# “Relationship between corporate governance and audit quality in the industry sector: Moderating role of firm performance”


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# RELATIONSHIP BETWEEN CORPORATE GOVERNANCE AND AUDIT QUALITY IN THE INDUSTRY SECTOR: MODERATING ROLE OF FIRM PERFORMANCE

## Abstract

This study explores the relevance of corporate governance mechanisms in determining audit quality, with a specific focus on the moderating role of firm performance in the Jordanian industrial sector. Audit quality is essential for ensuring transparency and accountability in financial reporting, making this analysis highly relevant for stakeholders aiming to strengthen corporate governance. The study sample included 64 manufacturing companies listed on the Amman Stock Exchange for the study period (2014–2022), with a total of 474 firm-year observations. The regression analysis is used to investigate the study hypotheses, including the key variables related to corporate governance, board performance, and audit quality. The findings show that company size has a significant positive effect on audit quality. There is no significant impact of CEO duality, independent directors, and ownership concentration on audit quality within the Jordanian industrial sector. The $R^2$ value of 0.067 indicates that approximately 6.7% of the variance in audit quality is explained by the study variables, while the *F*-value of 6.633, with a significance level of 0.00, suggests that the overall model is statistically significant, even though the explanatory power is relatively low. The study shows that company size is important to improve audit quality; other governance mechanisms may not have the same impact in the Jordanian industrial sector.

**Keywords** corporate governance, audit quality, audit, Jordan, industrial firms, accountability, transparency

**JEL Classification** G34, M42, L25, G32

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## INTRODUCTION

Corporate governance and audits are vital aspects of industrial companies, where the industrial sector influences a large portion of the economy. Effective corporate governance creates a culture of transparency, which is critical to building investor confidence and maintaining stable financial markets. On the other hand, an audit provides an independent evaluation of the firm's health, further enhancing the report's reliability. The urge to increase business activity has raised the need for strong governance practices and high levels of accountability.

The regulatory framework of Jordan has immensely improved, but its actual efficiency in promoting good governance with high accountability standards is still something in need of more exhaustive studies. Further investigation of this issue contributes to the existing discourse on how to devise better regulatory mechanisms to create a culture of accountability and transparency in the industrial sector. Such analysis can help resolve one of the core scientific problems underlying the business success of companies and the economic health of the country.

# 1. LITERATURE REVIEW AND HYPOTHESES

Given that these two factors play important roles in the quest for credible reports, the role of corporate governance and external audits has been well expounded. In the case of Jordanian industrial firms, these two elements should work interactively to benefit a healthy economic environment.

Main studies on audit quality (Ugwunta et al., 2018; Almarayeh et al., 2020; Ji & Yoon, 2020; Basiruddin et al., 2014) have reached that the corporate governance mechanisms are often suggested to be an important determinant of audit quality. Azzam (2020) notes that well-structured boards with independent directors improve the quality of audits; a link also exists between board independence and strong monitoring. Independent directors demand stronger auditing procedures, which results in higher audit quality.

In addition, Al-Haddad et al. (2011) empirically tested the role that audit committees play in ensuring high audit standards. The findings suggest that audit committees, when composed of financially literate members, significantly improve the quality of external audits. This is attributed to the ability to understand complex information concerning finance and ethical standards by virtue of their composition, hence contributing less to financial misstatements.

Geraldes Alves (2011) discusses the role of ownership structure as an audit quality determinant, arguing that it is exactly this dispersed ownership structure that makes firms have a higher audit quality. Logic shows that, in this case, a more dispersed ownership would mean greater levels of transparency and accountability, since many stakeholders would demand reliable and accurate financial reporting. On the other hand, concentrated ownership may lead to decreased audit quality, as there would be the risk of conflicts of interest and less scrutiny in these firms.

Mansour et al. (2023) focused on the impact of the regulatory environment on audit quality. Their findings underline that companies are more likely to maintain a high level of audit standards where the regulatory framework is strict. Indeed, tight regulations not only require rigorous auditing practices but also enforce a culture of accountability and transparency among firms. This is particularly true for the Jordanian context, whereby the ever-changing regulatory landscapes require industrial firms to be adaptive at all times.

