



Improving The Quality Of Audit Team Performance Using Modern Systems

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Abstract

This research aims to demonstrate the impact of modern systems on the role of audit teams, given that auditing is a fundamental function and also a governance mechanism that works to increase confidence in financial statement data and its quality. Given its important role in economic activity, management relies on this process to make its decisions. This resource manages the creation of financial reports and is involved in overseeing the financial reporting and communication procedures to investors, guaranteeing their reliability. The existing study is also focused on determining how the usage of contemporary systems influences the standard of performance, resulting in enhanced profit quality. It is inadequate to merely establish audit groups within organizations; these groups need to function effectively to facilitate their operations and responsibilities with minimal exertion and in the shortest possible timeframe, aiding in making essential decisions promptly. This research was applied to a number of banks of Iraq, impact of the using modern systems for audit teams on the level of performance quality was measured. The role of audit teams in improving performance quality was also measured. The measurement tool was developed through prior research and subsequently reassessed within the study group to evaluate its appropriateness for the sample. This was accomplished using statistical techniques. The key findings reveal a statistically significant impact of incorporating contemporary systems for audit teams on performance quality levels. Utilizing modern systems enhances the ability to identify mistakes while also streamlining the time and effort needed for audits, ultimately shortening the entire audit process. Organizations urgently require sufficient time to make sound decisions promptly, which subsequently boosts profitability. Furthermore, the adoption of advanced technologies plays a vital role in enhancing the performance quality of audit divisions and tackling the challenges arising from the evolution of auditable organizations in employing modern methodologies. It also helps them keep pace with e-governance, a policy adopted by many companies and embedded within their management across all their interests. This research also presents a number of recommendations aimed at strengthening the oversight role of audit teams in their oversight responsibilities.

Keywords: Modern systems, audit teams, performance quality, earnings quality.



تحسين كفاءة أداء فرق التدقيق باستخدام الأنظمة الحديثة

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المخلص

يهدف هذا البحث إلى توضيح أثر الأنظمة الحديثة على دور فرق التدقيق، إذ يُعدّ التدقيق وظيفةً أساسيةً تعمل على امكانية الاعتماد على بيانات القوائم المالية وجودتها. ونظرًا لأهميته في الفعاليات الاقتصادية لذا فإن الإدارة تعتمد على هذه العملية لاتخاذ قراراتها. تُدير هذه العملية إعداد التقارير المالية، وتُشارك في الإشراف على إجراءات إعداد التقارير المالية والتواصل مع المستثمرين، مما يضمن موثوقيتها. كما تُركز الدراسة الحالية على تحديد كيفية تأثير استخدام الأنظمة الحديثة على مستوى الأداء، مما يؤدي إلى تحسين جودة الأرباح. لا يكفي مجرد إنشاء فرق تدقيق داخل المؤسسات؛ بل يجب أن تعمل هذه الفرق بفعالية لتسهيل عملياتها ومسؤولياتها بأقل جهد وفي أقصر وقت ممكن، مما يُساعد على اتخاذ القرارات المهمة بسرعة. تم تطبيق هذا البحث على عدد من المصارف في العراق، وتم قياس أثر استخدام الأنظمة الحديثة لفرق التدقيق على جودة الأداء. كما تم قياس دور فرق التدقيق في تحسين جودة الأداء. تم تطوير أداة القياس من خلال البحوث السابقة، ثم أُعيد تقييمها ضمن مجموعة الدراسة لتقييم مدى ملائمتها للعينة. وقد تم تحقيق ذلك باستخدام الأساليب الإحصائية. تكشف النتائج الرئيسية عن وجود تأثير ذي دلالة إحصائية لدمج الأنظمة الحديثة لفرق التدقيق على مستويات جودة الأداء. إن استخدام الأنظمة الحديثة يعزز القدرة على تحديد الأخطاء مع تبسيط الوقت والجهد اللازمين لعمليات التدقيق، مما يؤدي في النهاية إلى تقصير عملية التدقيق بأكملها. تحتاج المنظمات بشكل عاجل إلى وقت كافٍ لاتخاذ قرارات سليمة في الوقت المناسب، مما يعزز الربحية. علاوة على ذلك، يلعب اعتماد التقنيات المتقدمة دورًا حيويًا في تحسين جودة أداء أقسام التدقيق ومعالجة التحديات الناشئة عن تطور المنظمات الخاضعة للتدقيق في استخدام المنهجيات الحديثة. كما يُساعد على مواكبة الحوكمة الإلكترونية، وهي سياسة تتبناها العديد من الشركات وتُطبّقها إدارتها في جميع قطاعاتها. كما يُقدّم هذا البحث عددًا من التوصيات التي تهدف إلى تعزيز الدور الرقابي لفرق التدقيق في مسؤولياتها الرقابية.

