Corporate Governance Characteristics and their effects on external audit fees: Evidence from Jordanian Companies

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Abstract:

This paper examined the relationship between corporate governance characteristics measured by independence of the board of directors, independence of the audit committee, accounting financial expertise of the audit committee, use of internal audit, annual meetings of the board of directors, accounting and financial expertise of the board of directors, annual meetings of audit committee and external audit fees, of a sample (60) listed firms for the year 2015.

Using multiple regression and Pearson correlation, the results provided an evidence of a positive significant correlation between the independence of audit committee, financial and accounting expertise of audit committee, and annual meetings of the board of directors and audit fees. Also, the findings of the study supported the Jordanian laws and regulations recommendations to strengthen the external auditing and corporate governance mechanisms at public companies in Jordan. The study, however, could not indicate the presence of an association between the annual meetings of audit committee, number of internal audit staff, accounting and financial experience of the board of directors, independence of the board of directors, and external audit fees.

Keywords:

Corporate Governance Characteristics, External Audit Fees, Jordanian Corporation.

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خصائص الحوكمة المؤسسية وتأثيرها على أتعاب التدقيق الخارجي: دراسة تطبيقية على الشركات المساهمة العامة الأردنية

ملخص البحث:

بحثت هذه الدراسة العلاقة بين خصائص حوكمة الشركات وأتعاب التدقيق الخارجي ل (٦٠) شركة من الشركات المدرجة لعام ٢٠١٥. حيث تم قياس خصائص الحوكمة المؤسسية باستقلالية مجلس الإدارة، واستقلالية لجنة التدقيق، والخبرة المالية والمحاسبية للجنة التدقيق، واستخدام التدقيق الداخلي، والاجتماعات السنوية لمجلس الإدارة، والخبرة المالية والمحاسبية لمجلس الادارة، والاجتماعات السنوية للجنة التدقيق.

وباستخدام الانحدار المتعدد ومعامل ارتباط بيرسون، أظهرت نتائج الدراسة دليل على وجود علاقة مؤثرة موجبة بين استقلالية لجان المراجعة، والخبرة المالية والمحاسبية للجان المراجعة، والاجتماعات السنوية لمجالس الإدارة على اتعاب التدقيق الخارجي.

وباستخدام الانحدار المتعدد وارتباط بيرسون، أظهرت نتائج الدراسة دليلا على وجود علاقة ارتباط إيجابية بين كل من استقلالية لجنة التدقيق، والخبرة المالية والمحاسبية للجنة التدقيق، والاجتماعات السنوية لمجلس الإدارة واتعاب التدقيق الخارجي.

كما دعمت نتائج الدراسة توصيات القوانين واللوائح الأردنية لتعزيز آليات التدقيق الخارجي وحاكمية الشركات المساهمة العامة الاردنية. غير أن الدراسة لم تشير إلى وجود ارتباط بين الاجتماعات السنوية للجنة التدقيق وعدد موظفي التدقيق الداخلي والخبرة المحاسبية والمالية لمجلس الإدارة واستقلالية مجلس الإدارة واتعاب التدقيق الخارجي.

الكلمات المفتاحية: الحوكمة المؤسسية، أتعاب التدقيق الخارجي، الشركات المساهمة العامة الأردنية.

1- Introduction:

In recent decades, the Arab world countries paid more attention on corporate governance (Otman,2014). Corporate governance is defined as "the formal mechanisms of directing, supervision, and control that put in place within a company in order to monitor the decisions and actions of its senior managers and to ensure that they are consistent with the specific interest of shareholders and the various other interests of stakeholders (Gillan, 2006).

In Jordan, the Jordan Security Commission (JSC) formed Corporate Governance Code for shareholding companies listed on the Amman Stock Exchange (ASE) in an attempt to establish a clear framework that regulates their relations, management and defines their rights, duties and responsibilities in order to realize their objectives and safeguard the rights of all stakeholders.

