

# The Working Pillars of the Internal Audit Committees in Improving the Financial Performance of the Jordanian Commercial Banks

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## Abstract

This study aims to recognize the effect of the working pillars of the internal audit committees in improving the financial performance in the commercial banks in Jordan. The study population included all the banks listed in Amman's stock exchange market, the whole 23 banks, while the sample consisted of 184 of the audit committee members, internal auditors and financial managers. The research then reached a conclusion that there are statistically significant effects of the working pillars of the internal audit committees represented by committing to the tasks and responsibilities, powers of the internal audit committees, their financial experience and the number of the audit committees. The study wants to ensure the importance of the banks adherence by presenting reports about the effectiveness of the internal audit committees in their yearly reports, for their obvious influence in improving the banks financial performance, moreover ensuring that the standards set by the current study are met by the committees working pillar ensuring effectiveness and efficiency

**Keywords:** Internal Audit Committees, Financial performance, Jordanian commercial banks.

## Introduction

The contemporary business environment is characterized by the incidence of the crises encountered by the organizations; the breakdown of the Enron company for example, was faced by lots of questions regarding the role of accounting and auditing in creating an honest and true picture about the financial position of the institution and their results in these crises, as their results show an increase in the responsibility of the internal auditor

Some companies bankruptcy crises have led the developed countries to strive for finding modern methods in the field of activating control systems in the corporations mechanisms increasing their confidence in the prepared and published financial reports, as they are keen on setting up auditing committees regarding their important role in supporting the credibility of the financial statements, increasing the audience trust ,improving the auditors independence and to improve the coordination between internal and external auditors and the administration.

The report published by the International Federation of Accountants about restoring the confidence of the financial statements and their credibility in the accounting information have included recommendations over the need to build effective audit by paying major interest in quality controls over their operations.

Moreover the institution of internal audit (IAA) have issued a group of instructions for the auditor which included the standards of the internal audit to regulate the work of the internal auditor and his professions ethical aspects needed to be followed in order to reassure stakeholders and investors, especially in the financial markets and restore confidence in the financial statements.

The audit committee's mission is to confirm the validity of the data and information in the incoming accounting reports and financial statements, through internal and external audits. As most studies confirmed the necessity of the presence of review committees inside the company as they ensure that the quality of financial reporting and their ability to achieve confidence in the accounting information ensures its quality and thus rely on it in making appropriate decisions.

The (Mumullen, 2004) study regarding the role of the audit committees in increasing confidence in the accounting information have confirmed that illegal financial practices have decreased in the companies where audit companies are present as they contribute in announcing the formation of audit committees in revitalizing the companies shares in the stock market.

One of the vital reasons for the success of any company is the financial element, in addition this requirement is necessary and important to maintain and properly utilize the finances, as the financial performance is a positive contributor in presenting beneficial information in the field of planning and controlling and decision making made by the individuals and entities inside and outside the company , and in order for the financial information to achieve the desired benefits, they should be accurate and adequately submitted in specific time.

## The limitations of the study and their elements:

The last decade has witnessed the breakdown of many large international companies due to improper

management and manipulations of the financial statements for personal benefits. The percentage of internal corruptions (Administrative and functional) have increase in the last year to reach 65% of the institutional corruption cases all over the world based on the report by KPMG.

As a result of that, it came to the attention of lawmakers and researchers in the field of internal audit committees the importance of improving the sides related to the work and activating it by developing procedures and standards capable of reassuring the stakeholders to prevent future abuses or breakdowns.

In the past years, the internal audit profession and the committees emerging from it have been exposed to a wave of criticism based on the lack of reporting by auditing of improper practices aiming to manipulate profits or directing it towards certain gains for the management or to achieve a profit level in line with financial analysts forecast.

In order to achieve the aim of this study, a major questions should be answered: Is there any impact of working pillars of the internal audit represented by (committing to the tasks and responsibilities, powers of the internal audit committees, their financial experience and the number of the audit committees.) in improving the financial performance of the Jordanian commercial banks.

