INTERNATIONAL STANDARDS AS CORPORATE GOVERNANCE MECHANISMS AND CREDIBILITY GAP IN JORDAN FINANCIAL MANAGERS’ POINT OF VIEW

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ABSTRACT: This study aimed to examine what financial managers think about auditors implementation in relation with corporate governance mechanisms and credibility gap, by using an inferential descriptive statistical analysis. Corporate governance has shown flaws; where part of it was done to the weakness of financial managers activism, and since auditing is a very important avenue of faithful representation (credibility gap) of financial statements, and since shareholders depend on auditors’ reports, this article utilized primary data by distributing a questionnaire to the financial managers in Jordanian industrial companies registered in Amman Stock Exchange to study the effect of implementation. The paper focused on the affect and relationship of the auditors’ implementation of International Audit Standards and International Standards on Quality Control; on the credibility gap by using regression analysis, and the demographic factors by using one way anova. Results showed a positive relationship between auditors’ implementation of International Audit Standards on the credibility gap as well as to the International Standards on Quality Control, and results also showed that respondents elder than 45 years were more realizable of the credibility gap than the younger ones, as well as to the PhD degree holders and those above 15 years of experience.

KEYWORDS: Corporate Governance, International Audit Standards, International Standards, Quality Control, Credibility Gap

INTRODUCTION

Crisis raised many questions about the role of the accounting and auditing profession, and their ability to give an honest image and the real financial position of the entity and their work results. International standards were often discussed as a tool for bridging national differences and thereby overcoming variation between different accounting systems (Siagian, 2011). Crisis also gave suspicion in business services in general, weakness in the ethical and behavioral aspects of the auditing profession, and the lack of mechanisms of professional standards, lack of attention to the quality of professional performance and ambiguity in some of the criteria (Rodrigues, 2011).

Auditors are directly responsible of the sincerity of the information disclosed and what they are in financial statements and reports (Kangarluiie and Bayazidi, 2011). The audit profession is not only for internal purposes and to satisfy companies management and shareholders, but also for satisfying external parties of current and prospective investors, analysts, and government agencies and others. Consequently, auditors’ have a big responsibility, as to work
in align with the international standards to determine the practical part of business performance. While the inability of the auditor to detect a proper manner and lack of accounting errors; where errors in judgment reduces the health of the financial statements and its faithfulness; an increase in the credibility of the information gap will arise Keeffe (1975).

Corporate Governance Definition

Since there is no precise definition of corporate governance, each study identified it by its own point of view, Cadbury (2000) said that it is directly related with the companies' management and control. Roe (2004) defined corporate governance as the relationships between the board of directors, senior managers, and stockholders, and added “as institutions corporate governance are those repeated mechanisms that allocate authority among the three and that affect, modulate and control the decisions made by all three groups of the firm.” And it is clear that such regulations and rules help the governments to ensure whether the corporation pursues its defined purposes and protects the interests of its owners or not (Chang et al., 2006). Ma'atooifi and Ahmadian (2011) described it as the specific mechanism that enables investors to follow up and guide the administration levels to the satisfaction of parties. The above definitions of corporate governance indicates the idea of the objectives correspondence, incentives, monitoring and control (Staciokas and Rupsys, 2005).

Kangarluie and Bayazidi (2011) added that governance is an intermediate tool between interested parties and the auditors that are responsible for the quality of financial statements and reports issued by the companies, as auditors must follow the internal control system established by the company in order to apply the rules of corporate governance, and should verify the adequacy and effectiveness of its implementation and make recommendations to the board of directors committee. Lupu and Nichitean (2011) argued that governance is done through a combination of accounting rules, legal economic systems and through the instructions and directions issued by the business administration to be implemented and performed. Cakar and Alakavuklar (2011), explored where governance was designed to prevent the failure of administration and any bad intention, and tries to cover some of the issues that the law does not cover, and results showed a high significancy between failure and implementing corporate governance.