As a result, managements of the companies listed on the (ASE) would implement these rules, and that all stakeholders would encourage their implementation in order to build confidence in these companies , enhancing their management performance, preserving the rights of all stakeholders, improving the performance of our national economy, and increasing confidence in the investment climate.

In addition to that, corporate governance characteristics are the key player in nominating the auditors, audit fees of company, and quality of financial reporting as mentioned by (Abbott et al, 2003) and (Abbott and Parker, 2000).

Moreover, corporate governance characteristic are one of the cornerstones that would give an impact to higher and lower audit fees (Goddard and Masters, 2000), because high quality of corporate governance will demand higher level of audit quality, and the higher audit quality should improve the quality of financial reporting and reduce the risk of the auditor providing an incorrect audit opinion (Francis, 2004).

Previous literature examining the relationship between corporate governance and audit fees has focused primarily on strong and sophisticated capital markets such as the USA, Britain and Australia (Simon, and Taylor, 2002). Few studies have been conducted in countries with emerging markets that are usually characterized by concentrated stock ownership and significant government ownership in listed firms (Yatim et al, 2006).

As part of this study, we examined three groups of variables; the first variable is related to the board of directors, the second variable is related to the audit committee, while the third group is related to use of internal audit department which is represented by number of employee in internal audit departments.

Studying such issue in an emerging market such as Jordan is interesting for different reasons. Firstly, corporate governance has got wide attention due to the crises and scandals faced by so many countries, such as Enron and WorldCom which have contributed to encouraging the companies in the whole world to pay more attention to corporate governance in their companies (Brown et al, 2006). Secondly, returns and risks in emerging stock markets have been found to be higher and more predictable than developed markets. Thirdly; “emerging markets are interesting" is long term trends such as the increased reliance of emerging market countries on private capital flows and the increase in global market capitalization represented by emerging markets (Eaker et al , 2000). Fourthly, Jordan enjoys a unique geographic location with stable environment and runs a free market economy (Naser and Rana, 2014). Base on the above discussion and also due to lack of studies addressing the relationship between the corporate governance characteristic and audit fees in Jordan, the problem of study is represented by the general question:

- Does corporate governance characteristics influence audit fees in Jordanian corporations?

So, the primary objective of the present study is to contribute uniquely in enriching the body of knowledge in corporate Governance and external audit through investigating the relationship between the characteristics of corporate governance and external audit fees in Jordanian. Therefore, the main idea of this study is to present and analyze the characteristics of corporate governance represented by the independence of the board of directors, independence of the audit committee, financial expertise of the audit committee, use of internal audit department, accounting and financial expertise of board of director, number of annual meetings of audit committee , number of annual meetings of board of directors and its impact on external audit fees.

Following are further proceedings of the paper: The research problem, questions, objectives, Data Description and Data Collection is provided in section 1. Corporate governance in Jordan is described in Section 2. Section 3 discussed the hypotheses of research. Empirical study is discussed in Section 4. Finally, a conclusion follows in Section 5,

2- Corporate Governance in Jordan:

Corporate governance in Jordan can be categorized into six dimensions: a legislative framework and government oversight, a capital market, disclosure and accounting standards, transparency in privatization, effective supervision of the board of directors, preservation of property rights and protection of minority rights (Shanikat and Abbadi, 2011). These six dimensions are extensively stated in the Company Law of 1997 and its amendments of 2002, and some in the Securities Law of 2002.

2-1 Legislative Framework and Government Oversight:

A number of laws have been implemented, such as the Company Law, Securities Law, Banking Law, Insurance Law, Commercial Law, Law of Competition and Monopoly, Law of Investment Promotion and Law of Privatization (Al-Jazi, 2007). According to a study conducted by (Al-Jazi, 2007), laws focused on the following matters related to corporate governance:

- The company's legal personality is independent of its shareholders. The financial disclosure of the company is also independent from the financial disclosure to its shareholders.
- The legal structure of limited-liability companies includes the following bodies: the board of directors, the general shareholders and the audit committee.