#### **Objectives of the study**

The main goal of this study is represented by the attempt to learn the impact of the working pillars of the internal audit committees in improving the financial performance in the Jordanian commercial banks.

Importance of the study: This study is considered important to the following classes who may benefit from the results and recommendations:

- 1) Board members of the Jordanian commercial banks
- 2) Senior department managers, Middle Level Management, executives and operational in banks.
3. Internal auditors and members of the internal audit committees in the Jordanian commercial banks.
4. Academic researchers in the Arab and Jordanian institutes and Universities.

#### **Assumptions of study**

The study is based on the following main Assumptions: There are no positive Effects those are statistically significant at the level of significance ( $0.05 \geq \alpha$ )

The working pillars of the internal audit represented by (committing to the tasks and responsibilities, powers of the internal audit committees, their financial experience and the number of the audit committees.) in improving the financial performance of the Jordanian commercial banks.

And from these assumptions emerge a number of assumptions:

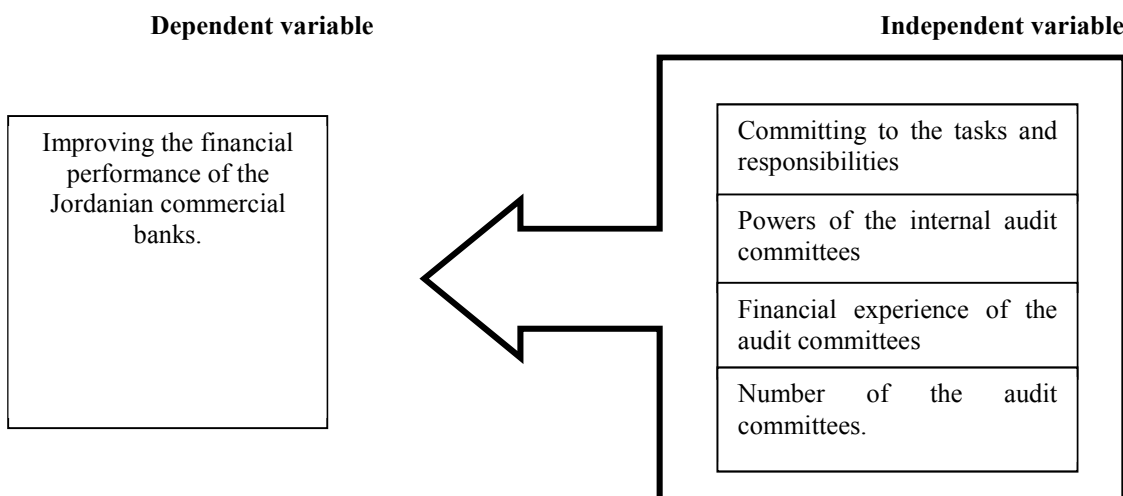
**First assumption:** there are no positive effect those are statistically significant at the level of significance ( $0.05 \geq \alpha$ ) To Terms of committing to the tasks and responsibilities in improving the financial performance of the Jordanian commercial banks.

**Second assumption:** There are no positive effects those statistically significant at the level of ( $0.05 \geq \alpha$ ) to terms of powers of the internal audit committees in improving the financial performance of the Jordanian commercial banks.

**Third assumption:** There are no positive effects those statistically significant at the level of significance ( $0.05 \geq \alpha$ ) To terms of financial experience for the internal audit committees  
. In improving the financial performance of the Jordanian commercial banks.

**Fourth assumption:** There are no positive effects to those statistically significant at the level of significance ( $0.05 \geq \alpha$ ) to the number of the member of audit committees  
In improving the financial performance of the Jordanian commercial banks.

## Study Form



### Type 1

#### Study form

Reference: prepared by researcher

Methodology of study: This study is considered a field study, in which the researcher used the descriptive and analytical method with the goal of learning the impact of the working pillars in the internal audit committees in improving the financial performance in the Jordanian commercial banks.

