

# Impact of Audit Quality on the Implementation of Corporate Governance in the Insurance Companies Listed in Amman Stock Exchange

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## Abstract

The study aimed to identify the concepts and principles underpinning the corporate governance, and get to know the level of commitment of the Jordanian insurance companies' implementation of the instructions of corporate governance issued by the insurance commission, and determining the effect of audit quality on the level of implementation of the instructions of corporate governance. The study was conducted on a sample consists of 15 Jordanian Insurance Companies listed in the Amman Stock Exchange, during the period from 2011 to 2014. Audit quality was measured by the size of the audit office, audit fees, and auditor retention, relying on the instructions of corporate governance for insurance companies. The researcher designed a questionnaire containing five sections Associated with each of the board of directors, executive management, and the audit committee, risk management, and internal control system, and internal audit, the questionnaire was distributed to insurance company's staff who occupy different managerial positions. To achieve the objectives of the study the researcher used a number of statistical methods that fit the nature of the variables of the study, such as (Simple linear Regression model) and (Multiple Regression model) to test the hypotheses of the study.

The study results showed that the Jordanian insurance companies show an acceptable commitment of the corporate governance instructions implementation; also, it showed that there is an impact of audit quality on the implementation of these instructions. Based on these results, the study provides a set of recommendations including Identify regulators responsible for following up the actual implementation of instructions of corporate governance in insurance companies, and reformulation of these instructions in a way to ensure the protection of the rights of stakeholders, and to clarify the functions and responsibilities of the Audit Committee. In addition, to focusing on the role of the external auditor, and working on increasing external auditor communication with the Audit Committee and Internal Auditors.

**Keywords:** audit quality, corporate governance, insurance companies

## 1. Introduction

Until now, a small number of researchers are still interested in focusing on weaknesses and defects in the systems of corporate governance, how this weakness contributed to the problems and failures of many companies, and how it can be reformed and improved systems of corporate governance to prevent future failures of companies (Aledwan et al., 2017).

In this study, no focus was placed on the impact of corporate governance on any aspect of corporate business and performance. Rather, it was exposed to the role of external auditors, and their responsibility to improve and develop systems of corporate governance as a tool for shareholders in overseeing the work of management and reducing the degree of asymmetry of information between owners and management. Thus, reducing agency problems (Saputra, 2015).

The auditor is largely responsible for improving and developing corporate governance in companies, as what Arthur Andersen has been exposed to clearly shows the damage that might be caused to the auditor as a result of issuing low-quality reports, where he may be subject to prosecution (Abu Saleem et al., 2019), and he is required

to compensate as a result of the damage done to all who took His decision is based on low-quality reports (Hosseini & Hanefah, 2013).

## 2. Study Problem

The reasons that companies fail are due to the weakness of their corporate governance systems, the weak legal protection for investors, and their inability to monitor management performance (Williams, 2016), given the divergence of information (Jensen & Mecling, 1976), and the difficulty of accessing reliable information on various aspects of corporate performance (Al-Beshtawi et al., 2014). Hence, many theories appeared in the accounting literature to solve these problems, including agency theory that clarifies the nature of the relationship between management and owners and shows the most important problems that may arise due to conflicts of interests (Zraqat, 2019). Some solutions are proposed to reduce the negative effects of asymmetry of information. One of the most important findings of agency theory was the need for an independent third party to give an opinion on the data provided by corporate management, which is the external auditor (Saputra, 2015).

Therefore, the problem of study revolves around the following questions:

1. Do insurance companies in Jordan implement corporate governance instructions?
2. Does the quality of the audit affect the level of insurance companies in Jordan implementing corporate governance instructions?

## 3. Study Hypotheses

Main hypothesis H0: There is no statistically significant effect of the quality of the audit on the level of commitment of insurance companies to apply the corporate governance instructions for insurance companies.

This hypothesis is divided into three sub-hypotheses:

H0-1: There is no statistically significant effect of the size of the audit office on the level of commitment of insurance companies to apply the corporate governance instructions for insurance companies.

H0-2: There is no statistically significant effect of the audit fees on the level of commitment of insurance companies to apply the corporate governance instructions for insurance companies.

