

9.1 Study Population and Sample:

The study population consists of (242) public shareholding companies in Jordan listed on the Amman Stock Exchange; after the exclusion of the (22) companies which are suspended for various reasons, the study population becomes (222) Companies during August in 2013, according to the Department of trading in Amman Stock Exchange. The sample was selected randomly which are (135) companies ration of (60.8%). The study focused on the managers of internal audit departments in particular, so as to know their point of view on the commitment of the audit committee doing their tasks, because the managers of internal audit departments are considered employees inside the company, so they have a full study of all the circumstances of the company and the tasks of audit committees there. Thus, the questionnaires were distributed to managers of internal audit departments, one per company. The total number of returned questionnaires is (96) questionnaires; and after excluding questionnaires that did not meet the required conditions, the number of approved questionnaires finally reached (88), a ratio of (65.19%).

9.2 Data Sources:

The study relied on two types of data, which are:

- 1- Secondary sources: summarized in reviewing accounting literatures related to the concept of audit committees, addressing the Jordanian laws and regulations, which are considered by these committees, in addition to researches and studies published in scientific journals, periodicals, and books related to the subject of the study.

2- Primary sources: which were collected through field visits to public shareholding Jordanian companies through a questionnaire designed by the two researchers for this purpose, to know the extent to which audit committees commit doing their tasks from the perspective of managers of internal audit department in these companies.

9.3 Data Collection Tool:

Data collection tool (questionnaire) was designed with benefit from the published accounting literatures about audit committees. It has been presented for the purposes of development and evaluation of some colleagues, faculty members in the accounting department, in addition to some of the managers of internal audit departments for some companies to consider their instructions to reach the maximum levels of accuracy and objectivity, which leads to the possibility of adopting the results of the study and ensures their credibility in achieving the objectives of the study.

9.4 The questionnaire might include the following sections:

Section one: aimed to collect demographic data about managers who have answered the questions of the questionnaire (Qualification, specialization, Job title, years of experience).

Section two: aimed to know the extent to which audit committees commit doing their tasks related to the financial statements.

Section three: aimed to know the extent to which audit committees commit doing their tasks related to the internal audit activities.

Section four: aimed to know the extent to which audit committees commit doing their tasks related to the external audit activities.

Section five: aimed to know the failure in the committees' performance for their tasks.

Table (1) shows the sections of the questionnaire and the questions that measure each variable of the study variables.

Table (1) The sections of the questionnaire, the questions and the study variables

Sections of the questionnaire	Variable	Questions that measure the variable
Section one	- Qualification - Specialization - Job title - Years of experience in administrative work	1 2 3 4
Section two	Audit committees tasks related to financial statements	(1-6)
Section three	Audit committees tasks related to internal audit	(7-19)
Section four	Audit committees tasks related to external audit	(20-33)
Section five	Failure in the committees' performance for their tasks.	(34-41)

Pentatonic (Likert Scale) was used to determine the degree of approval of the sample on each paragraph of the questionnaire, and convert it into quantitative data so that it can be measured statistically according to the following:

$$(3-5) / 3 = 2 / 3 = 0.67$$

Accordingly, these groups were divided as follows:

- 4:33 - 5: very high support
- 3.66 - less than 4.33: high support
- 3 - less than 3.66: Average support
- 2.33 - less than 3: weak support
- Less than 2.33: very weak support

9.5 The Constancy of Study Tool:

The constancy of study tool has been tested (questionnaire) statistically by testing the strength of consistency of the questionnaire's questions using reliability coefficient by the internal consistency according to Cronbach alpha equation, as the value of the tool reached as a whole (96.3 %) which is an excellent rate being higher than the acceptable rate (60%); this ratio is appropriate for the purposes of this study, and the extent of the reliability of the results of the questionnaire, its ability to achieve the objectives of the study as well, that whenever coefficient is close to the right one, it would be better; the coefficient is considered weak if it is less than (60%), accepted between (60% -70%), good between (70 % - 80%), and excellent if it is more than (80%). Moreover, Pearson correlation coefficients have been deducted between paragraphs and the total degree of the field to which it belongs; the results showed the existence of positive links statistically show the level (0.005 ≥ α) for all items of

the scale. Table (2) presents reliability coefficient for each of the fields and the tool as a whole:

Table (2) internal consistency Cronbach alpha equation for fields and tool as a whole

Field	Internal consistency
Audit committees tasks related to financial statements	0.708
Audit committees tasks related to internal audit	0.926
Audit committees tasks related to external audit	0.921
Failure in performance	0.910
Performance as a whole	0.963

9.6 Statistical Used Methods:

The study relied on the Statistical Package program for Social Sciences (SPSS) to analyze the results and test the hypotheses of the study. Appropriate statistical methods have been selected to meet the objectives of the study and test its hypotheses, at which duplicates were deducted in order to identify the characteristics of the study sample. These methods can be summarized as follows:

9.7 Descriptive statistics methods: by viewing the results of the study and describing the answers of the questionnaire's questions, namely:

- 1- (Arithmetic Mean), to measure the average of answers about the study, and order the importance of items and degrees of approval or rejection of the mentioned items in the questionnaire.
- 2- (Standard Deviation), to find out the degree of dispersion of values from its arithmetic mean, in order to confirm the accuracy of the analysis.
 - (Cronobach Alpha) Test, to measure the internal constancy for the questionnaire's questions.
 - Pearson correlation coefficient to test the reliability of study tool.
 - (One Sample T-test) In order to test the hypotheses; hypothesis average (3) has been used as acceptance standard which is the middle class of the adopted Likert scale in the study in order to validate the hypothesis.

9.8 Characteristics of the Study Sample:

Table (3) shows the characteristic of the study sample for questions' respondents

Table (3) the characteristic of the study sample for questions' respondents

No.	Variable	Paragraph	Number	Percentage
1	Qualification	Bachelor	53	60.23%
		Masters	24	27.27%
		PhD	11	12.5%
		Total	88	100%
2	Specialization	Accounting	58	65.91%
		Business Administration	17	19.32%
		Science of Finance and Banking	13	14.77%
		Total	88	100%
3	Job Title	Manager of Internal Audit	88	100%
		Total	88	100%
4	Years of experience in current area	Less than 3 years	10	11.36%
		From 3 years to less than 6 years	22	25%
		From 6 years to less than 9 years	29	32.95%
		From 9 years to less than 12 years	16	18.18%
		12 years and more	11	12.5%
		Total	88	100%

It is noticed from table (3) that the rate of (60.23%) of respondent managers on the questions of the questionnaire are the holders of bachelor's degree; in addition, the rate of (27.27% 12.5%) (i.e 39.77%) are Graduate, it is an indication for the availability of high qualified people in the internal audit departments.

The answers related to the specialization have focused on accounting by the rate of (65.91%), and this a natural index reflects the direct connection of audit departments with this specialization.

What enhances the confidence in the obtained results is that the respondents are highly qualified in their working field, as the proportion of those with not less than 6 years of experience is (32.95% 18.18% 12.5%) i.e (63.63%).

9.9 Test Hypotheses:

9.9.1 First hypothesis: the audit committees do not commit to do their tasks related to the financial statements in the public shareholding companies in Jordan.

This hypothesis was tested based on the questions from (1-6) of the questionnaire. Table (4) shows the results of statistical analysis related to this hypothesis.

Table (4) Results of the study sample answers about the extent to which audit committees commit doing their tasks related to the financial statements

No.	Paragraphs	Arithmetic Mean	Standard Deviation	Order	Degree of Support
1	Audit committee ensures the compliance of the company with laws regulations, instructions and decisions governing the activities of the company.	3.16	1.05	3	Average
2	Audit committee reviews the annual financial statements and provides feedback prior to submission to the Board of Directors.	3.27	1.01	1	Average
3	Audit committee looks at the adopted accounting policies and search for any effect to change the financial statements.	3.14	0.97	4	Average
4	Audit committee reviews actions taken by administration to address cases of fraud discovered in the financial statements.	3.08	1.10	6	Average
5	Audit committee reviews any changes in the company's accounts as a result of the audit.	3.17	0.82	2	Average
6	Audit committee assesses what the administration do in accounting estimates and their impact on the financial statements.	3.11	0.88	5	Average
Total	Paragraphs from (1-6) relating to the financial statements	3.16	0.62	---	Average

Table (4) shows that the results of the analysis of data related to the first hypothesis, which was measured by the second part of the questionnaire's questions, it indicated that the performance of audit committees for their tasks relating to the financial statements came with average support, where the arithmetic mean of all questions is (3.16) and deviation standard is (0.62); is worth mentioning that these tasks can only be done by qualified people in accounting or financially, so the instructions for the rules of shareholding corporate governance in Jordan in 2006 came to emphasize the need for experience in the field of auditing or financial accounting of the Audit Committee members or to one of them at least .