#### Population of study and sample:

The study population included all the banks listed in Amman's stock exchange market, the whole 23 banks, according to the monthly report of Amman's stock exchange of February 2013, which comprises of (Arab Bank, The Housing bank, CAPITAL BANK OF JORDAN ,JORDAN AHLI BANK , ARAB JORDAN INVEST BANK, BANK ALETIHAD , CAIRO AMMAN BANK, JORDAN KUWAIT BANK, JORDAN ISLAMIC BANK ,COMMERCIAL BANK ,ARAB BANKING CORPORATION(ABC), INVEST BANK, NATIONAL BANK OF KUWAIT , ISLAMIC INTERNATIONAL ARAB BANK, BANK OUDI, BLOM BANK ,COCIETE GENERAL BANK (SGBJ), CITI BANK ,EGYPTIAN ARAB LAND BANK (EALB) (HSBC),STANDARD CHARTERED BANK,RAFIDAN BANK.)

But the sample of study was chosen from the members of the internal audit committees, and the financial managers of the banks listed in the Amman stock exchange and their branches spread the provinces of the Hashemite Kingdom of Jordan.

Regarding the method and the way in which the size of the sampling and analysis was intercepted (Study sample) a deliberate sample was chosen to represent the banks under the study.

Questionnaires were distributed in these banks, in the rate of (10) questionnaires in each bank and their branches which are spread in the provinces of the Hashemite Kingdom of Jordan.

230 questionnaires were distributed and only 188 were retrieved (81.7 %) of the total questionnaires distributed , and after the questionnaires were sorted out, 4 were excluded for being unsuitable for statistical analysis or for not being completed properly by the respondents. thus the sample stabilized at (184) respondents to a rate (80.0%) of the total questionnaires

#### A Tool for Data Collection and Validity and Reliability:

The researcher designed a questionnaire and developed it to meet the variables.

It covered the hypotheses based upon it and by the use of evaluative statements to determine the relative importance of each sample researched.

Lectern scale was adopted , comprising of 5 marks to determine the importance of each part of the questionnaire (5 strongly agree, 4 agree , 3 slightly agreed, 2 disagree, 1 strongly disagree) the researcher also tested the questionnaire with the following tests :

#### 1. Test of Virtual honesty:

The researcher introduced the questionnaire to a group of experienced and competent professors and a jury of specialists in accounting and management to test its validity as an information tool and then amendments were made

## **2. Test of the constancy of the tool:**

The Internal consistency was tested to determine the reliability of the data collection tool using the coefficient (CRONBACH'S alpha), which amounted to (81.5%), a reasonable percentage

### **Methods of data collection:**

Two types of information sources were chosen, they were the secondary sources such as accounting books and scientific materials, pamphlets and specialized periodicals accounting researches, especially the ones on the subject of internal audit and financial performance as well as primary sources through designing and improving the written questionnaire to the subject of current research and to ensure its credibility and its ability to measure the variables. CRONBACH'S alpha was extracted for internal consistency, and it reached (86.57%) which is a decent percentage to be relied on in the current research

### **Statistical data analysis methods:**

The researcher used the statistical methods with the program of **Statistical Package for the Social Sciences (SPSS)** in analyzing the data, as the researcher use the averages and the standard deviations and multiple regressions

The previous studies:

The purpose of (REZAEI) study in 2008, was to identify the role of audit committees in improving the joint role of government , the study sample was formed from the chief executives of American companies, the study suggested several guiding principles for institutional governance, that the board of directors chooses the company's CEO and shall control the activities and operational activities of the senior executive management and that the board is connected through an audit committee to an audit institution of dependent audit work.

MA'ARFI and SALEH study (2010), aimed to learn the risks faced by the banks in general and the credit specially, and what are the plans of the internal auditor and the role of the banking auditor in the risk management and what are the pointers that the auditor uses to measure the size of the risk on the bank, The study showed that they are a variety of banking risks and the credit risks are consider more spread. When the auditor understands the nature of the risks and its reflections on the managing and financial aspects, it helps him to be more competent in processing bank accounts audit.