الكلمات المفتاحية: الأنظمة الحديثة، فرق التدقيق، كفاءة الأداء.

Chapter One / General Framework

Introduction

The world today is witnessing significant development in the role played by modern technologies in all fields, both economic and social. The principle of focusing on information and technology has become an important factor in progress and development in many areas. Information technology has become an essential and effective tool for all private and public companies to carry out their activities quickly and accurately. It is worth noting that management in most institutions, whether commercial or service-oriented, faces several difficulties, the most important of which is a lack of efficiency in many cases. This negatively impacts the quality and efficiency of performance and the failure to provide high-quality services.



As the auditing process is an independent and objective activity, it provides assurance and advisory services with the aim of adding value to the organization and improving its operations. This activity helps achieve the organization's objectives by adopting a systematic, organized approach to assessing and improving the effectiveness of governance, risk management, and control processes. According to the Institute of Internal Auditors (IIA), the use of information technology in this field has become an urgent necessity and a fundamental element for the audit department's success in performing its duties with the required speed and accuracy. This is especially true given that most departments seek to manipulate their earnings reporting process in an attempt to achieve their goals and protect their personal interests. This affects the quality of the disclosed financial reports on which stakeholders rely in their decision-making, potentially leading them to make unsound decisions.

As a result of the collapses experienced by major companies worldwide, which were attributed to the shortcomings of internal control systems and outer audit bodies in detecting instances of manipulation practiced by companies in preparing their financial statements (Al-Saratawi, et al., 2013), accounting and professional organizations in many countries have recommended the formation of audit teams. The U.S. (SEC) has proposed the formation of an audit team consisting of non-executive members, disclosing how it is formed and determining the frequency of its meetings. (Bédard, et al., 2004) Audit teams, as one of the governance mechanisms, enhance users' confidence in the financial statements' data and their quality through the team's role in enhancing the independence of the internal auditor, supporting the internal control system, and enhancing the integrity and quality of the financial statements (Hamidi, et al., 2017).

The recent strategy and guidelines of the firm rely heavily on the assessments provided by the financial oversight teams regarding the operational and financial outcomes of the management and financial oversight roles. Consequently, the roles of management and financial oversight carry crucial responsibilities tied to assessing the company's operations and businesses while consistently steering it towards enhancements in both financial and administrative standards to achieve superior performance levels. The judgment on the extent to which the audit teams achieve the goal of their formation and the performance of their role is not only related to their composition, but rather extends to paying attention to the characteristics of the audit team in a way that enables its members to carry out their tasks and perform their responsibilities to provide financial data of high quality and credibility on which the interested parties base their various decisions (Khudhair, 2020).

Many questions have been raised about the role of audit teams in economic activity and in improving the quality of profits, as audit teams are now one of the most important tools that management relies on in making its decisions. This explains the focus and interest in last years on the role of audit teams as a



mechanism for corporate governance, which focuses on increasing the effectiveness and independence of the oversight function, especially after the financial setbacks and collapses of major global companies. Most previous research recommended many factors that help improve financial reports by strengthening and enhancing the role of audit teams and providing several characteristics to increase their effectiveness, represented by the size of the team, the experience and financial knowledge possessed by team members, the degree of their independence, and the frequency of team meetings (Hamdan et al., 2011).