In order to verify the statistical significance of the results above and to test the first hypothesis, T-test has been used.

Table (5) shows the results of the first hypothesis

Table (5) the results of the first hypothesis according to T-test

Variable	Tabulated T	Calculated T	Statistical Significance	Freedom Degrees	Hypothesis Test Result
Financial Statements	1.660	2.340	0.022	87	Reject Ho

It is noticed from T-Test results table (5) the existence of statistically significant differences at a confidence level ($0.05 \geq \alpha$), as the value of calculated T (2.340) which is higher than the value of Tabulated T (1.660), and the statistical significance is (0.022). Since the decision rule refers to the acceptance of the null hypothesis if the value of calculated T is less than the value of Tabulated T, and rejects the null hypothesis if the value of calculated T is greater than the value of Tabulated T, so null hypothesis is rejected and accept the alternative hypothesis, which means that the audit committees of public shareholding companies in Jordan are committed to their tasks relating to the financial statements.

9.9.2 Second hypothesis: the audit committees do not commit to do their tasks related to the internal audit in the public shareholding companies in Jordan.

This hypothesis was tested based on the questions from (7-19) of the questionnaire. Table (6) shows the results of statistical analysis related to this hypothesis.

Table (6) Results of the study sample answers about the extent to which audit committees commit doing their tasks related to the internal audit

No.	Paragraphs	Arithmetic Mean	Standard Deviation	Order	Degree of Support
7	Audit committee checks the internal control systems, assesses and develops them.	3.86	1.11	1	High
8	Audit committee nominates the appointment of the internal auditor of the company.	3.78	1.14	6	High
9	Audit committee ensures the independency of the internal audit department within the organizational structure of the company.	3.85	0.88	2	High
10	Audit committee cares about providing necessary facilities for the internal auditor to do his job completely.	3.61	1.15	10	Average
11	Audit committee reviews any changes in the company's accounts as a result of the audit.	3.75	1.19	9	High
12	Audit committee checks any pressure might be faced by the internal auditor.	3.77	1.06	7	High
13	Audit committee evaluates the effectiveness of the internal audit plans.	3.57	0.58	11	Average
14	Audit committee studies the special reports for the development of work and accounting systems, the procedures of internal audit as well.	3.20	1.20	13	Average
15	Audit committee ensures that the internal auditor does not participate in other activities in the company.	3.80	1.49	4	High
16	Audit committee follows the administration's response to the observations of the internal auditor.	3.82	1.25	3	High
17	Audit committee informs the board of directors to correct any mistakes pointed out by the internal auditor.	3.76	1.36	8	High
18	Audit committee ensures that the administration does not hide any important information to let the internal auditor perform his tasks.	3.80	1.50	5	High
19	Audit committee assesses the competencies in the internal audit department.	3.42	0.96	12	Average
Total	Paragraphs from (7-19) relating to the internal audit	3.69	0.85	---	High

Table (6) shows that the results of the analysis of data related to this hypothesis, which has been measured by the third section of the questionnaire's questions, came to show that the performance of the audit committees for their tasks relating to the activities of internal audit came largely with a high support, where the arithmetic mean for all questions is (3.69) and the standard deviation is (0.85), which reflects that there is a great confidence in audit committees by the Internal Audit Department, which indicates the presence of experiences, skills and competencies in these committees; in addition, there is constant coordination between the internal auditors and members of audit committees, and this is indicated by the high arithmetic mean for all the paragraphs above the average of the measurement tool (3) .

In order to verify the statistical significance of the results above, and to test the second hypothesis, T-test has been used.