ALABDALI study (2012), aimed to measure the effects of implementing the pillars of corporate governance in the quality of internal audit processing of the industrial companies listed in the Kuwaiti stock exchange. It shows that the governance represents the interchange of the sound practices, and this works based on standards and rules guided by a binding manner and it aims through its work to ensure that no clashes occur between the strategic objectives of the company and the administration working style in achieving those objectives, and that is by stimulating the administration in a positive way based on the accepted morals in the working environment and evaluate and control the performance of this administration.

The current study is characterized by its attempt to know the working pillars of the internal audit committees to improve the financial performance of the Jordanian commercial banks represented by committing to the tasks and responsibilities, powers of the internal audit committees, their financial experience and the number of the audit committees.

## **The Theoretical model**

### **Internal Audit Committees**

As a result of multiple developments over a period of time regarding the relationship between the external auditors, the board members and the members of executive department's .It led to the auditors surpassing a lot of important notes that couldn't reach the board, which created lots of problems and loss of trust between the 2 parties. It was important to form a committee of internal audit. it is well known that the public bodies have the authority to appoint auditors, however it was proved by the studies that the board members are the ones affecting and directing this appointments as a result of the developing relationship between them and the auditors during internal auditing (Al SAQA and ABULKHEIR, 2002). There are a lot of factors that helped the increase in interest in forming audit committees from the board members and non executive administration. And these factors are :( Ali and SHAHATA 2007, pg 40).

- 1)The contradiction between the external auditors and the company administration especially in the field of maintaining of the independency of the auditor to express a technical neutral opinion, thereby the presence of audit committee in any company protects the shareholders and maintains the independency of the auditor.
- 2) The increase in the financial failures for a lot of companies and banks, and increase in frauds and increase in the willingness of these institutions to improve their control over their activities and ensure its safety
- 3) The stakeholders in private listed companies need is restricted to the stock market administrative mechanism which contributes in controlling and supervising the management performance as a whole especially in the

financial and regulatory matters

4) Users of the financial statements increase the pressure on the companies and banks to show the results of their business and the financial position in a genuine and sound way.

### **The working pillars of internal audit committees**

The internal audit committee is one of the most important committees formed by the board of directors, and choosing the members of internal audit is one of the most important issues faced by the board of directors, and group of standards should be passed to be able to perform their work effectively and efficiently. (Klein, 2012, P:435)

The following are the most important pillars that should be found in the members of the committee and should be available when choosing the internal audit in any company to be able to perform its job effectively and efficiently and to contribute positively in improving the financial performance, the pillars are as follow:

#### **1) Commitment to the task and responsibilities:**

The internal audit committee is held responsible for the task of supervision and control of the accounting and auditing in the company, they also help the board of directors to perform their job efficiently and effectively, and to follow the extent to which the company is committed to apply the provisions of the legislation in force and the requirements of the regulatory authorities ,In addition to fulfilling its responsibilities and perform basic tasks, especially in the field of accounting systems and financial reporting and internal control support (Ali SHEHATA, 2007, p. 41)

And it requires a clear definition of power and responsibilities and functions of these committees and their tasks and responsibilities should be clear and written in a specific system or a guide shows these responsibilities and the nature of the relationship between the company's management and the internal and external auditors, to guarantee that there is no overlap or clash between the assigned work to the committee and the other work which is done by the operational departments in the company. The auditing committee must have an authority to discuss any important topics, and it has the right to use the experience of any of the expert parties regarding any problem they could face in any aspect which could affect the process of preparation of financial statements and the integrity of the disclosure of information that appears external parties (MOMANI 0.2010, p. 247)

#### **2) The powers of the audit committee:**

The internal audit committee powers differ drastically in different companies, as they rely on the size and nature of the company and the objectives of their management, and their field of work which isn't solely about financial auditing, as it extends to include financial and non-financial activities, as the job of the audit committee is to examine, analyze and evaluate the company as a service (Al-KHATIB al-RIFAI, 2008, p 202)