Therefore, organizations need to meet their customers' needs and deliver high levels of performance by utilizing audit teams based on modern systems to improve the company's profitability and quality, achieve continued success, and maintain a competitive advantage. Therefore, the use of modern systems in auditing operations will provide significant savings in time, effort, and accuracy. This will help address the challenges posed by digital transformation in the auditing sector, as the electronic processing systems now available will enable audits to be performed with complete professionalism. This is to ensure high accuracy, efficiency, and the success of the organization.

Research Problem

Audit teams face numerous challenges and difficulties, most notably the high cost of audit assignments, limited human and financial resources, and, in many cases, their incompetence. Furthermore, they require significant time to complete their operations, which negatively impacts the quality and efficiency of their work and their role in providing the desired contribution. Conversely, the use of modern systems saves significant time and effort, requiring audit teams to work more aggressively and professionally to address the challenges posed by digital transformation in order to ensure quality, effective auditing, and the success of institutions. In this context, and given the significant importance of modern technologies in the field of auditing, this research aims to understand the importance of modern systems for audit teams in improving the efficiency and effectiveness of this field, and whether this impacts earnings quality. Therefore, the research problem can be summarized by answering the following question: "Does the use of modern systems for audit teams have an impact on improving earnings quality?"

Research Objective

The research aims to identify the impact of modern systems for audit teams on improving the level of earnings quality in banks. Significance of the research: The research derives its importance from a set of scientific considerations, as it addresses a modern accounting topic that has attracted the attention of researchers in recent years. This is an extension of researchers' efforts aimed at combating earnings management. The research addresses the use of modern audit team systems as a modern approach to improving performance quality.



Research Variables

The research includes two variables:

- a) The independent variable: modern systems and the nature of the work of audit teams.
- b) The dependent variable: quality of performance.

Research Limits

This research was limited to government banks, as they are governed by procedures and controls that differ from other sectors, and study data were available.

Research hypotheses

- 1- There is no statistically significant correlation between the nature of audit team work and the performance quality axis.
- 2- There is no statistically significant correlation between the dimension of using modern systems and the performance quality axis.

Definition of Terms

Modern systems: A set of applications that assist management in making sound decisions.

Audit Team: A team formed by the company's board of directors, consisting of non-executive members, consisting of several members, at least one of whom has previous work experience in accounting or financial matters, or holds an academic qualification or professional certificate in accounting, finance, or other related fields.

Quality of Performance: This means performing audit tasks with honesty, caution, and responsibility, which makes the audit function trustworthy. It also means performing audit work efficiently and effectively in accordance with established standards and quality control controls, and expediting the process of disclosing discovered violations and errors in a manner that achieves the expected objectives of the audit process for the beneficiary parties (Khudhair, 2021).

Literature review

After the financial crises, researchers became interested in studying the importance of audit teams and their impact on improving earnings quality. The economic environments that addressed the topic varied, including developed and developing countries. The vast majority of previous studies were conducted on non-financial institutions, relying on the descriptive analytical approach and financial statement analysis to measure earnings management. These studies include:

- A study by (Malhotra and Mishram, 2016) indicated that the characteristics of audit teams influence earnings management, and that the number of team



members is highly effective in reducing earnings management due to the members' diverse expertise. Furthermore, a team that meets regularly has a greater opportunity to discuss financial problems and issues, thus reducing earnings management.