To regulate the accounting profession in Jordan and improve its corporate-governance environment, the Accountancy Profession Law No. 73 of 2003 was issued. The law is considered as an integral part of corporate governance in Jordan because it provides a base for measuring firms' performance. Moreover, among other measures, it increased the role of the Jordanian Association of Certified Public Accounting (JACPA) and created the High Council of Accounting and Auditing.

The Company's Law also provides some corporate governance rules with regard to the auditor of the corporation. It states the requirements as what should be contained in the auditor's report and the way of appointing the auditor. The Company Law allows for the appointment of an auditor in an annual general shareholders' meeting for a period of one year; and the auditor should not be removed during the period of auditing except for reasons specified in the law. In other words, the independence of the auditor is protected by the law. The auditor reports an opinion about the financial statements to the general shareholders based on international standards of auditing and the law.

2-2 Capital Market:

In the optimal conditions, corporate governance aims to enhance shareholder control, and it should follow that companies with better corporate governance will attract investors and will reduce their cost of capital. A global investor opinion survey carried out by McKinsey & Company (2002) gives some evidence that good cooperate governance is linked to investment decisions.

In Jordan, the Securities Law created three important bodies: the Jordan Securities Commission (JSC), the Amman Stock Exchange (ASE) and the Securities Depository Center (SDC). These three bodies enjoy financial and administrative independence. The (JSC) consists of five independent members with full-time experience and competence. According to the Securities Law, its purpose is to protect investors from fraud and manipulation, provides an appropriate environment for safe trading in securities, and develops and monitors the stock market. According to the Securities Law, listed companies are subject to the control of the multi-related securities, such as licensed securities, accredited securities and exporters.

2-3 Disclosure and Accounting Standards:

Full disclosure and clear accounting standards are necessary for solid corporate governance (Rajagopalan & Zhang 2008). Therefore, the Company Law, the Banking Law, the Insurance Law, and the Securities Law, all require corporations to follow internationally accepted accounting and auditing standards. In 1994, Jordan fully adopted the international accounting standards, now termed as The International Financial Reporting Standards.

2-4 Transparency in Privatization:

In 1990s, the Jordanian government adopted economic reforms aimed at increasing the private sector’s involvement in the economy; this included privatization of some governmental companies and institutions (Shanikat ,2007). The nature of the activities of these governmental companies and institutions require them to be executed on commercial basis in order to improve the level of services provided and to raise the efficiency of the companies being privatized (Shanikat ,2007). The Privatization Law No. 25, enacted in 2000, established a council for privatization that has the authority to specify the value of the government’s contribution to companies. This law is considered as one of the key determinants for good corporate governance, as it stipulates the transparency of the sale process, the disposal of privatization revenues and compliance with the rules of transparency, openness and fair competition.

2-5 Effective Supervision of the Board of Directors:

In Jordan, the board of directors assume all responsibilities and duties specified by the Company Law, which includes setting policies and planning for the management of the company and the appointment of the chief executive officer. The Company Law gives corporate management extensive power and obligations, including: preparation of the company's financial statements within three months of the end of the company's fiscal year, preparation of the annual reports of the past year's performance and the prospects of the coming year and publishing the financial statements and annual reports within 30 days of the date of AGM .

The Securities Law covers the creation of an audit committee stemming from the board members. It states that the committee reports to the board of directors, makes recommendations to it, and exercises the following powers and functions:

- Exercise control over the comprehensive audit.
- Review the external audit reports and follow-up actions, the annual internal audit plan and inspection reports.
- Audit financial statements before submitting them to the board of directors.
- Ensure the accuracy of accounting and regulatory procedures.
- Ensure overall compliance with laws and regulations.