H0-3: There is no statistically significant effect of the client retention on the level of commitment of insurance companies to apply the corporate governance instructions for insurance companies.

## 4. Study Objectives

This study aims mainly to clarify the extent of auditors' responsibilities towards owners through their influence on the company's decisions in order to improve its corporate governance. And identifying the importance of using high-quality auditors, and the objectives of the study can be summarized as follows:

1. Understand the concepts and principles that underlie corporate governance.
2. Measuring the level of Jordanian insurance companies' application of corporate governance instructions
3. Checking whether the quality of the audit has an impact on the level of compliance of Jordanian insurance companies with corporate governance instructions.

## 5. Study Importance

When considering the great importance of corporate governance in insurance companies, and the breadth of the department interested in its scope of work, regulators should pay adequate attention to encouraging companies to implement good corporate governance, monitor their behavior, and administrative policies in them (Aledwan et al., 2017). However, in view of the situation in the Jordanian market, we find the absence of oversight over insurance companies in the absence of a competent body to follow up on the companies' application of corporate governance, the insurance authority that issued the instructions for corporate governance of insurance companies. Here the role of market mechanisms, and the level of owners' awareness of their role in strengthening internal control and improving corporate governance systems, appears. As well as the level of auditors' awareness of their role and responsibility in protecting external actors.

Hence the importance of this study is highlighted by shedding light on the role auditors have, and their impact on the level of corporate implementation of corporate governance. As they are the actors and influence in directing corporate behavior and controlling their business in light of the current conditions of the insurance sector in Jordan.

## 6. Literature Review

### 6.1 Audit Quality

The recent scandals that ravaged many companies, accompanied by the collapse of Arthur Andersen, remind all parties of the need to maintain the quality of the audit and give great attention to all factors that can affect the quality of the audit (Zureigat, 2011). The involvement of an external auditor who performs a high-quality auditing process will lead to the production of high-quality financial reports, thereby reducing the problem of asymmetry of information between the relevant authorities and the administration, as the objective of the audit function is according to the American Institute of Certified Public Accountants (AICPA). It is a guarantee of obtaining reasonable assurance about the fact that the financial statements are free of material misstatements and that the results are communicated to the relevant authorities (Zureigat, 2014).

The importance of the external audit function stems from the parties' reliance on these reports when making decisions (Zureigat, 2015). Also, investors in the capital markets view the quality of the audit as an indication of the stability and reliability of the financial statements (Zraqat, 2019). The importance of audit quality for capital markets is highlighted by its interaction with the difference in auditing quality between different auditors, where it reacts positively when changing the external auditor to a higher quality auditor (Adenuyi & Mieseigha, 2013).

Determining the definition of audit quality is a thorny issue due to its association with many factors and variables (Knechel, Krishnan, Stefchik & Velury, 2013). The quality of the audit was defined in several ways, all of which agreed to link it to the risk of the audit process failing to discover and report material misstatements and material errors (Watkins, Hillison & Morecroft, 2004). The US Government Accountability Office (GAO, 2015: p 15) defined it as "the audit process that is conducted in accordance with the generally accepted auditing standards (GAAS) to provide reasonable assurance that the audited financial statements and associated disclosures are presented in accordance with generally accepted accounting principles" (GAAP) and are not tainted by material misstatements, whether due to errors or fraud". It also defined by De Angelo, (1981: p186) as: "the ability of the auditor to detect errors and abuses in the customer's accounting system and report these errors". Many researchers have adopted the definition of De Angelo (1981) especially with regard to linking the quality of the audit to the independence of the auditor, as the auditor who lacks independence will not report errors or abuses discovered by the client. We also notice, through the definitions above, that the professional bodies overseeing the auditing profession focus on the relationship between audit quality and adherence to professional standards.

Based on the previous definitions, the quality of the audit can be defined as carrying out the audit process and procedures in accordance with generally accepted auditing standards, through which the auditor can discover material misrepresentations and material errors in the financial statements and related disclosures, and report these errors and misrepresentations, whether due to an error or a malfunction in the system accounting or as a result of fraud and manipulation.