The role of the internal audit committee through the helping of the board of the directors to complete their Supervisory responsibilities for the sake of ensuring the integration of the financial reporting, also the subordination of the organization to the legal and regulatory requirements and ensure the independence of external and internal auditors (Solomon, 2006, p 182)

#### **3) The availability and integrity of financial experience and skill in the members of the Committee:**

The complex financial matters have imposed an increasing interest from the auditing companies, moreover the complexity of capital structures and accounting manipulation and creative accounting practices and management of earnings and other matters needs experienced and skilled auditors to apply the accounting standards needed by the management, also the imposition of the increased interest in companies to create independent auditing management, and work on supporting it with competent human talents who can achieve the companies goals , so the board of directors must define the qualifications and competencies and experiences needed in the legal and accounting and financial and auditing matters, which should be present in the members of the audit committees, in addition to that, the members of the committee should have a high degree of knowledge and understanding to the companies activities, as the presence of these experiences are important to tackle the problems that need personal judgment (Solomon, 2006, p 183).

#### **4) Determine the appropriate number of members of the Committee:**

Its important to work on determining the number of the members of the internal audit committee, as it depends on the number of the board of directors and the company's size, and in all cases there should be an enough amount to achieve a mix of expertise and skills and balance between the size of the task and the duties and the type of the activity practiced by the committee, as it changes from one company to another, also the determining of the appropriate number should take into account not to increase the number ,which can stand between taking fast, efficient and sound decisions, moreover the number should not decrease as into making it unable to perform the duties effectively and efficiently, the ideal number should be between 3-5 members and according to the

conditions. (MOMANI 0.2010, p. 248)

### Financial performance

The financial performance and its associated assessments focus directly on the confirmation of the availability of the cash liquidity, flexibility and improved profitability level in light with the decisions associated with the finance and investment, and accompanied by the practices resulting from the financial risks. In addition to profits, the organization is seeking to maximize its present value which is considered the main goals of the financial management and to maintain the cash balance in the organization in order to protect it from the risk of bankruptcy. (ALOMARI, 2009, Page18) notices that the financial performance focuses basically on displaying the results of the work performed by the organization which is related with the decisions taken in this matter. It is also related with the goals achieved from studying the financial performance linked with achieving the organization goals in the survival, growth and continuity of the financial performance which are reflection of their ability to identify the financial strengths and shortcomings resulting from the use of certain financial policies and decisions related to the organization's work that includes the targets pivot of profitability performance and financial, cash flow, Cost of products, and investment revenue. And to measure those goals various financial ratios and financial figures such as cash flow are used. The financial analysts and the users of the financial statements rely on the profitability Index in evaluating the financial performance in the organization where the organization is trying to achieve the maximum rating possible for the profitability index. The profitability represents the ultimate test of the activities and the work carried out by it, where it is reflected on the vitality of the product line and on o its ability to achieve the highest levels of competitive performance in production and sales operations (AL MURSI AND OTHERS, 2012, PAGE 125). (ATITIYAH, 2004, PAGE 86) indicates that the profitability ratio represents the total profits earned during a certain period of time to the net sales of the period. As this percentage increases compared to what competitors offer , this means a greater efficiency in the operations because the percentage of sales cost to the net sales is less than that of the competitors, therefore the net profit I represented by the net profit achieved to the net sales. This ratio shows the company's ability to make a profit as a result of sales.

### Data analysis and hypothesis testing:

- 1- Averages and standard deviations of the paragraphs related to the abide by the tasks and responsibilities.

**Table No. (1)**

Arithmetical average and standard deviations of the paragraphs relating to abide by the tasks and responsibilities

	<b>Phrases</b>	<b>Arithmetical average</b>	<b>standard deviations</b>	<b>Materiality level</b>	<b>Rank</b>
1	clarity of the functions and responsibilities of the internal Audit Committee	3.7663	0.6971	high	3
2	pursuing Abidance and commitment of bank to applying the provisions of Legislations and regulatory requirements	3.8696	0.6223	high	2
3	stem or a written specific evidence to the tasks and responsibilities of Internal Audit Committee	3.6087	0.7083	Average	5
4	The Internal Audit Committee has the right to use foreign affairs who has experience and Knowledge to the problems faced by the Commission	3.962	0.5053	high	1
5	Limit the main task of the internal audit committees in overseeing and monitoring the work of all accounting and auditing only.	3.4674	0.6767	Average	6
6	The Internal Audit Committee has the right to discuss any issues it deems important	3.7174	0.7291	high	4
	<b>Commitment to the tasks and responsibilities</b>	<b>3.7621</b>	<b>0.6893</b>	high	