2-6 Protection of Minority rights:

In 2005, the Amman Stock Exchange published the first edition of the Jordanian Code of Corporate Governance. This code's five chapters included definitions of key terminology; an overview of the board's structure and responsibilities; shareholder’s general meetings; shareholders' rights; and guidelines for financial disclosures along with a conceptual framework for accountability and auditing. The code also addressed issues of ownership structure and the characteristics of the capital market.

However, this code is not actually enforced. The Disclosure Department in JSC is responsible of applying these rules, and all parties associated with the companies are expected to promote their application. This might be implemented through strengthening the management performance; thus enhancing the performance of the national economy and promoting the investment climate (Jordan Securities Commission 2005). Many of these rules were based on the binding legal texts contained in the legislation mentioned above. In general, these are general rules, and, therefore, leaving the details of their aspects and requirements to the relevant regulation. For example, there is no description of the information required in an annual report; as it is left to the disclosure instructions of the issuance stock.

3- Hypotheses of Research:

Two different perspectives exist in the audit fee literature: the demand-based perspective and the audit-risk perspective. The demand-based perspective suggests a positive association between corporate governance characteristics and audit fees (Goodwin et al, 2006) (Abbott et al, 2003) (Carcello et al, 2002). Thus, according to this perspective, firms with strong corporate governance structures demand additional assurance from their auditor to preserve their reputation and avoid potential litigation resulting in a higher audit fee (Abbott et al, 2003) (Carcello et al, 2002). Alternatively, with regard to the audit risk perspective (Muniandy, 2007) (Tsui and Windsor, 2001) suggested that auditors regard corporate governance as an internal control mechanism that influences the nature and extent of audit testing. In firms with strong corporate governance, auditors will reduce their audit risk assessment, and would consequently reduce their audit testing, leading to lower external audit fees.

Collier and Gregory (1999), using 1991 UK data, found an increasing effect of audit committees on the size-related to audit fee, but only weak support for a decreasing effect based on the complexity and risk-related audit fee. In a post- Cadbury (1992) replication of this study, Goddard and Masters (2000) found no evidence of higher size-related audit fees and inconclusive results concerning complexity and risk-related audit fees. Both Coulton and Taylor (2001) and Sharma (2004) using Australian data, found that the existence of an audit committee is associated with higher audit fees. Abbott et al. (2003) argue that independent audit committee members might both demand higher levels of assurance and also support the auditor's demand for more testing, leading to increase in audit fees. This support is likely to be greater when committee members have the financial and auditing expertise enabling them to better understand the risks associated with a lower quality audit. Furthermore, audit committees that meet frequently are likely to be better informed and more diligent in performing their duties.

The Cadbury Committee found that the relationship between audit committees and external audit is a complex one, stemming from both the demand for audit services by the client and the supply of audit services by the external auditor. From the demand side, the presence of an audit committee may lead to an increase in audit fees because the committee should ensure that audit hours are at a level that does not compromise the quality of the audit.

Using Australian data Sharma (2004), found a significant positive association between audit fees and a three-way interaction between independence, accounting and finance expertise, and meeting frequency. A possible explanation for this result may be that there is a trade-off between audit committee diligence and the independence and/or expertise of members of the committee. For example, more frequent meetings, particularly if attended by the audit partner, may compensate for a lack of formal accounting expertise by members or for the presence of executives on the audit committee.

In their study, Carcello et al, (2002) found that the characteristics of the board of directors and not those of the audit committee are what influence the cost of the audit. In contrast, Abbott et al, (2003) reported a positive and significant correlation between the independence and experience of the audit committee and the cost of the audit. However, they did not find a significant correlation between the frequency of audit committee meetings and the audit fee. Goodwin et al. (2006) found in Australia that the independence of the board of directors and the number of audit committee meetings had a positive and significant impact on audit fees. However, they did not find a significant correlation between the independence and financial expertise of audit committee members and the audit fee. Using an experimental design, Stewart and Munro (2007) found that participants expect audit committees to increase audit fees, particularly when meetings are more frequent and the external auditor has to attend the meetings.