### 6.2 Corporate Governance

The world has witnessed the last two decades of a number of corporate failures, and the scandals of companies such as (Enron, WorldCom, and Baring Bank) have drawn the attention of researchers and professionals to corporate governance (Kiel & Nicholson, 2003; Bauwhede & Willekens, 2008; Ntim, 2014; Soltani, 2014). Likewise, the financial crisis of the 1990s led to many questions about the systems of corporate governance, and can companies continue to remain and compete in light of the weakness of the systems of corporate governance (Rwegasira, 2000; Ho & Wong, 2001; Haniffa & Hudaib, 2006). As a result of these events, many international and domestic initiatives have been launched to provide recommendations for good corporate governance (Collett & Hrasky, 2005). The recommendations proposed in general have aimed at increasing transparency in financial and non-financial reports, clarity of tasks and responsibilities for managing companies, and increasing accountability, which helps companies maintain shareholder confidence, protect related parties, and improve performance (Cadbury Report, 1992).

In spite of the increased interest of both companies, academics and professional bodies in the matter of compliance and application of the rules of corporate governance, there is no theoretical framework that provides a full explanation of companies' compliance with the rules of corporate governance (Carpenter & Feroz, 1992; Deegan, 2002; Eng & Mak, 2003). Many researchers have highlighted the need to conduct studies on corporate governance, and given that agency, theory is what explains the relationship between owners and corporate management, it has been used to explain the relationship between corporate ownership structure and corporate behavior toward corporate governance (Oliveira, Rodrigues & Craig, 2011; Elzahar & Hussainy, 2012; Ntim & Soobaroyen, 2013).

The Organization of Economic Cooperation and Development (OECD) has been defined corporate governance as the system that directs and controls the company's business, as it describes and distributes rights and duties among the various parties in companies, such as the board of directors and stakeholders, and sets the rules and procedures for making private decisions Company affairs, which sets goals and strategies needed to achieve them "(OECD, 1999, p. 11). Al-Beshtawi et al. (2014) argue that corporate governance can be defined as a supervisory system that includes a number of rules and foundations that regulate relationships in the company and sets duties and responsibilities for all parties involved in the administrative process, with a view to reducing conflict, and creating a balance between the company's management, investors and other stakeholders, by tightening controls and promoting disclosure and transparency.

Corporate governance has become an important component of forming organizations in all its forms, due to its active role in promoting investment (Onuorah & Friday, 2016), and providing multiple benefits to companies, their shareholders and other stakeholders, by improving access to finance and entering global markets and reducing risks by diversifying assets and working to manage risk, avoid and resolve crises (Palpacuer, 2006). Governance provides an incentive for the Board of Directors to achieve the goals that are in the company's interest and makes shareholders more reassured about their investments, by informing them of decisions taken on core issues (Singh & Davidson, 2003; Mehrani and Safarzade, 2011).

### *6.3 The Relationship of Audit Quality with Corporate Governance*

From the point of view of agency theory, the external auditor contributes to reducing the information asymmetry between managers and the various stakeholder groups that require companies to disclose information of great quality and credibility (Haniffa and Cooke, 2002), where the theoretical assumption says that companies use high-quality auditing gives an indication They have sufficient disclosures, because high-quality auditing firms are less likely to submit to management pressure, and they have an incentive to maintain their reputation and independence, and avoid being subject to legal accountability (DeAngelo, 1981; Owusu-Ansah, 1998, Uang et al., 2006).

Many researchers have focused on several dimensions of corporate governance such as the ownership structure, board of directors, and the external audit and audit committee. Studies also confirm the relationship between corporate governance and agency costs (Naima, 2014; Chu & Song, 2016; Sabeena & Suganya, 2016; Al-Bassam, et al., 2018), and highlights the impact of corporate governance on solving agency problems and mitigating its conflicts (Chiraz, 2014). As well as the relationship between the various agency problems and the quality of the external audit, and the quality of financial reports.