Habbash (2010) examines the link between corporate governance and company performance, suggesting that strong mechanisms of governance result in high-quality audits that lead to superior performance of firms. The study empirically establishes the link between low earnings management and good governance practices, thereby establishing a higher quality of financial reporting. This underlines the critical role of governance in protecting all stakeholders' interests and in long-term firm sustainability.

Ugwunta et al. (2018) suggested the impact of auditor independence on audit quality. They emphasize that auditor independence is a necessary condition for the production of credible, unbiased financial reports. Auditors stand against pressures from management when they are independent. In this respect, such positions provide an objective view on the health of a firm. Their judgments play a vital role in enhancing the financial statements integrity and investors' confidence.

Baatwah et al. (2015) tested the impact of audit firm tenure on the maintenance of auditor independence to achieve superior quality and claimed that longer tenure can negatively impact independence, thus leading to diminished audit quality. The fourth and last influence is the auditor-client tenure. They assume that the relationship spans a number of years, and this might make familiarity pose a threat where the more friendly auditors become with their clients, the more objectivity becomes a questionable issue. These results suggest that auditor rotation may reduce these risks and increase audit quality.

Almomani (2015) provides useful information about the corporate governance methods in industrial companies within Jordan environment Although governance structures are much improved, more obstacles need to be overcome before best practices become reality. This investigation underscores the importance of ongoing policies to


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promote quality approached economic audit and ensure accountability in financial reporting.

Alzoubi (2016) investigates the role of earnings management in the link between corporate governance and audit quality. His findings indicate that if there were good mechanisms of governance, earnings management practices would have reduced, hence leading to high audit quality. In relation to the industrial firms in Jordan, transparency and accuracy of information are critical for attracting investment to enable economic growth.

Glover-Akpey and Azembila (2016) assess the extent to which audit committees affect the performance of companies listed in Ghana. The study aimed to ascertain whether the existence and characteristics of audit committees ensure better firm performance.

A comprehensive review by DeFond and Zhang (2014) synthesizes a variety of factors impacting audit quality, including auditor characteristics, firm-specific factors, and external environment. Their meta-analysis brings out an overview of the drivers of audit quality, which is necessary for policymakers and practitioners dedicated to making some changes in order to upgrade audit standards.

Harris and Williams (2020) investigate the perceptions of non-Big Four external audit companies and small company audit committees toward audit quality indicators, so their focus is on the key factors influencing audit quality in smaller entities. The study underlines that although non-Big Four auditing firms would suffer from certain resource constraints as compared with their peers on account of larger size, audit quality could be assured by putting a greater focus on indicators. Small company audit committees should give primacy to these factors in order to ensure a more effective and reliable audit output. In turn, this would mean better reporting and governance.

Krauß et al. (2015) investigate the association between abnormal audit fees and audit quality in Germany, providing preliminary evidence on the extent to which deviations from normal audit fees influence audit quality. The study reveals that very high and low audit fees could lead to a decrease in audit quality. High fees may lead to more auditor independence, while low fees might result in inadequate audit effort. The authors suggest that an optimal range of audit fees exists where audit quality is maximized, highlighting the importance of fee structures in maintaining high audit standards. This study investigates government oversight to ensure that audit fees are set at levels that promote thorough and unbiased auditing practices.

According to the literature, corporate governance is strongly related to good control. Besides, sound governance mechanisms, regulatory framework, and auditor independence are paramount measures in ensuring reliable reporting and investor confidence, especially in the case of Jordanian firms.

The scientific problem of this paper is to analyze the status of the governance structure and management practices in Jordanian companies and any existing gaps and areas for improvement. The study objective is to establish how such companies can enhance their governance structure to be responsive to higher accountability and, hence, better management reporting. This is important not only for companies but also for the entire economy since good and strong managerial reporting supports the confidence of investors and, thus, strong markets.