A recent study in Malaysia (Muniandy, 2007), found that the existence of CEO duality on the board, a proxy for board independence, was associated with higher audit fees and that this positive relationship was weakened by the presence of a strong independent audit committee. Another study on Malaysian companies, Yatim et al. (2006) found that audit fees are positively and significantly associated with board independence, audit committee expertise and the frequency of audit committee meetings.

With regard to internal audit, only a handful of studies have examined the relation between internal audit and external audit fees and results were mixed. Felix et al. (2001) found a negative association between audit fees and the contribution of internal audit to the external audit. These findings suggested that internal audit can be regarded, partially at least, as a substitute for external audit. The reduction in fees might also be a result of a lower assessment of audit risk resulting from internal audit involvement in strengthening controls. In contrast, however, Carey et al. (2000) found no significant correlation between audit fees and the level of internal audit contribution. Studies that have examined the relationship between audit fees and the existence of internal audit indicated that fees are higher when companies use internal audit. For example, Hay and Knechel (2004) suggested internal and external audit as complementary means of increasing overall monitoring. This is consistent with a broader role of internal audit, which has evolved in recent years from a narrow focus on control to embrace risk management and corporate governance (Brody and Lowe, 2000; Carey et al, 2000; Leung et al, 2004). Hence, firms that are more committed to strong corporate governance are likely to engage in greater levels of internal auditing as well as being prepared to pay for a higher quality external audit.

Based on the above, the following hypothesis are proposed:

HI: There is a positive association between the board of directors independence and audit fees.

H2: There is a positive association between the audit committee independence and audit fees.

H3: There is a positive association between the accounting and financial expertise of the audit committee and audit fees.

H4: There is a positive association between the use of internal audit and audit fees.

H5: There is a positive association between the accounting and financial expertise of the board of directors and audit fees.

H6: There is a positive association between the annual meeting of the audit committee and audit fees.

H7: There is a positive association between the annual meeting of the board of directors and audit fees.

4-Research Design:

4-1 Data Description and Data Collection:

The sample was mainly drawn from the annual reports of 225 companies listed on the Amman Stock exchange for the year 2015. The data used in this paper was retrieved from Jordan security commission website (http://www.ase.com.jo). Our sample consisted of 60 companies from the total population and was fairly represented for all industrial sectors within the economy with the exception of financial sector companies. Arounf 150 financial companies are excluded from the study, since these companies possess a different working capital structure (Klein, 2002).

Furthermore, some companies were removed due to unavailability of annual reports whereas some were excluded from the analysis due to insufficient financial data. Hence, the final sample consists of 60 firms for the remaining companies listed on the ASE for 2015.

4-2 Regression Analysis:

A multiple linear regression analysis is performed to test the null hypothesis H01. Multiple linear regression is a technique in which more than one independent is used to predict the value of the dependent variable (Burns, R.B. & Burns, R.A., 2008).

The analysis estimates parameters for the following regression equation:

ADFEE = ao + a1BDIND + a2ACIND + a3ACEXP + a4 USEIA+ a5 BDIND + a6 BDMET + a7 ACMET +e

4-3 Hypotheses Variables:

Definition	**Variables**	**Operationalization**
Audit Fees	ADFEE	Natural log of the audit fees.
Board of directors independence	BDIND	Measured by percentage of external directors on the board of directors.

Audit Committee Independence	ACIND	Measured by percentage of external audit committee member on the audit committee.
Accounting and financial expertise of the audit committee	ACEXP	Measured by the percentage of committee members with an accounting or finance qualification.
Use of internal audit	USEIA	Measured by the number of employees in internal audit department.
Accounting and financial expertise of the board of directors.	BDIND	Measured by the percentage of board committee members with an accounting or finance qualification.
Annual meeting of the board of directors	BDMET	Measured by the number of the annual board meeting.
Annual meeting of the audit committee	ACMET	Measured by the number of the annual audit committee meeting.