- A study by Al-Saratawi et al., (2013) concluded that audit team members have no impact on earnings management.
- A study by Ben-Amar (2014) concluded that the independence of the majority of audit team members contributes effectively to reducing this type of practice.
- A study by (Zgarni and Halioui, 2016): This study found a direct relationship between the number of audit team members and earnings management, and attributed this to the fact that increasing the number of audit team members reduces the effectiveness of the audit team in carrying out its duties.
- A study by (Zgarni et al., 2018): The study concluded that a large number of members leads to conflicts and blocs that cause the team to lose focus and delay decision-making processes.
- A study by (Malhotra and Mishra, 2016) concluded that a large audit team has more experience and is in a better position when discussing management matters.
- A study by Abu-Saleem, (2019) concluded that the independence of audit team members has a significant negative impact on earnings management.
- Study by Qudaih, (2013) indicated a positive relationship between audit team independence and earnings management, which may be due to the insufficient number of independent audit team members. They are incompetent to detect these practices, due to the significant dominance of directors, or the presence of family ties among audit team members.
- A study by (Juhmani, 2017) suggests that the audit team chair's obligation is to audit the financial reporting process until it reaches a high level of quality. Therefore, the availability of accounting and financial expertise on the audit team will enhance its efficiency in detecting and limiting earnings management practices.
- A study by Kibiya et al., (2016): confirm that financial expertise is important for the independent evaluation of financial issues submitted to the audit team. Also that the presence of a member with financial and accounting expertise enhances the quality of financial reports.
- A study by (Habbash, 2010) found no significant effect of audit team members' experience on earnings management. This is because audit team members may be busy with other tasks, which reduces the accuracy of their work on the company's business. Alternatively, audit team members may hold executive positions at other companies, which forces them to maintain good relationships with the company's managers.

Chapter Two/Theoretical Framework



Introduction

Recently, global interest has increased in the role of corporate audit teams, highlighting their efficiency and effectiveness, as well as their role in oversight and supervision as a mechanism for corporate governance. This focus aims to increase the accountability of the board of directors and enhance the effectiveness and independence of the audit function, particularly following the financial and administrative failures of many foreign and local companies. Among the most important objectives that have led to increased interest in audit teams is the development of recommendations to help improve financial reporting. Most studies in most countries, regardless of their economic classification, have confirmed the significant impact of audit teams on earnings management. Audit teams are one of the most effective tools for detecting and limiting the practice of earnings management (Habbash, 2010). This is accomplished by implementing all necessary steps to discourage management practices and to stop them from exploiting the resources of the organization for personal gain. Audit teams have a significant responsibility in monitoring the accounting practices and financial statements of companies, making certain that their directives are followed, and addressing the challenges these companies encounter, including the factors that led to the downfall of major global firms due to deception. Due to manipulation and oversight by either outer or internal actors or a combination of both, the global perspective on corporate governance has shifted, leading to the adoption of its principles in laws and frameworks, owing to the numerous benefits and advantages it offers.

- The nature and concept of audit teams: The most important reasons that led to the formation of audit teams in companies were manipulation and fraud in financial reports. The financial collapses and failures of major global companies led professional bodies, organizations, and legislators to demand and recommend the formation of audit teams from board members. These teams should be assigned a set of tasks and duties, and their formation should be described in order to assist boards of directors in fulfilling their oversight and control responsibilities (Al-Moumani 2009). The idea of audit teams originated in the late nineteenth and early twentieth centuries, when the London Stock Exchange advised British companies listed on the stock exchange to configurator an audit team in 1978. Corporate governance at that time played a role in discussing the duties of non-executive directors. In 1991, the Institute of Chartered Accountants in England issued a recommendation to implement the concept of audit teams and provide details on how to form them and define their duties. This was due to the need to achieve better and more effective auditing of the team by the board of directors. Their activities ought to be regulated by a documented manual that distinctly specifies their roles and how to execute them. The team possesses adequate power to fulfill its obligations, undertaking numerous responsibilities, with the primary one being the assessment of



financial statements prior to their delivery to the Board of Directors. Additionally, it serves as an intermediary between the external auditor and the Board of Directors. Additional responsibilities consist of evaluating the selection of the external auditor, examining the audit strategy, analyzing the audit findings, and assessing the internal control framework (Goddard & Andrew, 2000).