Studies have also assumed that companies tend to use a high level of corporate governance mechanisms with high agency costs (Chiraz, 2014), in order to reach a consensus of interests between investors and management (Zraquat, 2019). In addition to the companies that use large auditing offices (BIG4), the level of governance application is greater than other companies (M. Al-Bassam, et al., 2018; Lakhali, 2015; Waweru, 2014; Al-janadi, et al., 2013; Zureigat, 2011). There are several studies that examined the role of investment institutions in enhancing the structure of effective corporate governance aimed at reducing opportunistic behavior of management (Habbash, 2016; Mohamed et al., 2016; Al-Bassam, et al., 2018), and requesting high-quality auditing (Chu & Song, 2016). There have been contradictory results for the role of institutional ownership in the level of corporate governance, and its relationship to audit quality. It can be said that this discrepancy in the results is due to several reasons, the most important of which is the lack of a specific definition of institutional ownership, which leads to different classifications when defining the variables that have been studied.

Studies have also examined the determinants of audit quality, as results show that large auditing firms provide high-quality auditing services (Waweru, 2014; Lakhali, 2015; Al-Bassam, et al., 2018; Sakka & Jaroui, 2015). Also, the non-auditing services provided by the audit firms weaken the auditor's independence, and consequently negatively affect the quality of the audit. In addition to stating the importance of the professional specialization of the external auditor, and that the scientific and practical qualification of the external auditor and his commitment to the accepted auditing standards contribute to improving the quality of the audit process (Zureigat, 2011).

## **7. Study Methodology**

This study is considered one of applied studies in solving field problems and developing work methods and productivity in the accounting and administrative fields. The study adopts the Descriptive Method, which aims to describe specific phenomena or events and collect information about them as it exists in reality, and is also interested in deciding what should be the phenomena or events covered by the study, by proposing steps or methods that can be followed to reach the image should be (Zraquat, 2020).

## 8. Population and Study Sample

The population of the study includes all public shareholding insurance companies listed on the Amman Stock Exchange, which number to the end of 2019 (24) insurance companies. A sample of 15 companies, which constitute 62.5%, was chosen from the study population, and this percentage is considered statistically acceptable, according to Sekaran tables (2000). As the public joint-stock insurance companies listed on the Amman Stock Exchange were selected, which the company was not subject to liquidation, and does not suffer from financial default, and publishes its financial statements without interruption during the period (2011 - 2019).

## 9. Measurement of Study Variables

### 9.1 First: Measuring the Dependent Variable (Applying Corporate Governance)

The study measured the application of corporate insurance companies to corporate governance by relying on a questionnaire designed according to the instructions for corporate governance of insurance companies issued by the Insurance Authority. As these instructions included five dimensions related to each of the board of directors, the executive management, the audit committee, risk management, the internal control system, and internal audit, and a set of provisions was defined for each of these dimensions, including responsibilities, powers, and conditions that must be met for each of these dimensions.

### 9.2 Second: Independent Variable (Audit Quality)

1. The size of the audit office: It was measured by the number of statutory auditors with previous experience in auditing insurance companies.
2. Audit fees: This variable indicates the independence of the auditors and was measured through the amount charged by the audit office.
3. Maintaining the audit client: It was measured by the companies keeping the auditor

## 10. Data Sources

The study relies on two main sources of data collection:

The first: It includes the literature that dealt with the subject of the study, by referring to scientific references from books and previous studies that dealt with corporate governance and the audit quality. The second: It includes data from its main sources, and is divided into two parts:

- 1- Preliminary data collected by relying on a questionnaire designed and comprising the variables of the dependent study model represented by the corporate governance instructions of the insurance company and the foundations of its organization, management, and amendments issued by the Board of Directors of the Insurance Authority for the year 2006, and was measured through the following dimensions: The Board of Directors (11) Question Executive Management (6) questions, audit committee (5) questions, risk management, and internal control system (7) questions, and internal audit (12) questions.
- 2- Data on measuring the quality of auditing and its dimensions, where the size of the audit office was measured through the number of legal auditors with previous experience in auditing insurance companies, audit fees were measured through the amount charged by the audit office, while retaining the customer was measured through Companies keep the auditor for four years.