Ma'atooifi and Ahmadian (2011) said it is a mechanism that focuses on how supreme decision makers of organization shareholders are to supervise and direct the contractual relations of managers, based on auditors opinion. Kangarluie and Bayazidi (2011) added to the above that it is a corporate control by intermediaries, and that auditors are responsible for controlling and certifying the annual balance sheets and reports of the corporation. Bandyopadhayay (2011) defined corporate governance as a system of making management accountable towards the stakeholders, and that a good corporate governance is concerned with morals, ethics, values, parameters, conduct behavior of the company and its management, and added that the basic segments underlying principles of corporate governance is integrity and fairness.

Based on findings from a global internal audit, it has been reported that internal audit practitioners expect in the near future, less emphasis to be placed on operational and compliance audits, and audits of financial risks, while corporate governance, enterprise risk management, strategic reviews, social and sustainability audits and audit ethics are set to become major focus areas (Allegrini et al., 2011). Okafor and Ibadin (2009) pinpointed that the internal auditor exercises a critical role in improving corporate governance in organizations. In addition to specific disclosures required by corporate governance codes and stock exchange
listing rules indicates that companies voluntarily choose to disclose additional corporate governance information to mitigate agency conflicts (Allegrini and Greco, 2013). The value of engaging assurance to increase the credibility of these disclosures has also been noted [Federation of European Accountants (FEE), 2009]. While the involvement of the external auditor in relation to corporate governance related disclosures is generally limited to considering whether there are material inconsistencies with audited financial statements under the International Standards on Auditing (ISA), there are specific requirements in the Institute of Internal Auditor (IIA) standards for Institute of Accounting and Finance (IAF) to consider governance issues (Adel and Maissa, 2013; Zaman and Sarens, 2013; Abbott et al., 2010). For example, the IAF is required to assess and make appropriate recommendations for improving governance processes to ensure effective organisational performance management and accountability, the IAF must evaluate the design, implementation, and effectiveness of the organisation’s ethics related objectives, programs and activities (IIA, 2012).

**International Audit Standards**

Basic principles and practices of International Committees is the most important area considered, for the International Federation of Accountants focused on auditors’ problem by issuing international standards in order to be followed by the professional associations (Sarens et al., 2013). Auditing standards have a role to play in ensuring that factors such as objectivity, integrity and independence are implied. As institutions ensure transparency, their annual reports should disclose true and fair accounting information prepared in accordance with applicable standards (Antwi and Binfor, 2013). The international standards would enable the audit office to ascertain the work to a reasonable extent, in other words audit ethics expressed and carried out by reflecting the observance of the standards generally accepted auditing, or any legal or contractual conditions, or any professional standards set (IAASB, 2013), where the criteria for ethical values and behaviors of professional work is being implemented in the work environment as audit control (Straser, 2008; Cho and Wu, 2014).

The application of standards enables the auditor to play its role effectively, and must work to develop its capabilities constantly to keep up with the continuous and rapid changes in the institutional environment (Okafor and Ibadn, 2009). An auditor with high audit quality provides more reliable information and may, thus, reduce costs, firms with high agency cost were tested whether they have a higher demand for high-quality auditors (i.e. industry specialists) after controlling for corporate governance indicators; it was also found that hiring a high-quality auditor that serves as an external mechanism, while corporate governance serves as an internal one would positively affect the firms performance positively (Fan and Wong, 2005; Cho and Wu, 2014).

In order to increase confidence, the element must be based on accounting principles, accounting systems, and accounting rules. Auditing standards are supported by the financial disclosure process and thus increases investors’ confidence and helps them make better decisions, furthermore audit standards help in the follow-up process of the commitment of corporate quality control standards and the development of policies and approaches to scrutiny (Roberts et al., 2004).
International Standards of Quality Control

While management is responsible for internal controls, the internal auditor is in a position to evaluate and report on the adequacy and effectiveness of those controls. The internal auditor occupies a unique position – he or she is ‘employed’ by management, but is also expected to review the conduct of management. This can create significant tension, since the internal auditor’s ‘independence’ from management is necessary to objectively assess management’s actions, although the auditor’s ‘dependence’ on management for employment is clear (Report, 1999).