As shown in table 1, the answers to the study sample paragraphs pertaining to the functions and responsibilities of the commitment variable, the averages and standard deviations related, has ranged between (3.962) and (3.4674). the paragraph in row 2 came in first place with account average (3.962), higher than the general arithmetical average, and with standard deviation of (0.5053). The paragraph in row 5 came in the last place with arithmetical average of (3.4674) which is lower than the general arithmetical average and with standard deviation (0.6767).The general results shows that the arithmetical average and standard deviation s related to the variable commitment to tasks and responsibilities are high with arithmetical average of (3.7621) and standard deviation of (0.6893).where these are indications of clear delineation of powers , responsibilities and functions of the Internal Audit Committee and to limit its basic tasks , so that its tasks and responsibilities

are clear and written in a specific system or directory Under which they have the right to be assisted by foreign parties to the problems they face, as well as a follow-up of the Bank's commitment to restrict the application of the provisions of the legislation in force and the requirements of regulatory authorities

**2- Arithmetic average and standard deviations of the paragraphs related to the Validity of audit committees**

**Table No. (2)**

**Arithmetic average and standard deviations of the paragraphs related to the Validity of audit committees**

	Phrases	Arithmetical average	standard deviations	Materiality level	Rank
7	Members of the Internal Audit Committee has the rights to make decisions that ensure the proper functioning of all activities of the Committee	3.9837	0.47305	high	7
8	Internal Audit Members are given comprehensive permissions for all the financial and non financial activities in the bank	3.4728	0.67696	Average	8
9	The Bank has instructions, rules ,and procedures that are detailed and clear for the internal audit committee in order to do its work properly	3.7717	0.67917	high	9
10	The members of the Audit Committee given comprehensive permissions which enables them to do and carry out the responsibilities and the tasks required	3.7554	0.73177	high	10
11	the members of the committee can carry out their audit practice on the audit work	3.8750	0.61903	high	11
	<b>Validities of audit committee</b>	3.7610	0.7311	high	

As shown in table 2, the answers of the study sample individuals on the paragraphs pertaining the validities of the internal audit committee. The standard deviation ranged between (3.9837) and (3.4728). The paragraph in row 7 came in the first place with Arithmetical average of (3.9837) which is higher than the public Arithmetical average, and with standard deviation of (0.47305). The paragraph in row 8 came in the last place with arithmetical average of (3.4728) which is lower than the general arithmetic average, and with a standard deviation of (0.67696).The general result shows that the paragraphs related to the comprehensive given to the Internal Audit Committee are high where the arithmetic average reached to (3.7610) and standard deviation to (0.7311).

This means that limiting the authorities and comprehensives given to the Internal Audit Committee gives the members of the Committee the rights to take decisions that ensure the best performance of all the committee's activities which allows it to work very efficiently. Therefore the committee must be given comprehensive terms that allows it to take care of its responsibilities and carry out their audit practice on the internal and external audit work by accessing through Access to evidence and samples.