The study hypotheses are:

$H_{01}$: *Corporate governance does not have a significant impact on control quality.*

$H_{02}$: *Firm performance does not moderate the impact of corporate governance on control quality.*

## 2. METHOD

This study uses a quantitative research method to examine the relationship between corporate governance mechanisms and audit quality in Jordanian industrial firms. The data are analyzed using statistical software, with the primary analytical method being multiple regression analysis.

The main model is

$$AQ = \beta_0 + \beta_1 BS_{it} + \beta_2 CEODUAL_{it} + \beta_3 IND_{it} + \beta_4 CONS_{it} + \beta_5 SIZE_{it} + \varepsilon_{it}, \quad (1)$$

where *AQ* – audit quality of a company proxied by the audit firm related to Big Four vs. non-Big Four; *BS* – board size; *CEODUAL* – binary variable that gives 1 if there is a separation between the executive manager position and the chairman of the board,0 otherwise; *IND* – board independence, equal the board of directors' independent members; *CONC* – the ratio of shareholders that own more than 5% of shares from the total shareholders; *LOGsize* – the natural logarithm for the company (control size), *i* – company; *t* – year.

The second model for the study is

$$AQ = \beta_0 + \beta_1 BSROE_{it} + \beta_2 CEODUALROE_{it} + \beta_3 INDROE_{it} + \beta_4 CONSROE_{it} + \beta_5 SIZE_{it} + \varepsilon_{it}, \quad (2)$$

where *ROE* is an indicator of firm performance.

Jordanian industrial shareholding firms between 2014 and 2022 are the study sample. To test the hypotheses, the study sampled 64 firms and obtained 474 observations.

## 3. RESULTS

Table 1 shows that the mean control quality score is 0.29, indicating that the firms in the sample have relatively low control quality scores (ranging from 0 to 1). The median is 0.00, suggesting that most firms have the lowest possible audit quality score. The standard deviation of 0.455 shows considerable variation in audit quality among the firms. The skewness (0.919) and kurtosis (–1.161) suggest that the distribution of audit quality scores is positively skewed and flatter than a normal distribution. The board size mean is 7.70, indicating that the firms have about eight board members. The median board size is seven, and the standard deviation is 2.662, showing some variability in board size across the firms. The skewness (0.682) indicates a positive skew, while the kurtosis (1.369) suggests a distribution that is more peaked than normal. In addition, the mean value for CEO duality is 0.79, with a median of 1.00, indicating that a majority of the firms have their CEO also serving as the board chair. The standard deviation is 0.410, reflecting some variation in this practice among firms. The negative skewness (–1.403) shows that the distribution is left-skewed, and the kurtosis (–0.033) indicates a distribution close to normal.

The independent directors mean is 3.11, but the median is 0.00, indicating that many firms have no independent directors. The standard deviation is 4.011, showing significant variation. The skewness results indicate a moderate level of ownership concentration among the firms. The standard deviation is 0.337327, showing variability in ownership concentration. As a control variable, the mean log of firm size is 7.27617, with a median of 7.22196. The standard deviation is 0.660298, indicating some variability in firm sizes. The skewness (0.225) and kurtosis (0.946) suggest a distribution that is slightly right-skewed and more peaked than normal.

As a moderate variable, the mean ROE is –0.31000, indicating that the firms in the sample have negative returns on equity, which could reflect mana-

**Table 1.** Descriptive statistics

| N | Control Quality | Board Size | CEODUAL | IND | CONC | LogSize | ROE |
|---|---|---|---|---|---|---|---|
| | 394 | 392 | 473 | 471 | 474 | 474 | 474 |
| Mean | .29 | 7.70 | .79 | 3.11 | .51928 | 7.27617 | –.31000 |
| Median | .00 | 7.00 | 1.00 | .00 | .58100 | 7.22196 | .01700 |
| Std. Deviation | .455 | 2.662 | .410 | 4.011 | .337327 | .660298 | 3.952688 |
| Skewness | .919 | .682 | –1.403 | 1.018 | –.292 | .225 | –13.196 |
| Std. Error of Skewness | .123 | .123 | .112 | .113 | .112 | .112 | .112 |
| Kurtosis | –1.161 | 1.369 | –.033 | .222 | –1.259 | .946 | 200.045 |
| Std. Error of Kurtosis | .245 | .246 | .224 | .225 | .224 | .224 | .224 |
| Minimum | 0 | 0 | 0 | 0 | .000 | 5.505 | –64.267 |
| Maximum | 1 | 19 | 1 | 19 | 1.000 | 9.316 | 18.183 |