International standard EN ISO 9000: 2005 defines quality as the “degree to which a set of inherent characteristics fulfils requirements” (EN ISO 9000:2005). In this definition of quality the degree of the overlap between market requirements and product features is essential. An enlargement of the view on quality for enterprises that include customer requirements, corporate orientation and corporate skills leads to a triangle with the basic poles “should”, “can” and “want” (Schröder et al., 2015).

In the past, Cook and Wincle (1976), stated that “Internal Control System resembles the human nervous system which is spread throughout the business carrying orders and reactions to and from the management”. In this concept, by measuring and evaluating the effectiveness of organizational controls, internal auditing, itself is an important managerial control device (Carmichael et al., 1996). In today’s business environment internal auditors are now providing management with a far broader range of information concerning the organization’s financial, operational and compliance activities to improve effectiveness, efficiency, and economy of management performance and activities (Rezaee, 1996).

More recently, the Global Financial Crisis has resulted in policymakers undertaking investigations in an attempt to identify key drivers of audit quality. Examples include the establishment of the Advisory Committee on the Auditing Profession (2008) in the USA, the release of The Audit Quality Framework (FRC, 2008) in the UK, and the Audit Quality in Australia (AFSD, 2012) and the European Commission (EC) (2010) (Kilgore et al., 2014).

The IIA Inc. (2012) standards refer to the issue of quality control, while a number of measures should be taken, as the following: adherence by the chief audit executive and staff to the standards and referring to them in the course of activities, make sure proficiency is taken care of and training programs are in place, make use of a quality assurance program and assessment, an external assessment once every five-years by a qualified independent reviewer (Chong, 2015). Based on the standards internal quality control measures must be taken, and there should also be specific requirements regarding the qualifications and level of proficiency of auditors (Botzem, 2014). Professional standards were applied and adhered to, enforced by the quality management systems in place, as they require adherence, as well as having a code of ethics and maintaining some kind of quality control system and hiring qualified auditors seem so obvious that it hardly seems worth mentioning (Hughes, 2004). Nurturing a quality culture in an organization which requires time and other financial resources to implement quality practices for hiring and training, firm (re)organization, and infrastructure planning and investment (Boys and Wilcock, 2014).

Mueller (2014) mentioned that the quality of reported financial information, however, is influenced not simply by the quality of accounting standards, but also by other institutional factors as corporate governance, the legal system, and the existence and enforcement of laws
governing investor protection and disclosure standards, that affect the demand for and the supply of financial information. Standards became more acceptable as it increases the reliance on the auditor's report, influence the independence of the auditor, as quality control increased the extent of the auditor commitment toward laws and regulations of labor standards (Fraser, 2010).

Credibility Gap

Sarbanes-Oxley Act attempts to lessen the “expectations gap” – the difference (gap) between auditors’ results as to be believed based on the required standards of performance and the public expectations of auditors’ performance (ABREMA, 2002). For the credibility of the information gap (responsibility gap) is the difference between what you expect or requested as an investor of the company and the company's position that appeared in the reports and financial statements. Salehi and Rostami (2009) added that top management is working professionally and is responsible for giving information to users and that the auditors are responsible for giving their opinion about this information.

Keeffe (1975) pointed out that from the outset that most of the cases brought against the auditors is the result of their failure in the reports and financial statements, or is do to the task of checking improperly or their inability to detect errors. Abdullah (2011) pointed out that auditors’ put reinforcements ethics within organizations, so in order to reduce or minimize the motives of misinformation and misrepresentation of financial statements, and increase management control process, managements should strengthen the process of governing and auditing standards.