## 11. Analysis Unit

The general managers, their deputies, and the directors of the departments and divisions of financial matters, supervision, internal audit, risk management, compensation and insurance services in each company, who numbered approximately 250 managers and division chiefs, were targeted, and according to what he reported (Sekaran, 2000, 22). The sample size is considered (150) represented by the study community. After distributing the questionnaires, with an average of (10) questionnaires in each company, (135) questionnaires were retrieved, of which (120) were analyzable, i.e. (80%) of the distributed questionnaires, and the number of non-analyzable questionnaires reached (15) A questionnaire for not completing it, and for addressing the paragraphs of the questionnaire for the second part M. Here Statistically it has been given the entire dish (2) two degrees, partially applied (1) one degree, not applied (0) degrees.

## 12. The Suitability of the Study Model for the Statistical Methods Used

To test the suitability of the study data for linear regression analysis and parameter tests, multiple linear correlation and self-correlation have been tested as follows:

### 12.1 Multicollinearity Test

This phenomenon indicates that there is an almost complete linear correlation between two or more variables, which amplifies the value of the  $R^2$  coefficient and makes it greater than its actual value, and for this, the value of the contrast amplification coefficient at each variable was calculated according to the hypothesis being tested, and Table 1 shows the results Multiple correlation test between independent study variables. The results show that the values of the contrast amplification coefficient were all greater than the number 1 and less than the number 10, indicating that there was no problem of multiple linear correlations between the study variables (Gujarati, 2004, 253).

Table 1. Multiple correlation test results between independent variables

Variable	VIF
Size of the Audit Office	4.821
Audit Fees	1.707
Client Retention	1.922

### 12.2 Autocorrelation Test

One of the regression conditions is the absence of data from the problem of self-correlation, which is defined as the existence of an association between the limits of random error in the regression model, which results in a bias in the value of the estimated parameters, thus weakening the model's ability to predict. This is confirmed by the Durbin-Watson Test. The value of this test ranges between the numbers (0 and 4). The existence of the self-correlation phenomenon is rejected whenever the value of (D-W) approaches 2. And Table 2 shows the results of the Durbin-Watson Test for the study hypotheses, and from it becomes clear that all the values of Durban Watson in all the study hypotheses are close to the number 2, which indicates that the data are free from the problem of self-correlation.

Table 2. Autocorrelation test

Hypothesis	Calculated D-W value
H01	1.773
H0-1	1.888
H0-2	1.817
H0-3	1.824

### 12.3 The Stability Test of the Study Instrument

For the purposes of testing the internal consistency of the study questions, the Cronbach's Alpha test was conducted for all paragraphs of the dependent variable dimension (corporate governance), so if the value of this parameter is greater than 60%, this means that the questions that were developed measure what was set to measure it and thus the ability to rely on the data in the study hypothesis test, and Table 3 shows the results of the test, and from it, it is clear that all the Cronbach alpha values for all paragraphs of the dependent variable dimensions have reached greater than 60%, which indicates the possibility of relying on data in Hypotheses test.

Table 3. The values of the Alpha Cronbach coefficient for the study tool paragraphs

No.	The dimension	Alpha value
1	Board of Directors	0.702
2	Executive management	0.747
3	Audit Committee	0.681
4	Risk management and internal control system	0.895
5	internal audit	0.805
	All paragraphs	0.783

### 13. Descriptive Statistics of the Study Variables

This part of the study presents a description of the study variables, where arithmetic averages, standard deviations, and maximum and minimum values were calculated, and the results were as follows:

#### 13.1 The Dependent Variable (Corporate Governance)

Table 4 shows the mean, standard deviations, rank, and the level of application for the corporate governance dimensions.

Table 4. Mean, standard deviations, and the level of corporate governance implementation in insurance companies

No.	The dimension	Mean	Standard deviations	Rank	Level
1	Board of Directors	1.612	0.210	1	High
2	Executive management	1.554	0.232	2	High
3	Audit Committee	1.503	0.170	3	High
4	Risk management and internal control system	1.436	0.260	4	High
5	internal audit	1.405	0.196	5	High
		1.502	0.121		High

It is noted from Table 4 that the general average level of application of corporate governance in Jordanian insurance companies is high, as the general average reached (1.502) and with a standard deviation (0.121). It came after (the audit committee) in the first rank with an arithmetic average (1.612) and with a standard deviation (0.210), and with a high level of application, while it came after (risk management and internal control system) at the last rank, with an average arithmetic (1.405) and a standard deviation (0.196), and a level High application. The access of the audit committee to the highest level of application is considered one of the issues that must be stopped, and a study of the items of the audit committee, where it is clear that there are deficiencies in the instructions of corporate governance with regard to the audit committee, it focuses on formal matters, without the core issues that can affect the interests of the relevant parties.