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gerial challenges within the industry sector. The median ROE is 0.01700, suggesting that while some firms are performing well, others are significantly underperforming. The standard deviation (3.952688) shows a high level of variability in ROE. The extremely high negative skewness (–13.196) and kurtosis (200.045) indicate a highly skewed and peaked distribution, driven by a few extreme outliers with very poor performance.

Overall, the descriptive measures indicate substantial variability in corporate governance and firm performance metrics among the industrial firms in Jordan. These variations are critical for understanding how corporate governance mechanisms and firm performance might influence audit quality. The following steps in the analysis involve examining these relationships more closely, considering the potential moderating impact of firm performance on the impact of corporate governance on external auditing quality.

Audit quality shows significant positive correlations with several variables (Table 2). It correlates positively with board size ($r$ = .286, $p$ < .01), suggesting that larger boards are associated with higher audit quality, possibly due to enhanced oversight capabilities. There is also a positive correlation with CEO duality ($r$ = .156, p < .01), indicating that when the CEO also has the board chair position, audit quality tends to improve slightly, potentially due to more streamlined decision-making processes. Additionally, audit quality has a direct correlation with the number of independent directors ($r$ = .172, $p$ < .01), reinforcing the idea that independence enhances board effectiveness in overseeing audit processes. However, ownership concentration shows no significant correlation with audit quality ($r$ = .030, $p$ = .558), implying that ownership concentration does not directly affect audit quality in the sample firms. Firm size, measured by log. size, has a significant positive correlation with audit quality ($r$ = .272, $p$ < .01), suggesting that larger firms tend to have better audit quality, likely due to better resources and more stringent regulatory scrutiny. Conversely, there is no significant link between ROE and audit quality ($r$ = –.048, $p$ = .338), indicating that firm performance, as measured by ROE, does not directly influence audit quality.

Board size also correlates significantly with several variables. It has a significant positive correlation with CEO duality ($r$ = .240, $p$ < .01), suggesting

**Table 2.** Pearson results

| | | Control Quality | Board Size | CEODUAL | IND | CONC | LogSize | ROE |
|---|---|---|---|---|---|---|---|---|
| Audit Quality | Pearson Correlation | 1 | .286** | .156** | .172** | .030 | .272** | –.048 |
| | Sig. | | .000 | .002 | .001 | .558 | .000 | .338 |
| | N | 394 | 388 | 394 | 391 | 394 | 394 | 394 |
| Board Size | Pearson Correlation | .286** | 1 | .240** | .442** | –.069 | .361** | .109* |
| | Sig. | .000 | | .000 | .000 | .170 | .000 | .031 |
| | N | 388 | 392 | 392 | 389 | 392 | 392 | 392 |
| CEODUAL | Pearson Correlation | .156** | .240** | 1 | .392** | .651** | .300** | .038 |
| | Sig. | .002 | .000 | | .000 | .000 | .000 | .409 |
| | N | 394 | 392 | 473 | 470 | 473 | 473 | 473 |
| IND | Pearson Correlation | .172** | .442** | .392** | 1 | .200** | .256** | .020 |
| | Sig. | .001 | .000 | .000 | | .000 | .000 | .659 |
| | N | 391 | 389 | 470 | 471 | 471 | 471 | 471 |
| CONC | Pearson Correlation | .030 | –.069 | .651** | .200** | 1 | .424** | .032 |
| | Sig. | .558 | .170 | .000 | .000 | | .000 | .490 |
| | N | 394 | 392 | 473 | 471 | 474 | 474 | 474 |
| LogSize | Pearson Correlation | .272** | .361** | .300** | .256** | .424** | 1 | .029 |
| | Sig. | .000 | .000 | .000 | .000 | .000 | | .522 |
| | N | 394 | 392 | 473 | 471 | 474 | 474 | 474 |
| ROE | Pearson Correlation | –.048 | .109* | .038 | .020 | .032 | .029 | 1 |
| | Sig. | .338 | .031 | .409 | .659 | .490 | .522 | |
| | N | 394 | 392 | 473 | 471 | 474 | 474 | 474 |