**Table No. (3)**

**Averages and standard deviations of the paragraphs related to the financial experience of audit committee**

	phrases	Arithmetical average	standard deviations	Materiality level	Rank
12	Members of the Audit Committee have the skill and qualifications in auditing	3.6304	0.7922	Average	5
13	Members of the Internal Audit Committee have good and full knowledge of the accounting work	3.7826	0.68275	high	3
14	Members of the Internal Audit Committee have sufficient knowledge and understanding of the work of the bank and activities practiced	3.7772	0.7533	high	4
15	Members of the Internal Audit Committee have enough scientific and practical experience in the application of the international accounting standards.	3.8698	0.5574	high	1
16	Availability of the economical and financial skills and qualifications in the members of the internal audit	3.7935	0.7758	high	2

Table (3) shows the answers of the study individuals sample on the questions related to the variable of the financial experience for auditing committees, from the sample of study's point of view, and the averages and standard deviations related to is varied between(3.896) and (3.6304). The paragraph in row 15 took the first place and with an average of (3.8696) which is higher than the general average, and with a standard deviation of (.5574). The paragraph in row 12 came in the last place with an average of (3.6304) which is lower than the general average and with standard deviation of (.7922).The general result indicates that the average and standard deviations for the paragraphs related to the financial experience of the auditing committee's variables are in a

high level, as the average reached (3.7532) and the standard deviation (.7330).

The researcher sees that it's important for the interior auditing committee members to have enough scientific experience and qualifications in the accounting and auditing matters, and in applying internal accounting standards, in addition to the importance for the members to have expertise in accounting business to upgrade their practical efficiency.

**Table (4)**

**Arithmetical averages and standard deviations for the paragraphs related to number of internal audit members**

20	:"there is relevance for a number of members of the auditing committee for the tasks	3.4674	0.6767	Average	6
21	The number of members of the current internal audit makes it able to perform their work and duties efficiently and effectively	3.9620	0.5053	high	1
22	There is the availability of a combination of expertise and capacity and balance with the size and quality of the tasks required of members of the Audit Committee	3.8696	0.6223	high	2
	Member of the audit committee	3.7911	0.7251	high	

Table 4 shows the answers of the individuals of study sample on the questions which are related to the variable of the members of the auditing committee from the sample's point of view, and the averages and the standard deviations related to it, they varied between (3.9620) and (3.4674). As provided in the paragraph: "the recent number of the members of the auditing committee makes it able to perform its job and duties with efficiency, in the first place with an average (3.9620) and it's higher than the general average and with a standard deviation of (.5053), as provided in the paragraph: "there is relevance for a number of members of the auditing committee for the tasks, and in the final rank with an average of (3.9620) and it is higher than the general average and with a standard deviation of (.5053), as provided in the paragraph: "there is relevance for a number of members of the auditing committee for the tasks, and in the final rank with an average of (3.4674) which is higher than the general average and with a standard deviation of (.6767).

The general result indicates that the averages and standard deviations of the paragraphs related to the variable of the members of the auditing committees is at a high level, as the average reached (3.7911) and the standard deviation (.7251).

And this means specifying the appropriate number of members of the internal auditing committees makes it able to perform its job and its duties more effectively, in addition, the appropriate number of the members of the auditing committee will be better to do auditing in the bank and provides a blend of experiences and abilities and balance with the size and quality of required tasks from the members of the committee.

5- Arithmetic averages and standard deviations for Paragraphs relating to the financial performance

**Table No. (5)**

**Arithmetic averages and standard deviations for Paragraphs relating to the financial performance**

	phrases	Arithmetical average	standard deviations	Materiality level	Rank
23	Internal Audit Committee commitment to contribute to the financial performance standards in operational activities, including working to generate profits	3.8533	0.76479	high	2
24	Internal Audit committees contribute to improving the bank's ability to rely on non-recurring gains and outside the bank's activity	3.7880	0.68046	high	3
25	Internal Audit committees contribute to the improvement followed in the bank and financial policies that affect profits	3.5326	0.70052	Average	4
26	Internal Audit committees contribute to rationalize the decisions taken based on the financial information	3.8913	0.61771	high	1
		3.7283	0.28420	high	

Table 5 shows the answers of the individuals of sample on the questions which are related to the variable, Arithmetical average and standard deviations, between (3.8913) and (3.5326)

As provided in the paragraph "Audit committees contribute to rationalize the decisions taken based on the financial information" in the first place with an average (3.8913) and it's higher than the general average and with a standard deviation of (0.61771). As provided in the paragraph "Audit committees contribute to the improvement followed in the bank and financial policies that affect profits" and in a high level with an average



of (3.8913) and it is higher than the general average and with a standard deviation of (0.61771). And as provided in the paragraph "Internal Audit committees contribute to the improvement followed in the bank and financial policies that affect profits" it came in the last place with an arithmetic average of (3.5326) which is lower than the general arithmetic average and with standard deviation of (.70052).