5- Empirical results:

This part presents results of the study which aimed to conduct a field study entitled: "Corporate Governance Characteristics and its effects on External Audit fees ".

5-1 Descriptive statistics of the variables:

Table (1) shows means and SD's of the variables for the study. This table shows the results from regression analysis where the dependent variable is log of the audit fee. In general, the table (1) shows that:

1-Mean for financial and accounting expertise of audit committee reached (M=0.46), Std. deviation reached (0.36).

2-Mean for meetings audit committee reached (4.00), std. deviation reached (0.69).

3-Mean for independence audit committee reached (0.82), std. deviation reached (0.20).

4-Mean for number of internal audit staff reached (1.57), std. deviation reached (2.07).

5- Mean for number of annual meetings of the board of directors reached (8.08), std. deviation reached (2.58).

6- Mean for accounting and financial experience of audit committee reached (0.11), std. deviation reached (0.06).

7- Mean for independence of the board of directors reached (0.91), std. deviation reached (0.10).

8- Mean for independence of audit fees reached (17827.33), std. deviation reached (22529.36).

Table (1): means and SD's of the variables for the study

Variables	**Minimum**	**Maximum**	**Mean**	**Std. Deviation**
Financial and accounting expertise of Audit Committee.	0.00	1.00	0.46	0.36
Meetings of Audit Committee.	3.00	5.00	4.00	0.69
Independence of Audit Committee.	0.25	1.00	0.82	0.20
Number of internal audit staff.	0.00	9.00	1.57	2.07
Number of annual meetings of the Board of Directors.	4.00	12.00	8.08	2.58
accounting and financial experience of board of directors.	0.00	0.14	0.11	0.06
Independence of the Board of Directors.	0.57	1.00	0.91	0.10
Audit fees	**2250.00**	**84000.00**	**17827.33**	**22529.36**

Table (2): Shows Pearson correlation between independent variables and dependent variable.

Table (2): Pearson correlation

Independent variables	**Pearson Correlation**	**Sig.**
Financial expertise Audit Committee.	0.71	0.00

Meetings Audit Committee.	0.12	0.33
Independence Audit Committee.	0.08	0.50
Number of internal audit staff.	0.48	0.00
Number of annual meetings of the Board of Directors.	-0.39	0.00
Accounting and financial members experience of audit Committee.	-0.07	0.57
Independence of the Board of Directors.	**0.23**	**0.07**

Tables (2) showed that:

1- Correlation coefficients between Financial and accounting expertise of audit Committee, Number of internal audit staff, number of annual meetings of the Board of Directors and their audit fees 0.71, 0.48, -0.39 respectively, were statistically significant at the significance level (α = 0.05). These indicate there is significant correlation between Financial and accounting expertise of audit Committee, number of internal audit staff, annual meeting of board of directors and audit fees.

2- Correlation coefficients between Annual meetings of Audit Committee, independence Audit Committee, financial and accounting experience of board of director, Independence of the Board of Directors) and audit fees 0.12, 0.08, -0.07, 0.23 respectively, shows that they were not statistically significant at the significance level (α = 0.05). This indicates that there was no significant correlation between meetings audit committee, independence audit Committee, financial and accounting experience of the board of directors, independence of the board of directors and audit fees.

The results reported in this part of the study are based on its hypotheses:

Hypotheses 1: There is a significant relationship between Financial and accounting expertise of audit Committee and audit fees.

Hypotheses 2: There is a significant relationship between annual meetings of audit committee and audit fees.

Hypotheses 3: There is a significant relationship between the independence of audit committee and audit fees.

Hypotheses 4: There is a significant relationship between the number of internal audit staff and audit fees.

Hypotheses 5: There is a significant relationship between the number of annual meetings of the board of directors and audit fees.

Hypotheses 6: There is a significant relationship between the accounting and financial experience of board of directors and audit fees.