*Note*: ** means correlation is significant at the 1% (2-tailed).

that larger boards are more likely to have CEOs also serving as board chairs. A strong positive correlation with the number of independent directors ($r$ = .442, $p$ < .01) indicates that larger boards tend to include more independent members, which is beneficial for governance. However, there is a non-significant negative correlation between board size and ownership concentration ($r$ = –.069, $p$ = .170), suggesting a weak inverse relationship. Board size correlates positively with firm size ($r$ = .361, $p$ < .01), indicating that larger firms tend to have larger boards. Additionally, there is a small but significant positive correlation between board size and ROE ($r$ = .109, $p$ < .05), suggesting that firms with larger boards may perform slightly better.

CEO duality shows a strong positive correlation with the number of independent directors ($r$ = .392, $p$ < .01), suggesting that firms where the CEO is also the board chair tend to have more independent directors, possibly to counterbalance the concentration of power. There is also a very strong positive correlation between CEO duality and ownership concentration ($r$ = .651, $p$ < .01), indicating that firms with CEO duality often have higher ownership concentration, possibly reflecting family-owned or tightly controlled firms. CEO duality correlates positively with firm size ($r$ = .300, $p$ < .01), suggesting that larger firms are more likely to exhibit CEO duality. However, there is no significant correlation between CEO duality and ROE ($r$ = .038, $p$ = .409), suggesting that this governance structure does not directly affect firm performance.

Ownership concentration correlates significantly with firm size ($r$ = .424, $p$ < .01), suggesting that larger firms have higher ownership concentration. However, there is no significant correlation between ownership concentration and ROE ($r$ = .032, $p$ = .490), indicating that ownership concentration does not directly affect firm performance. Firm size shows no significant correlation with ROE ($r$ = .029, p = .522), indicating that larger firms do not necessarily perform better.

The correlation analysis reveals many important relationships among the variables. Notably, larger boards and the presence of independent directors are positively associated with higher audit quality. CEO duality, ownership concentration, and firm size also play a role in influencing governance structures. However, firm performance, as measured by ROE, does not significantly correlate with audit quality or most governance variables, highlighting the complexity of these relationships in the Jordanian industrial sector. This analysis underscores the need for further investigation into how these factors interact to impact audit quality and the potential moderating role of firm performance (Boachie & Mensah, 2022).

**Table 3.** Results for the first model

| Item | Coefficient | E. | t | Sig. |
|---|---|---|---|---|
| Constant | –1.154 | 0.282 | –4.085 | 0.00 |
| BS | 0.036 | 0.011 | 3.406 | 0.00 |
| CEODUAL | 0.206 | 0.112 | 1.836 | 0.067 |
| IND | 0.003 | 0.006 | 0.499 | 0.618 |
| CONS | –0.054 | 0.095 | –0.570 | 0.569 |
| SIZE | 0.136 | 0.042 | 3.234 | 0.001 |
| $R^2$ | 0.124 | Adj $R^2$ | | 0.112 |
| F | 10.684 | Significant | | 0.00 |
| VIF | 1.485 | | | |

Table 3 shows that the constant term in the first model is –1.154, with a highly significant $t$-value of –4.085 ($p$ < 0.01), indicating that the base level of audit quality is significantly negative when all predictors are zero. The coefficient for board size is 0.036, with a $t$-value of 3.406 and a significance level of 0.00. This indicates a positive and highly significant relationship between board size and audit quality. Larger boards are associated with higher audit quality, supporting the notion that increased board size enhances oversight capabilities.