It is also possible to note the strong influence of the administration, which threatens the independence of both the internal auditor and the audit committee, as all of the paragraphs of the instructions related to the audit committee and the internal auditor, the level of their application was high, except with regard to executive management decisions and oversight, and this indicates a problem Agency, and the inability to conduct the company's business in a manner that ensures balance between management and shareholders.

### 13.2 Independent Variable (Audit Quality)

This variable was measured by the following dimensions (Size of the audit Office, Audit Fees, Client Retention). Table 5 shows descriptive statistics for these dimensions.

Table 5. Descriptive statistics on the dimensions of the independent variable, the audit quality

Dimensions of audit quality	Mean	Standard deviations	Maximum	Minimum
Size of the Audit Office (Number of employees)	9.867	3	15	3
Audit Fees (JD)	19,193	20,933	92,060	7,500
Client Retention	Not Retaining the Client	12	20.0	
	Retaining the Client	48	80.0	

It is clear from Table 5 that the size of the audit office assigned to audit the insurance companies has an average size of (9,867) auditors, and with a standard deviation (3) auditors, and the largest recorded value was (15) auditors, while the lowest value was recorded (3) auditors. This variation in the size of the audit offices may explain the difference in the ability of insurance companies to attract the audit qualifications necessary to conduct audits on insurance companies. This difference in the size of the audit office can also be explained by the large variation in the size of the business of insurance companies, where some companies specialize in insurance Life, while some companies engage in a wide range of insurance activities. Al-Bassam et al. (2018) indicated that the owners' awareness of the importance of corporate governance drives them to pay attention to the quality of the audit, and hence the use of large auditing offices.

As for the size of the audit office fees charged with auditing insurance companies during the period (2011-2014), the average audit fee was (19,193) dinars, and a standard deviation (20,933) dinars, and the largest recorded value was (92,060) dinars, while the lowest value was It was recorded (7,500) dinars, and this variation in the fees of the audit offices may explain the difference in the size and complexity of the operations of the audit firms, which are associated with the risks covered by insurance companies, and the compensation of losses, which in turn will lead to a difference in the accounting documents and records that the auditor audits ( Ghouhani, et al., 2015).

The apparent differences in the audit fees can be explained by the size of the audit office and the experience of the audit office, where the fees are determined based on the volume of work carried out by the auditor and the degree of specialization of auditors, where large audit offices that have a large number of auditors with experience in the nature of the company has more fees than small offices, as Eshleman & Guo (2014) indicated that large auditing firms have the ability to attract experienced and highly qualified auditors, and thus their negotiating power increases when determining fees (Nawaiseh, 2016; Hussein & Hanefah, 2013). Cahan and Jerry (2015) explained the high audit fees due to the presence of a high degree of risk with the customer, and therefore the auditor requests high fees to carry out the audit process, and the company will accept these high fees in order to pressure the auditor to hide the company's risks, and this according to Simon & Francis (1988) leads to the auditor dispensing with his independence, and hence the quality of the audit, and from here it can be said that there is a clear and significant difference between the interest of insurance companies in Jordan in the quality of the audit.

As for the dimension of retaining the customer, we notice from Table 5 that the percentage of observations (not retaining the client) reached (20%), while the observations (retaining the client) were (80%), and this explains that companies Insurance does not change audit firms continuously, as audits of insurance companies need specialization and professionalism, which are not available in all audit firms (Takiah, et al., 2010). However, there are differences between researchers about the period of customer retention, some of them indicated that the length of client retention is an indication of the quality of the audit by increasing the auditor's awareness of the nature of the company's activity and his understanding of the risks associated with it (Aduyui & Mieseygha, 2013), while Le Vourc'h & Morand (2011) was considered that a company's long-term auditor may affect its



independence, through the emergence of relationships with management personnel, and therefore he may not report deviations, and errors that he will discover.