LITERATURE REVIEW

Today’s knowledge base is substantially influenced by large auditing firms; the internationalization of audit firms and the concentration of auditing markets have given rise to a small group of large professional services firms. An organizational perspective on transnational standard setting allows for an analytical perspective that equally considers institutional aspects as well as activities of actors involved (Botzem, 2014). O’Sullivan et al. (2008) studied the importance of governance as a theoretical framework on Australian companies work through the two years 2000 and 2002, results showed a positive relationship between audit quality and the system of governance. The sociology of professions has devoted much attention to accounting and auditing, in particular to professional associations and accounting firms. Payne and Ramsay (2008) reported that auditors who prepare detailed working papers and spend more time to examine auditees’ records of transactions tend to succeed in identifying errors and patterns of errors, and weaknesses if based on the quality control system. The most notable change has been a transformation of the standards-setting organization from a federation of national professional associations to a free-floating self-regulated standards-setting organization (Camfferman and Zeff, 2007; Botzem, 2012).

Azira et al. (2010) confirmed the need of law and administrative regulations existence and application, whether these laws are internal, external or global, and the study explained the importance of some of the laws that have been adopted universally, as International Auditing Standards (IAS) which helps in the global disclosure, and supports the level of confidence and increases investors ability to make decisions. And because of the claims of the auditor duties increased new standards of quality control have emerged. Siagian (2011) proposed a set of
ways to help the auditor increase the effectiveness of reviewed work, the introduction of the unpredictability of audit procedure element, in order to comply to the requirements of both the US and international scrutiny for the prevention and detection of fraud standards; the study relied on a theoretical analytical approach for each of the auditing standards, and resulted in a proposal of 17 ways to help auditors to increase the effectiveness of the audit process and control it.

However, according to the International Standards for the Professional Practice of Internal Auditing ISPPIA (IIA, 2012), internal auditors should operate in a particular way. Detailed guidance is provided within these standards, so that auditors can improve their risk management performance and hence enhance control and governance processes. It is argued that the ISPPIA are important in that they provide uniformity in auditing practices on a global scale and promote best practices (Sarens and Abdolmohammadi, 2011).

Daske et al. (2008) studied the economic effects that fulfill with International Financial Reporting Standards, IFRS in all parts of the world, through the implications of market liquidity and cost of capital analysis using a large sample of companies that commissioned the adoption of international standards, where it was concluded that the capital benefits only occur in countries that enjoy giving incentives transparently for their companies and the application of a strong legal focusing on the central importance to improve the quality of financial reporting, and with comparison between mandatory and voluntary application of international standards it was found that the capital impact was more clearly on the agenda of companies that apply the standards, as well as voluntary workers and prompting companies. Behn et al. (2008) stated that audit quality is related directly with quality of financial statement reporting, and assurance is essential for high quality performance levels of audit procedures and reporting quality. Auditors are responsible for stockholders, but in many cases, also to analysts and stockholders, in particular on earnings, liquidity and performance. In fact, auditors should excel in all their assignments irrespective of whether the engagements are meant for a specialized or an ordinary business, the lack of internal control mechanisms help explain why small companies choose to have a voluntary audit (Niemi et al., 2012). Guiral and Ruiz (2014) have recently studied lenders’ perceptions of how auditor financial independence affects audit report information content. Their findings are that loan officers view a qualified audit report as a first-order mechanism/filter that serves as an early warning system. Gray et al. (2011) studied perceptions and misperceptions regarding the unqualified auditor’s report and found evidence of going-concern opinion providing important information to financial statement users.

The International Auditing and Assurance Standards Board (IAASB, 2013) and the Public Company Accounting Oversight Board (PCAOB, 2011) have taken action to change the auditor’s reporting model to increase its transparency and relevance for financial statement users, and the main concern is the quality relevance and value of auditor reporting on an international basis (Church et al., 2008). A study by Chang et al. (2010) shows that after intended improvements in financial reporting quality and audit quality caused by Sarbanes–Oxley Section 404 and Public Company Accounting Oversight Board inspections in recent years, the market does not perceive an audit quality drop when companies switched from a “low-quality” Big 4 auditor to a small auditor. This suggests that the market is recognising that small auditors do not necessarily deliver inferior audit quality, but may even be able to improve audit quality, by providing specialist and more personal attention than the Big 4 predecessor (Chang et al., 2010).
This study attempts to identify key drivers of audit quality by providing empirical evidence on credibility gap and corporate governance audit mechanisms, namely: International Audit Standards and International Standards of Quality Control. Since financial managers have the direct relation with the auditors, they were taken as the research sample.