The coefficient for CEO duality is 0.206, with a $t$-value of 1.836 and a significance level of 0.067. Although this is not significant at the 5% level, it is close to the threshold, suggesting a potential positive influence of CEO duality on audit quality. However, it does not provide strong evidence to reject the null hypothesis for this variable. The coefficient for the number of independent directors is 0.003, with a $t$-value of 0.499 and a significance level of 0.618, indicating no significant relationship between the number of independent directors and audit quality. This suggests that the presence of independent directors does not have a measurable impact on audit quality in this sample.

The coefficient for ownership concentration is –0.054 with a $t$-value of –0.570 and a significance level of 0.569, indicating no significant relationship between ownership concentration and audit quality. This im-


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**Table 4.** Results for the second model

| Item | Coefficient | Error | t | Sig. |
|---|---|---|---|---|
| Constant | –1.111 | 0.268 | –4.139 | 0.00 |
| BSROE | 0.009 | 0.013 | 0.708 | 0.480 |
| CEODUALROE | –0.009 | 0.232 | –0.038 | 0.970 |
| INDROE | –0.006 | 0.011 | –0.596 | 0.551 |
| CONSROE | –0.041 | 0.246 | –0.167 | 0.868 |
| SIZE | 0.191 | 0.036 | 5.254 | 0.00 |
| $R^2$ | 0.079 | Adj $R^2$ | | 0.067 |
| F | 6.633 | Significant | | 0.00 |

plies that ownership concentration does not affect audit quality in the studied firms.

Table 4 shows that the constant term in the second model is –1.111, with a highly significant *t*-value of –4.139 ($p < 0.01$), indicating that the baseline level of audit quality is significantly negative when all interaction terms and predictors are zero.

The coefficient for the interaction between board size and ROE is 0.009, with a *t*-value of 0.708 and a significance level of 0.480. This indicates no significant interaction effect between board size and firm performance on audit quality. Thus, firm performance does not moderate the impact of board size on audit quality. On other hand, the coefficient for the interaction between CEO duality and ROE is –0.009 with a *t*-value of –0.038 and a significance level of 0.970. This indicates no significant interaction effect between CEO duality and firm performance on audit quality. Therefore, firm performance does not moderate the impact of CEO duality on audit quality.

The coefficient for the interaction between independent directors and ROE is –0.006, with a *t*-value of –0.596 and a significance level of 0.551. This suggests no significant interaction effect between independent directors and firm performance on audit quality, indicating that firm performance does not moderate the impact of independent directors on audit quality. The coefficient for the interaction between ownership concentration and ROE is –0.041, with a *t*-value of –0.167 and a significance level of 0.868. This shows no significant interaction effect between ownership concentration and firm performance on audit quality, suggesting that firm performance does not moderate the impact of ownership concentration on audit quality. In addition, the coefficient for firm size is 0.191, with a *t*-value of 5.254 and a significance level of 0.00. This indicates a positive and highly significant relationship between firm size and audit quality, similar to the findings in the previous model. Larger firms tend to have higher audit quality, likely due to better resources and stricter regulatory scrutiny.

The $R^2$ value of 0.079 and adjusted $R^2$ value of 0.067 indicate that approximately %7.9 of the variance in audit quality is explained by the model. The *F*-value of 6.633, with a significance level of 0.00, suggests that the overall model is statistically significant, even though the explanatory power is relatively low.

Based on the regression results, H01 can be partially rejected. While board size and firm size significantly impact audit quality, the other governance variables (CEO duality, independent directors, and ownership concentration) do not show significant relationships. Therefore, certain aspects of corporate governance (board size and firm size) significantly impact audit quality, but not all governance variables considered in the model have a significant effect.

On the other hand, H02 cannot be rejected. The interaction terms do not show significant relationships with audit quality, indicating that firm performance does not moderate the impact of these corporate governance variables on audit quality. Only firm size remains a significant predictor of audit quality, independent of firm performance. Therefore, firm performance does not moderate in the relationship between corporate governance and audit quality in the studied sample.