Table (7) shows the results of the second hypothesis:

Table (7) the results of the second hypothesis according to T-Test

Variable	Tabulated T	Calculated T	Statistical Significance	Freedom Degrees	Hypothesis Test Result
Internal audit activities	1.660	7.633	0.000*	87	Reject Ho

It is noticed from table (7) the value of calculated T (7.633) which is higher than the value of Tabulated T (1.660). After the analysis, we emphasize the rejection of the null hypothesis and accept the alternative hypothesis, which states that the audit committees of public shareholding companies in Jordan are committed to their tasks relating to the internal audit.

9.9.3 Third hypothesis: the audit committees do not commit to do their tasks related to the external audit in the public shareholding companies in Jordan.

This hypothesis was tested based on the questions from (20-33) of the questionnaire. Table (8) shows the results of statistical analysis related to this hypothesis.

Table (8) Results of the study sample answers about the extent to which audit committees commit doing their tasks related to the external audit

No.	Paragraphs	Arithmetic Mean	Standard Deviation	Order	Degree of Support
20	Audit committee discusses the nomination of the appointment of the external auditor of the company.	3.76	1.18	2	High
21	Audit committee has an effective role in the nomination and appointment of the external auditor of the company.	2.47	1.62	13	Weak
22	Audit committee has a significant role in identifying the fees of the external auditor.	2.36	1.48	14	Weak
23	Audit committee studies the work plan of the external auditor.	3.67	1.15	3	High
24	Audit committee helps the external auditor in getting the information he needs.	3.44	0.91	4	Average
25	Audit committee ensures the independency of the external auditor.	3.24	0.87	6	Average
26	Audit committee considers the nature of the consulting services provided by the external auditor and determines the fees.	3.34	1.06	5	Average
27	Audit committee ensures that the consulting services provided by the external auditor do not affect his independency.	3.02	0.95	11	Average
28	There is a strong connection between the Audit committee efficiency and the independency of the external auditor.	4.11	0.99	1	High
29	Audit committee discusses the fundamental issues like cases and estimates with the external auditor.	3.11	1.25	10	Average
30	Audit committee reviews the other services provided by the external auditor rather than auditing.	3.17	0.95	8	Average
31	Audit committee reviews the company's correspondences with the external auditor and assesses the mentioned notes and explanations.	3.14	0.89	9	Average
32	Audit committee resolves the disputes that arise between the administration and the external auditor.	3.24	1.16	7	Average
33	Audit committee has an effective supervision on the external auditor work.	2.47	1.07	12	Weak
Total	Paragraphs from (20-33) relating to the external audit.	3.18	0.79	---	Average

It is noticed from the table (8) that the Arithmetic Mean for paragraphs (21, 22, 23) have declined, and this indicates that the audit committee does not do its tasks effectively in:

- 3- The nomination and appointment of the external auditor of the company: Arithmetic Mean (2.47) and Standard Deviation (1.62).
- 4- Identify the fees of the external auditor: Arithmetic Mean (2.36) and Standard Deviation (1.48).
- 5- Effective control on the external auditor's work: Arithmetic Mean (2.47) and Standard Deviation (1.07).

In general, results of analyzed data related to this hypothesis, which has been measured by the fourth section of the questionnaire's questions, came to show that the performance of audit committees for their tasks relating to the activities of external audit came with an average support, at which the arithmetic mean of the whole questions is (3.18) and standard deviation is (0.79).

In order to verify the statistical significance of the results above, and to test the third hypothesis, T-test has been used.

Table (9) shows the results of the third hypothesis:

Table (9) the results of the third hypothesis according to T-Test

Variable	Tabulated T	Calculated T	Statistical Significance	Freedom Degrees	Hypothesis Test Result
External audit activities	1.660	2.146	0.035*	87	Reject Ho

It is noticed from table (9) the value of calculated T (2.146) is higher than the value of Tabulated T (1.660). After the analysis, we emphasize the rejection of the null hypothesis and accept the alternative hypothesis, which states that the audit committees of public shareholding companies in Jordan are committed to their tasks relating to the external audit.

9.9.4 Fourth hypothesis: there is a failure in the performance of audit committee to do their tasks in the public shareholding companies in Jordan.