Elements of the Problem of the Study

The study aimed to answer the following questions:

First Main Question

Is there a relationship between the the auditors commitment toward implementing auditors’ governmental mechanisms and the credibility gap of the accounting information, by studying the following variables: international audit standards, and international standard of quality control?

Second Main Question

Is there a difference between the auditors commitment toward implementing auditors’ governmental mechanisms and the credibility gap of the accounting information, while depending on demographic factors?

HYPOTHESES

First Main Hypothesis

There is no significant relationship between the auditors commitment toward implementing auditors’ governmental mechanisms and the credibility gap of the accounting information, and by studying the variables the following sub-hypothesis showed up:

First sub-hypothesis: There is no significant relationship between the auditors commitment toward implementing International Audit Standards and the credibility gap of the accounting information.

Second sub-hypothesis: There is no significant relationship between the auditors commitment toward implementing International Standards of Quality Control and the credibility gap of the accounting information.

Second Main Hypothesis

There is no significant relationship between the the auditors commitment toward implementing auditors’ governmental mechanisms and the credibility gap of the accounting information based on the respondents point of view, as the demographic factors (gender, age, education, and experience).
RESEARCH METHOD

Methodology

The research was carried out by primary data, collected by using a structured questionnaire. In terms of purpose, this study can be useful for an extensive range of users including stockholders, auditors, and other stakeholders. Information was collected through the questionnaire distributed to 65 industrial companies registered in Amman-stock exchange as a simple random sample and the data was analyzed by using SPSS statistics 21 software.

Sample and Statistical Population

The statistical population in this study included industrial companies’ financial managers, as they have a direct relationship with the auditors. The questionnaire was distributed among 65 manager, and 62 were recollected and accepted for scientific research.

MEASUREMENT

Dependent Variable

In this research, credibility gap is the dependent variable. For the measurement of this variable, the researcher used Abdullah (2011) questionnaire.

Independent Variables

International Audit Standards: International audit standards, and the degree auditors’ are committed toward implementing such standards in any business, and the concept requires the auditor to carry out his/her work freely and in an objective manner based on the standards.

International standards of quality control: International standards of quality control adopted by a profession is to regulate that line of work based on the standards, which should include integrity, objectivity, confidentiality, and competency.

RESULTS AND FINDINGS

The reliability coefficient presented by alpha showed a degree of 97.37%, which is relatively high and accepted for scientific research, and gives a good indication on the formulation of the research tool, accuracy, and consistency of the objectives of the study, which enhances the reliability on the results (Sekaran and Bouglie, 2014).

Descriptive Statistic Results

Results showed, as in tables 1 and 2 that more than half of the respondents were males, and that most of the respondents have a bachelor’s degree at a rate of 76.5%, and most of them were younger than 30 years old, and 74.6% of them have a 10 year experience or less.

Mean and standard deviation showed that the degree of financial managers reliance on auditors implementation of International Auditor Standards and International Standard of Quality Control in relation with the credibility gap was relatively high.
What Is the Correlation between International Audit Standards, and International Standard of Quality Control as Factors of Corporate Governance implemented by auditors on the Credibility Gap?

Pearson correlation is used to answer such a question as in table 3, and for scientific research a correlation of 0.01 is significant and means that there is a strong relationship between the dependent and independent variables (Sekaran and Bougie, 2014), but results were even better and the correlation appeared at a level of 0.000 significance for both International Audit Standards and International Standard of Quality Control.