#### 14. Hypotheses Test

The main study hypothesis was tested by Multiple linear regression, while its sub hypotheses were tested through Simple linear regression. The results were as follows:

Main hypothesis test H0: There is no statistically significant effect of the quality of the audit on the level of commitment of insurance companies to apply the corporate governance instructions for insurance companies.

Table 6. Results of multiple linear regression for the main hypothesis.

Dependent Variable	Independent variables	Coefficients Table			
		B	Standard error	calculated T	Sig t*
Corporate Governance Implementation	Size of the Audit Office	0.010	0.005	2.040*	0.045
	Audit Fees	0.008	0.020	0.390	0.704
	Client Retention	0.029	0.031	0.919	0.378
	R		0.699		
	R <sup>2</sup>		0.489		
	Calculated F value		3.391*		
	Sig. F*		0.043		

\*The effect is statistically significant at level ( $\alpha \leq 0.05$ )

The results of Table 6 indicate that the correlation coefficient ( $R = 0.699$ ) indicates the relationship between the independent variables and the dependent variable, and the effect of the independent variables (dimensions of audit quality) combined on the dependent variable (corporate governance) is a statistically significant effect, where the value of F Calculated is (3.391), and the level of significance ( $Sig = 0.043$ ) is less than 0.05, where it appears that the value of the determination coefficient ( $R^2 = 0.489$ ) indicates that (48.9%) of the variance in (corporate governance) can be explained by the variance in (Dimensional audit quality) combined. Accordingly, we reject the main nihilistic hypothesis and accept the alternative hypothesis which states: "There is a statistically significant effect of the quality of the audit on the level of commitment of insurance companies to apply the corporate governance instructions for insurance companies".

This finding is consistent with most of the accounting literature on audit quality, as concluded (Sabeena & Suganya, 2016; Naveed et al., 2015; Al-janadi, et al., 2013; Ianniello, et al., 2013; Suwaidan et al., 2013; Zureigat, 2011) that audit quality has a significant impact on the level of corporate governance.

To test the sub-hypotheses emerging from the main hypothesis, simple linear regression analysis was used, and the results were shown in Table 7 as follows:

Table 7. Results of testing the effect of dimensions of the audit quality on corporate governance

Dependent variable	Model Summary		ANOVA		Independent variable	Coefficient			
	R	R <sup>2</sup>	Calculated F	Sig F*		B	Standard error	Calculated T	Sig t*
corporate governance H0-1	0.663	0.440	8.611*	0.017	Size of the Audit Office	0.012	0.004	2.857*	0.017
corporate governance H0-2	0.464	0.215	3.561	0.082	Audit Fees	0.039	0.021	1.887	0.082
corporate governance H0-3	0.168	0.028	0.380	0.548	Client Retention	0.018	0.028	0.616	0.548

\*The effect is statistically significant at level ( $\alpha \leq 0.05$ )

#### 14.1 Results of the First Sub-Hypothesis Test

The results of the first sub-hypothesis test from Table 7 indicate that the value of ( $r = 0.663$ ), and this indicates the relationship between (corporate governance) and (size of the audit office). It turns out that the value of the coefficient of determination ( $R^2 = 0.440$ ), and this means that (the size of the audit office) has explained (44.0%) of the variance in (corporate governance), with other factors remaining constant. It also shows that the value of (F) has reached (8.611) at the confidence level (Sig = 0.017), and this confirms the significance of the slope at ( $\alpha \leq 0.05$ ). It also turns out that the value of (B = 0.012) and that the value of (t = 2.857) is at a confidence level (Sig = 0.017) and this confirms the significance of the coefficient at the level of ( $\alpha \leq 0.05$ ). Based on the foregoing, we reject the first null sub-hypothesis and accept the alternative that states: "There is a statistically significant effect of the size of the audit office on the level of commitment of insurance companies to apply the corporate governance instructions for insurance companies". This result is consistent with the results of (Al-Najjar, 2010; Zureigat, 2011; Suwaidan, et al., 2013; Al-janadi, et al., 2013; Sakka & Jaroui, 2015), and this can be explained by the awareness of audit firms The great importance of corporate governance, in addition to the audit firms' pursuit to preserve their reputation by avoiding the failure of the companies that audit them, and the independence of large audit firms makes them less likely to fall under management pressure.