This hypothesis was tested based on the questions from (34-41) of the questionnaire. Table (10) shows the results of statistical analysis related to this hypothesis.

Table (10) Results of the study sample answers about the failure in the performance of audit committee

No.	Paragraphs	Arithmetic Mean	Standard Deviation	Order	Degree of Support
34	The company provides the audit committee with all necessary facilities to be able to carry out their work efficiently and effectively.	3.73	0.98	3	High
35	There is a determination for the qualifications of the audit committee members.	3.58	1.31	4	Average
36	There are specific sanctions on the company if it does not form an audit committee.	2.51	1.20	6	Weak
37	There are clear and accurate lines to provide independency for the audit committee members.	2.34	1.24	8	Weak
38	There is a clear determination for the size of authorities and powers of audit committee.	2.56	1.04	5	Weak
39	Audit committee issues an annual report shows the tasks carried out during the period they formed it..	2.41	1.27	7	Weak
40	Audit committee can solve the disputes related to the accounting issues between the external auditor and the administration.	4.09	1.08	2	High
41	Audit committee holds there meetings under the instructions.	4.30	0.70	1	High
Total	Paragraphs from (34-41) relating to the failure.	3.19	0.82	---	Average

Table (10) shows that the respondents' answers on paragraph (34) with Arithmetic Mean (3.73) has an average support, and standard deviation (0.98); this indicated the commitment of the audit committee with the rules of corporate governance of public shareholding companies listed on Amman stock exchange (2006), which states that the company provide the Audit Committee with all the necessary facilities, including the hiring of experts whenever necessary. The respondents' answers on paragraph (35) came with Arithmetic mean (3.58) of average support and the standard deviation (1.31) to also indicate the commitment of the company with the rules of corporate governance, which states that: audit committee members should have the accounting experience or at least one of them should be expert in the field of auditing or financial accounting. While the respondents' answers on paragraph (36) came with Arithmetic Mean (2.51) with a weak support, and standard deviation (1.20); this indicates that Jordanian legislation does not impose specific sanctions on the company that has not formed an audit committee, which weakens the obligation formula. The respondents' answers on paragraph (37) came with Arithmetic Mean (2.34) with a weak support, and standard deviation (1.24) to reflect the sufficiency of Jordanian legislation by pointing out that the members of the Audit Committee must be non-executive without

establishing clear lines to provide independency to the members of the Audit Committee, at which the audit committee was appointed by the board of directors of the company, and this decreases the committee's independency and objectivity. In addition, paragraph (38) came with Arithmetic Mean (2.56) with a weak support, and standard deviation (1.04). This indicates that there is no clear determination for the powers of the audit committee, as its authorities- according to the Jordanian legislation- derived from the Board of Directors. paragraph (39) came with Arithmetic Mean (2.41) with a weak support, and standard deviation (1.27), this is due to the lack of Jordanian legislation to impose an annual report determines the tasks carried out by the Audit Committee during the period of forming it.

In general, results of analyzed data related to this hypothesis, which has been measured by the fifth section of the questionnaire's questions, came to show that there is an average support for the failure in the performance of the audit committee in general, as the arithmetic mean of the whole questions is (3.19) and standard deviation is (0.82), in spite of the presence of some failure in the performance of the committees between the paragraphs as we noticed previously.

In order to verify the statistical significance of the results above, and to test the fourth hypothesis, T-test has been used.

Table (11) shows the results of the fourth hypothesis:

Table (11) the results of the fourth hypothesis according to T-Test

Variable	Tabulated T	Calculated T	Statistical Significance	Freedom Degrees	Hypothesis Test Result
Failure	1.660	2.169	0.033*	87	Reject Ho

It is noticed from table (11) the value of calculated T (2.169) is higher than the value of Tabulated T (1.660). After the analysis, we emphasize the acceptance of the alternative hypothesis, which states that there is no failure in the performance of audit committees in public shareholding companies in Jordan.

10. Results: the following are the results of the study:

First: Regarding the tasks of audit committees relating to the financial statements.