Table 1. Descriptive statistics (demographic characteristics)

<table>
<thead>
<tr>
<th>Type of independent variable</th>
<th>Value</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>39</td>
<td>63 %</td>
</tr>
<tr>
<td>Female</td>
<td>23</td>
<td>37</td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>30 and less</td>
<td>9</td>
<td>14.5</td>
</tr>
<tr>
<td>31-35</td>
<td>8</td>
<td>13</td>
</tr>
<tr>
<td>36-40</td>
<td>10</td>
<td>16</td>
</tr>
<tr>
<td>41-45</td>
<td>14</td>
<td>22.5</td>
</tr>
<tr>
<td>Above 45</td>
<td>21</td>
<td>34</td>
</tr>
<tr>
<td>Education</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diploma</td>
<td>6</td>
<td>9.7</td>
</tr>
<tr>
<td>Bachelors</td>
<td>32</td>
<td>51.6</td>
</tr>
<tr>
<td>Masters</td>
<td>18</td>
<td>29</td>
</tr>
<tr>
<td>PhD</td>
<td>6</td>
<td>9.7</td>
</tr>
<tr>
<td>Experience</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 years and less</td>
<td>11</td>
<td>17.7</td>
</tr>
<tr>
<td>6-10</td>
<td>13</td>
<td>21</td>
</tr>
<tr>
<td>11-15</td>
<td>14</td>
<td>22.6</td>
</tr>
<tr>
<td>Above 15</td>
<td>24</td>
<td>38.7</td>
</tr>
<tr>
<td>Total per group</td>
<td>62</td>
<td>100%</td>
</tr>
</tbody>
</table>

Table 2. Descriptive statistics (mean and standard deviation)

<table>
<thead>
<tr>
<th>Type of variable</th>
<th>Mean</th>
<th>Standard Deviation</th>
<th>Materiality</th>
<th>Degree</th>
</tr>
</thead>
<tbody>
<tr>
<td>International audit standard</td>
<td>4.1459</td>
<td>0.07536</td>
<td>3</td>
<td>High</td>
</tr>
<tr>
<td>International Standard of Quality Control</td>
<td>4.2507</td>
<td>0.6993</td>
<td>2</td>
<td>High</td>
</tr>
<tr>
<td>Credibility Gap</td>
<td>4.3965</td>
<td>0.6897</td>
<td>1</td>
<td>High</td>
</tr>
</tbody>
</table>
Table 3. Pearson Correlation

<table>
<thead>
<tr>
<th></th>
<th>International audit standards</th>
<th>International Standards of Quality Control</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credibility Gap (Pearson)</td>
<td>0.794</td>
<td>0.769</td>
</tr>
<tr>
<td>Credibility Gap (Correlation)</td>
<td>0.000*</td>
<td>0.000*</td>
</tr>
</tbody>
</table>

Note: * Significant at a level of $\alpha \leq 0.01$.

Hypotheses Testing Results

To test the first main hypothesis, Adjusted R Square was used to see the models predictive ability, and single regression was also used to test the effectiveness of the auditors’ commitment toward implementing International Audit Standards, International Standards of Quality Control as in tables 4, 5, 6 and 7.

Results showed a positive significant relationship between the commitment toward implementing International Audit Standards and the credibility gap, for $t$ was 13.534 at a level of 0.000 significance, so the first-sub null hypothesis was rejected.

And the results also showed a positive significant relationship between the commitment toward implementing International Standards of Quality Control and the credibility gap, and $t$ was 13.242 at a level of 0.000 significance, so also the second-sub null hypothesis was rejected.

Table 4. Analyze of variance (First sub-hypothesis)

<table>
<thead>
<tr>
<th></th>
<th>df</th>
<th>Sum of squares</th>
<th>Mean squares</th>
<th>F</th>
<th>Sig.</th>
<th>Adjusted R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>1</td>
<td>29.629</td>
<td>29.629</td>
<td>161.892</td>
<td>*0.000</td>
<td>0.639</td>
</tr>
<tr>
<td>Residual</td>
<td>61</td>
<td>18.424</td>
<td>0.184</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: * Significant at a level of $\alpha \leq 0.01$.

Table 5. Single Regression (First sub-hypothesis)

<table>
<thead>
<tr>
<th>Variable</th>
<th>B</th>
<th>Standard Error</th>
<th>Beta</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>International</td>
<td>0.837</td>
<td>0.069</td>
<td>0.787</td>
<td>13.534</td>
<td>*0.000</td>
</tr>
<tr>
<td>Standards</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: * Significant at a level of $\alpha \leq 0.01$.