Hypotheses 7: There is a significant relationship between the independence of the board of directors and audit fees.

To study these hypotheses, multiple regression between dependent variable with independent variables was used. Table (3) shows that.

Table (3): multiple regression

Independent variables	Constant	VIF	β	T	Sig.	R	R-Square	F	Sig.
Financial expertise Audit Committee.	-32585.31	1.25	0.62	7.47	0.00	0.85	0.71	18.77	0.00
Meetings Audit Committee.		1.07	0.12	1.57	0.12				
Independence Audit Committee.		1.34	0.19	2.20	0.03				
Number of internal audit staff.		1.50	0.10	1.07	0.29				
Number of annual meetings of the Board of Directors.		1.23	-0.42	-5.09	0.00				
Financial and accounting experience of board of directors		1.17	0.02	0.26	0.79				
Independence of the Board of Directors.		1.24	0.14	1.65	0.11				

Table (3) shows that:

1- There is a significant relationship between Financial expertise of audit Committee and audit fees, β value reached (0.62), T. value reached (7.47) by Sig. (0.00), this indicate to accept first hypotheses.

2- There is a no significant relationship between the meetings of audit committee and audit fees β value reached (0.12), T. value reached (1.57) by Sig. (0.12), This indicates to reject second hypotheses.
3- There is a significant relationship between independence audit committee and audit fees, β value reached (0.19), T. value reached (2.20) by Sig. (0.03), This indicates to accept third hypotheses.
4- There is a no significant relationship between number of internal audit staff and audit fees, β value reached (0.10), T. value reached (1.07) by Sig. (0.29), This indicates to reject fourth hypotheses.
5- There is a significant relationship between number of annual meetings of the board of directors and audit fees, β value reached (-0.42), T. value reached (-5.09) by Sig. (0.00), This indicates to accept fifth hypotheses.
6- There is a no significant relationship between the financial and accounting experience of board of directors and audit fees, β value reached (0.02), T. value reached (0.26), by Sig. (0.79), this indicates to reject Sixth hypotheses.
7- There is a no significant relationship between independence of the board of directors and audit fees, β value reached (0.14), T. value reached (1.65) by Sig. (0.11), this indicates to reject Seventh hypotheses.

6 - Conclusions:

The study examined an association between corporate governance variables of companies listed on the Amman Stock exchange in 2015 and the external audit fees, It was found that the independence of audit committee, financial and accounting expertise of audit committee and the number of annual meetings of the board of directors positively and significantly associated with the external audit fees.

This finding is consistent with the demand-based perspective of audit services, wherein firms with strong corporate governance characteristics demand additional assurance from the auditors and higher audit quality, resulting in higher external audit fees.

The statistical results also showed no correlation between the Annual meetings of audit committee, number of internal audit staff, financial and accounting experience of board of directors, independence of the board of directors, and higher external audit fees.

In addition to that, the results of this research may support the Jordanian laws and regulations recommended to strengthen the external auditing and corporate governance mechanisms at public companies in Jordan.

The present study had a number of limitations that should be noted and also provide opportunities for further research. The number of employees in internal audit might not be a good measure of the use of internal audit as it does not take into account the use of outsourcing employees into internal audit on a temporary basis. The size of the internal audit budget could be used in future research.

Although research has indicated a link between audit fees and audit quality thus, additional research is needed to distinguish between supply side and demand side effects on audit fees and to unravel the complex interrelationships between the various monitoring mechanisms. Other variables such as managerial ownership and internal control can also be considered in future research. Such a study could enhance our understanding of the association between corporate governance characteristics and audit monitoring in emerging markets.

Finally the results of present study is in compatible with the results conducted by other researchers in Arabian countries (Hassan, 2016) with the samples from non financial companies listed on the Financial Markets, as it reveals that external audit fees are positively and significantly associated with corporate size and the independence of the audit committee.

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