- 1- The tasks related to the financial statements need finance and accounting experience, and therefore they can only be done by qualified accountants, and this is consistent with what was confirmed by the instructions relating to the rules of corporate governance for listed companies in Amman Stock Exchange (September-2006) issued by the Securities Commission to emphasize the need for the availability of knowledge among all the audit members in the financial and accounting matters, and at least one of them should have previous work experience in the field of accounting or financial matters.
- 2- Audit committees commit to do their tasks related to the financial statements with an average degree; they represent that through the practice of audit committees for multiple tasks, including: review of the annual financial statements, make observations, follow-up changes in the company's accounts as a result of the audits, look at of the used accounting policies, and review the discovered fraud cases in the financial statements.

Second: Regarding the tasks of audit committees relating to the internal audit activities.

- 1- There is great confidence in the audit committees by the Internal Audit Department, which is established through the experiences, competencies and skills these committees have, in addition to the continuous coordination between the departments of internal audit and audit committees.
- 2- Audit committees commit to do their tasks related to the internal audit activities in a high degree. They represent this commitment by doing multiple tasks, including: check the internal control systems, ensure the independence of the internal audit department within the organizational structure of the company, follow-up the administration response to the observations of the internal auditor, make sure not to hide any necessary information for the performance of the internal auditor to his tasks, and make sure that the internal auditor does not involve in any other activities inside the company.

Third: regarding the tasks of audit committees relating to the external audit activities.

- 1- Audit committees commit to do their tasks related to the external audit activities in an average degree. They represent this commitment by doing multiple tasks, including: discuss matters related to nominating the external auditor, help him in getting needed information and explanations, make sure that nothing affects his independency, review the company's correspondences with the external auditor, and assess the mentioned notes.
- 2- There is a very strong correlation between the effectiveness of audit committees and the independence of the external auditor, which was confirmed by the high arithmetic mean of this paragraph to a high degree, and this of course contribute effectively to the erosion of any manipulation or fraud.
- 3- There is a weak role for some of the audit committees' tasks which support's degree was weak such as the

appointment of the external auditor and determine his fees, as well as the effective control over the work of the external audit, this is due to the lack of clarifying the mechanism of Jordanian legislation and a clear role for the Audit Committee in the nomination and appointment of the external auditor, the bases on which they depend in recommending the appointment and determine the fees, and the actions taken by in this regard. It pointing out that there task is to discuss matters relating to the nomination of the external auditor and make sure that it meets the conditions of the commission, as explained in Article (192) of the Companies Act No. 22 for the year 1997 that the election of the auditor is done by the General Assembly of the shareholders .

Fourth: The failure.

- 1- The audit committee does its tasks in an average degree.
- 2- The failure in some of the committee's tasks backs to:
 - The lack of imposing Jordanian legislation for specific sanctions on the company, which did not form an audit committee.
 - The appointment of the Audit Committee by the Board of Directors of the company which weakens the independence and objectivity of the committee.
 - The lack of a clear definition for the powers of audit committees in terms of the powers - according to Jordanian legislation - derived from the Board of Directors.
 - The lack of imposing Jordanian legislation on audit committees to issue an annual report clarifies the tasks carried out during the period it was formed.

11. Recommendations:

In light of previous findings, the two researchers recommend the following:

- 1 - The audit committees according to their position in the organizational structure and according to the Jordanian laws and regulations, do not put the company's strategy, do not develop and modify the strategic future plans, and do not have to do the planning or execution work, but have the right to audit and practice supervision and control over the actions of administration, without going beyond making management decisions, or to perform tasks of other departments; in addition, they should not carry out the tasks of others, and not to be charged with overloaded tasks.
- 2 - The need for the independence of audit committees as a mandatory requirement in terms of putting clear and specific conditions to this independency.
- 3 - The audit committees should commit to put a manual for committee's work, by the Securities Commission, in order to achieve the high efficiency and effectiveness.
- 4 - The audit committees should issue an annual report about the tasks they carried out during the end of the year for the company.
- 5 - The need for the availability of members with financial and accounting expertise in audit committees in order to strengthen the regulatory and supervisory role that should be played by these committees in report operations and financial reporting.
- 6 - The need that the Securities Commission, regulators and other legislative bodies should make necessary amendments on the laws and regulations relating to the formation of the committees, so as to enable these committees to carry out their role efficiently and effectively.

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