The United States of America is considered the most important international experience in the field of implementing audit teams due to the nature of its capital market. The emergence and growth of the idea of audit teams was linked to the Great Depression that shook the world in 1928 and 1929, which represented a major turning point in capitalist economic thought in all its aspects. This resulted in the management of joint-stock companies in the United States of America being able to show incorrect results, which led to wrong decisions by shareholders. This led to a significant collapse in stocks. This Great Depression resulted in the establishment of the US Securities and Exchange Commission (Qudaih, 2013). In line with this trend, numerous relevant organizations in several nations worldwide, including the US, the United Kingdom, Canada, France, and Malaysia, have released suggestions about the significance of forming audit teams within businesses. These teams have taken on a crucial role in assessing how well companies are doing, determining their market worth, and ensuring the trustworthiness of their financial statements (Abu Zar, 2010). Their work should be supported by documented evidence that shows all its responsibilities and the methods of carrying them out, as the team must have sufficient authority to carry out its tasks, and carry out many documented tasks (2000, Goddard & Andrew).

The audit committee is described as a permanent group created by the board of directors, made up of 3 skilled and knowledgeable non-executive members. Some audit teams gather every three months and need to maintain direct contact with shareholders by producing reports separate from the yearly reports (Hamad, 2005). It is also required to clearly show how well corporate governance principles are being followed and to perform tasks related to oversight, auditing, and accountability (Al-Dhanibat, 2006). Additionally, this team is typically made up of non-executive directors of the organization, and its main purpose is to improve the effectiveness of the audit process and enhance accountability in management. It is also defined as a team whose members are appointed by the company from among the non-executive members of the board of directors. It serves as a channel of communication between the board of directors and the company's outer auditor and has an oversight role over all company operations (Dahdouh, 2008). Al-Rahili, (2008) pointed out that the audit team is made up of company leaders whose job is to review the yearly financial reports before they are sent to the board of directors. The audit team acts as a link between the auditors and the board of directors. Its



activities include reviewing the nomination of the statutory auditor, the scope and results of the audit process, as well as the company's internal control and all financial information prepared for publication (Al-Rahili, 2008). A select number of individuals were identified from among the company's board members to be responsible for maintaining the auditor's independence from management. It may consist of three, five or seven non-managers from the board of directors to be among its members (Arens, et al. 2010).

The Importance and Objectives of Audit Teams

The value of audit teams is clear in the advantages they are likely to offer to everyone involved, including the board of directors, outer and internal auditors, shareholders, and other interested groups. The advantages that audit teams bring to these groups can be outlined as follows (Soliman and Ragab, 2014):

1. Its Importance to the Board of Directors: Establishing an audit team will assist executive board members in fulfilling their duties and responsibilities, particularly with regard to accounting and auditing, by improving communication between the board of directors and the outer auditor. This happens by having discussions with the outside auditor during and at the conclusion of the auditing process, sharing the outcomes of those discussions with the board of directors, and helping to fix any issues the auditor may face with the company's management when preparing financial statements.
2. Why It Matters for the Outer Auditor: The involvement of audit teams helps to support the outer auditor's independence, allowing them to carry out their responsibilities without influence or pressure from management. There are specific standards that define the relationship between them, including how audit teams help choose the outer auditor, set their payments, solve any disputes with management, and enhance communication between the internal auditor and the outer auditor.
3. Why It Matters for Internal Audit: Audit teams are responsible for choosing the leader of the internal audit department, providing what is needed for this department, and regularly meeting with them to sort out any issues that arise with management, which boosts independence and strengthens the function of the internal audit department.
4. Why It Matters for Investors and Outer Groups: The creation of audit teams in companies leads to greater reliability and clarity in the accounting data and reports generated by these companies, which, in turn, increases the confidence of investors and outer parties in these documents.

The primary objective of forming audit teams is to ensure that financial statements are free of errors, fraud, and manipulation, and to seek to detect management manipulation and fraud. The objectives of audit teams can be defined as follows (Ahmed, 2011):

1. Help confirm that the yearly financial statements that have been examined are accurate and complete.



2. Create a way for the team to talk with both internal and external auditors and also connect them to the board of directors, ensuring information is consistent among board members.
3. Organize the efforts of internal and external auditors.
4. Assist managers in meeting their duties to the best of their abilities.
5. Check how well risk management systems are working and assess the effectiveness of operational processes.
6. Make sure that financial transactions and individual actions follow the relevant laws and regulations.
7. Maintaining and enhancing the company's reputation by strengthening relationships with all stakeholders.