The researcher sees that the committee works on improving the banks efficiency on generating profits continuously. It also contributes in rationalizing decisions based on financial information and committing to the performance standards in the operational activities which generate profits continuously.

To test the hypothesis and assumptions emanated from it, multiple linear regression analysis has been used. Table (6) includes the following:

**Table No. (6)**

**Multiple linear regression analysis on the work of the internal audit committees in improving the financial performance in the Jordanian Commercial Banks.**

Independent variable	Sig.	R <sup>2</sup>	F	F Scheduled	T	T Scheduled	statistical adoption
Crutches of the work of audit committee	0.000	0.681	53.76	3.84			reject assumption nihilism
Commitment to the tasks and responsibilities	0.000				5.17	1.671	reject
Validities to audit committees	0.001				2.56	1.671	reject
Financial expertise of audit committees	0.000				5.17	1.671	reject
Number of members of audit committees	0.785				-0.273	1.671	reject

Table (6) shows the internal audit committee work which is focused on (Commitment to the tasks and responsibilities Validities to audit committees, Financial expertise of audit committees, Number of members of audit committees) in improving the financial performance in the Jordanian Banks. The statistical analysis shows a statistical effect on the financial performance

**Results**

1. The averages for the variable of the commitment to tasks and responsibilities came on a high level, thus, it showed the importance to the committee to have the rights to recourse the external parties with experience and acquaintance in problems that faces the committee, and follow up with the degree of the bank's commitment in practicing the legislation conditions and the needs of the supervising party.
2. The averages for the members comprehensively variable came on a high level, thus, it showed the importance for the committee members to have the rights to make decisions that insures the best performance of all the activities of the committee and carryout their audit practice on the audit work.
3. The averages for experience of the members variable came on a high level, thus, it showed the importance to the members of the auditing committee to have the appropriate scientific and practical experience in applying the international accounting standards, and to have skills and qualifications in financial and economic matters.
4. The averages for the variable of specifying the appropriate number of members of the auditing commitment came with a high level, thus it shows the importance to the committee to have the appropriate number of members which makes it able to perform it's tasks with efficiency and competence, also it is important to have a blend of expertise and abilities and balance with the size and quality of the required tasks from the committee.
5. The averages for the variable came that the anchors of the auditing committee work contributes in the improvement of the financial performance, thus it has shown that the anchors of the auditing committee work contributes in the conservation of the affirmed decisions according to the financial information and in the commitment to financial performance standards in its operational activities which consistently induces profits from those activities.
6. The existence of any statistic indication that the anchors of the auditing committee work represented in (the commitment to the jobs and responsibilities, the auditing committee capacities, the financial expertise of the auditing committees, the number of members of the committees) in improving the financial performance in the Jordanian commercial banks and that's from the point of view of the study sample from the members of the auditing committee and the internal account auditor and the financial administrators who work in the bank.

**Recommendations**

- 1- ) insure the commitment of the banks to represent a report about the efficiency of the audit committee with their yearly report.
- 2- ) insure the commitment on the importance of the functions and responsibilities of the Audit Committee and

to highlight the basic task in the supervision and control of accounting and auditing, and do a follow-up over the bank and its commitment to restrict the application of the provisions of the legislation in force and the requirements of regulatory authorities.

3- ) insure the importance of selecting audit members according to their competencies and experience to insure an accurate work.

4- ) insure selecting the right number of members for the tasks needed from them because choosing the right number helps in having an efficient work and in decision making.

5-) The need to make the necessary efforts by the professional organizations in order to clarify the correct and accurate work of the pillars of the internal audit in a manner that can be used as an effective tool in the delivery of the results of the audit and the auditor's opinion to the users of financial reports.

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