Table 6. Analyze of variance (Second sub-hypothesis)

<table>
<thead>
<tr>
<th></th>
<th>Df</th>
<th>Sum of squares</th>
<th>Mean squares</th>
<th>F</th>
<th>Sig.</th>
<th>Adjusted Square R</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>1</td>
<td>31.236</td>
<td>31.236</td>
<td>169.173</td>
<td>*0.000</td>
<td>0.653</td>
</tr>
<tr>
<td>Residual</td>
<td>61</td>
<td>16.954</td>
<td>0.169</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: * Significant at a level of $\alpha \leq 0.01$.

Table 7. Single Regression (Second sub-hypothesis)
In order to test the second main hypothesis One Way Anova was used including Post Hoc tests (Sheffe, and Dunett’s C) to test the degree of homogeneity presented in table 8. Results showed a positive significant relationship for the age variable for F was (3.873) at a significant level of (0.033), and results showed that the elder the respondents they were more realizable of the effect of the credibility gap. Education also had a positive significant relationship of (0.000), where the PhD degree holders where more realizable of the effect then the others with a (4.37) mean. In addition to the previous demographic factors, experience had a positive significant relationship of (0.006) significance where realizability was more for those above 15 years of experience.

But for gender, it showed up to be the only non significant demographic variable, so the second main hypothesis was accepted for only the gender variable, and rejected for the remaining. Which means that age, education and experience were found to have a relationship based on the respondents point of view; between the auditors’ governmental mechanisms and the credibility gap of the accounting information.

Table 8. One Way Anova (second main hypothesis)

<table>
<thead>
<tr>
<th>Demographic variable</th>
<th>Type of Variable</th>
<th>Mean</th>
<th>F</th>
<th>Sig.</th>
<th>df</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>Male</td>
<td>4.1983</td>
<td>1.549</td>
<td>0.075</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>3.9235</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age</td>
<td>30 and less</td>
<td>3.9817</td>
<td>3.873</td>
<td>0.033*</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>31-35</td>
<td>4.0505</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>36-40</td>
<td>4.1536</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>41-45</td>
<td>4.3750</td>
<td></td>
<td></td>
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<td></td>
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<td>7.327</td>
<td>0.000*</td>
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<td></td>
<td>Masters</td>
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<td></td>
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<td>4.3732</td>
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<tr>
<td>Experience</td>
<td>5 years and less</td>
<td>3.9741</td>
<td>5.073</td>
<td>0.006*</td>
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<td></td>
<td>6-10</td>
<td>4.1245</td>
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<td>4.3123</td>
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<td></td>
<td>Above 15</td>
<td>4.4883</td>
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Note: * Significant at a level of α ≤ 0.05.
SUMMARY AND CONCLUSION

While the purpose of the study is to explore the relationship between auditors’ commitment toward implementing International Audit Standards and International Standards of Quality Control on the credibility gap in terms of financial managers opinion, results showed a positive effect of both audit implementations on the credibility gap. As the more the auditor is committed toward implementing the standards the more faithful the information presented by him/her will be. While demographic factor results showed that respondents that were more understanding of the importance of the credibility gap the ones elder than 45 years, as well as those holding a PhD degree and with more than 15 years of experience.

LIMITATIONS AND RECOMMENDATIONS FOR FUTURE RESEARCH

The target of this paper was to explore the relationship between corporate governance represented by the auditors’ commitment toward implementing International Audit Standards and International Standards of Quality Control as corporate governance auditing mechanisms, with the credibility gap. Not to forget that stakeholders or even auditors themselves may have other opinions. Moreover in this study only International Audit Standards and International Standards of Quality Control and demographic factors were the variables used to examine credibility gap.

It is recommended to study other corporate governance factors that could affect the credibility gap, such as audit independency and code of ethics. And it is also recommended to study the relationship between corporate governance and risk management by taking into account shareholders view.

REFERENCES