## 4. DISCUSSION

The findings indicate that specific elements of corporate governance, particularly board size and firm size, significantly affect audit quality. Specifically, larger boards and larger firms are associated with higher audit quality, thus indicating that more extensive oversight and more resources

contribute to better audit outcomes. At the same time, other corporate governance components – including CEO duality, independent directors, and ownership concentration – do not show any important link with audit quality. Additionally, no evidence was found supporting the moderating role of corporate performance in the relationship between corporate governance and audit quality. The interaction terms for corporate governance variables and corporate efficiency, proxied by ROE, are not significant, ruling out modification effects in the influence of corporate governance on audit quality with respect to corporate performance.

These findings support Shubita (2023), Afza and Nazir (2014), Fernando et al. (2010), and Chae et al. (2020), who cited board size and firm size as the major factors of audit quality. Larger boards may be considered more competent to offer an overall wide scope of oversight in maintaining high audit standards. Additionally, large firms tend to have better internal controls and resources, thereby driving audit quality itself (Al Matari & Mgammal, 2019).

However, the lack of significant findings for CEO duality, independent directors, and ownership concentration is somewhat unexpected. Salehi et al. (2017) and Sattar et al. (2020) have emphasized the importance of these factors in ensuring good corporate governance and, consequently, higher audit quality. For instance, CEO duality has been criticized for potentially compromising board independence, while independent directors are often lauded for their unbiased oversight. The current findings suggest that these factors may not be as influential in the Jordanian industrial sector.

Several factors might explain the results obtained in this study. The context of Jordanian industrial firms could play a significant role (Shubita, 2024). The corporate governance mechanisms and their effectiveness may vary across different countries and industries due to cultural, regulatory, and economic differences (Mansour et al., 2020). In Jordan, the regulatory environment and the specific characteristics of industrial firms might diminish the influence of CEO duality, independent directors, and ownership concentration on audit quality.

Additionally, Jordan's economic conditions and market dynamics could affect how corporate governance impacts audit quality. For example, in an emerging market, the primary focus of firms might be on growth and survival rather than on strict adherence to governance practices that are typically emphasized in more developed markets (Mansour et al., 2022).

The findings of this study open several avenues for future research. One potential direction is to explore the impact of corporate governance on audit quality in other sectors within Jordan to determine if the results are consistent across different industries (Moad. Shubita & Moh. Shubita, 2010). Additionally, future research could investigate the role of cultural and regulatory factors in shaping the effectiveness of corporate governance mechanisms in various contexts. Another promising area of research is to examine the longitudinal effects of corporate governance on audit quality. By analyzing data over an extended period, researchers could gain insights into how changes in governance practices influence audit quality over time (Beisland et al., 2015).

Furthermore, it would be beneficial to investigate other potential moderating variables that could influence the relationship between corporate governance and audit quality. For instance, examining the role of market competition, firm complexity, and technological advancements could provide a more comprehensive understanding of the factors that enhance audit quality (Shubita, 2022).

## CONCLUSION

The study's purpose was to investigate the moderating impact of firm performance on the association between corporate governance and audit quality in the Jordanian industrial sector. By examining various aspects of corporate governance, including board size, CEO duality, the presence of independent directors, and ownership concentration, the study aimed to provide a comprehensive understanding of how these factors influence audit quality and whether firm performance modifies this impact.


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The results reveal that certain elements of corporate governance, specifically board size and firm size, have a significant positive impact on audit quality. Larger boards, which likely offer more diverse perspectives and better oversight, and larger firms, which have more resources and stronger internal controls, are associated with higher audit quality. These results show the importance of board structure and organizational scale in ensuring effective auditing practices.

The study found no significant impact of CEO duality, independent directors, and ownership concentration on audit quality within the Jordanian industrial sector. This suggests that these factors might not play as critical a role in this specific context, potentially due to local regulatory frameworks or cultural influences that differ from those in other regions.

This study contributes to understanding corporate governance and audit quality in the Jordanian industrial sector, offering insights that can inform policymakers' and regulators' efforts to enhance governance practices and ensure high audit standards. Future research should continue to explore these relationships in different contexts and develop a more nuanced understanding of the factors that drive audit quality.

## AUTHOR CONTRIBUTIONS

Conceptualization: Mohammad Fawzi Shubita.
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