#### 14.2 Results of the Second Sub-Hypothesis Test

The results of the second sub-hypothesis test from Table 7 indicate that the value of ( $r = 0.464$ ), and this indicates the relationship between (corporate governance) and (audit fees). It turns out that the value of the coefficient of determination ( $r^2 = 0.215$ ), and this means that (audit fees) have explained (21.5%) of the variance in (corporate governance), with other factors remaining constant. It also turns out that the value of (F) has reached (3.561) at the confidence level (Sig = 0.082), and this confirms the slope of the slope at ( $\alpha \leq 0.05$ ). Also, it appears from the coefficients table that the value of (B = 0.039) and that the value of (t = 1.887) is at a confidence level (Sig = 0.082), and this confirms that the parameter is not significant at the level ( $\alpha \leq 0.05$ ). Based on the foregoing, we accept the second sub null hypothesis which states: "There is no statistically significant effect of the audit fees on the level of commitment of insurance companies to apply the corporate governance instructions for insurance companies". This result differs from what he reached (Eshleman & Guo, 2014), where he linked the audit fees to the independence of the auditor, and consequently, the auditor obtaining a reasonable level of fees increases the quality of the audit and the auditor pays attention to corporate governance. It can be explained that there is no impact of the audit fees due to the association of all insurance companies in Jordan with global auditing offices, given the requirements of foreign reinsurance companies that insurance companies deal with, and therefore the size of the fees does not reflect the quality of the audit with these companies.

#### 14.3 Results of the Third Sub-Hypothesis Test

The results of the third sub-hypothesis test from Table 7 indicate that the value of ( $r = 0.168$ ), and this indicates the relationship between (corporate governance) and (Client Retention). It turns out that the value of the

coefficient of determination ( $r^2 = 0.028$ ), and this means that (Client Retention) has explained (2.8%) of the variance in (corporate governance), with other factors remaining constant. It also shows that the value of (F) has reached (0.380) at the confidence level (Sig = 0.548), and this confirms the slope of the slope at ( $\alpha \leq 0.05$ ). It also shows from the table of coefficients that the value of (B = 0.018) and that the value of (t = 0.616) is at a confidence level (Sig = 0.548) and this confirms that the parameter is not significant at the level ( $\alpha \leq 0.05$ ). Based on the above, we accept the third null hypothesis, which states: "There is no statistically significant effect of the client retention on the level of commitment of insurance companies to apply the corporate governance instructions for insurance companies". This result can be explained by the fact that most insurance companies did not change auditors during the study period.

## 15. Conclusions

This study aims mainly to clarify the extent of auditors' responsibilities towards owners through their influence on the company's decisions in order to improve its corporate governance. And identifying the importance of using high-quality auditors, and Measuring the level of Jordanian insurance companies' application of corporate governance instructions. In addition, checking whether the quality of the audit has an impact on the level of compliance of Jordanian insurance companies with corporate governance instructions.

The results of the study indicated that the level of application of corporate governance in Jordanian insurance companies is high, as it was found that there is a strong impact of management, which threatens the independence of both the internal auditor and the audit committee, as all the paragraphs of the instructions related to the audit committee and the internal auditor and the level of their application were high, while Except for the decisions of executive management and oversight, and this indicates a problem in the agency, and the inability to manage the company's business in a way that ensures balance between management and shareholders. The results of the analysis of the study data also indicated that there is an impact of the audit quality on the level of commitment of insurance companies to apply corporate governance instructions.

Through the results of the study, the researcher recommends increasing the focus on the role of the external auditor, and trying to add a paragraph in his report on companies' commitment to corporate governance, or assessing the quality level of corporate governance. And the necessity to work on setting policies and methods to ensure increased communication between the external auditor and the internal audit and audit committee within companies, where the results of the study indicated that the external auditor did not meet with the audit committee in some companies at least once. The responsibilities and tasks of the corporate audit committee must be clarified, and the necessary courses held for members of these committees to increase their administrative and financial skills and to clarify the importance of their role in the company's internal operations.

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