Al-Suwaiti, (2006) states that helping the board of directors carry out its responsibilities regarding int. cont. systems, audits, and financial reporting is important. This also means making sure the company follows relevant laws, regulations, and ethical standards. It is crucial for the team to have the power to look into issues related to its duties, hire independent experts from needed fields for advice, and gather all necessary information to reach its goals from both internal and ext. sources. The main aim of creating audit teams is to set up effective oversight systems that are based on sharing feedback and information with different dep. This will help encourage teamwork and build trust among all employs and other stakeholders in the business.

- Characteristics and duties of audit teams

First: Number of audit team members: The amount of people in a team can change between different companies and countries based on how big the board of directors is, the company's overall size, and what the company does. Still, no matter how big a company is or what it does, there should be enough team members to bring together the right skills and knowledge needed to complete their tasks and meet their goals. It is important to consider not adding too many members, as this could make quick and efficient decision-making harder, nor to decrease it in a way that would limit the team's efficient and effective performance. The optimal number of audit team members ranges from three to five to seven members to ensure the team's independence, as is the case in the United States. Audit teams must combine experience and rotation of membership to ensure the continuity of expertise and the updating of opinions and viewpoints.

Second: The independence of audit team members: Independence is a key idea in auditing, which means that the group must have mostly non-executive board members who can use their judgment and discretion without relying on management. This independence is crucial for team members to effectively perform their oversight roles, as it enhances their strength and support. The ability of audit team members to remain independent is based on their capacity to make fair and realistic choices without outside influences, even if those



choices go against what senior management wants or needs. Their level of independence is evaluated by how many non-executive directors are part of the team (Hassan, 2009).

Third: The experience and knowledge of audit team members: It is some times agreed that audit team members possess the experience, knowledge, and skills that enable them to monitor and evaluate internal control systems and adhere to regulatory procedures. They must also have the ability to understand accounting, auditing, and financial management matters, and be sufficiently familiar with preparing financial reports and the nature of the company's business or the field in which it operates. The complexity of financial instruments, the complexity of corporate capital structures, the emergence of new industries, and the innovative application of accounting standards all together highlight the importance of having only qualified board members serve on audit teams. The expertise of team members is an important pillar, given that many of the accounting issues audit teams must resolve rely on personal judgment, which is undoubtedly influenced by the member's level of experience in accounting and auditing.

Fourth: Numerous of audit team members' meetings: Number of times the audit team meets through the year is an important measure and one of the factors that influence the team's effectiveness and ability to perform its duties and perform its role positively. This number of meetings is related to the team's responsibilities and the nature of the company's circumstances. This number is determined by the team itself based on what it deems appropriate. The 2003 Smith Report in Britain recommended that the appropriate number should be no less than three times a year, while the Way Tread Team in the United States recommended that meetings be held quarterly. Article (15) of the Disclosure Instructions for Issuing Companies, Accounting Standards and Auditing Standards for the year 2005 issued by the J.S.C. recommended that the team meet at least four times/ year.

Corporate Governance: This term refers to a collection of foundations, guidelines, and systems that regulate how the board of directors interacts with the company's owners and other stakeholders. The goal is to ensure the best protection and balance of interests for everyone involved (Egy. Guide to Co. Gov. 2016). It also consists of laws and rules that companies follow to show more transparency and clarity in their financial and structural matters and to boost their trustworthiness in financial markets. Essentially, it is a tool that helps financing providers secure better returns on their investments.

Governance is used in multiple ways. It can be required by law or suggested for implementation. Company boards of directors adopt it to enhance the company's performance, while some aspects are mandated by law and others are optional, based on how critical the standard is. The Guide to Governance Rules for Public Joint Stock Industrial Companies, released by the Securities Commission,



discusses in Chapter 5 the importance of auditing teams, including their roles and authority. It has become essential to have strict controls, standards, and established laws regarding the selection of audit teams, which should include criteria that specify how these teams are formed, their roles, and responsibilities, to ensure they can be applied both globally and locally. This is particularly important in light of the global financial crises at the start of the 2000s, which led to the downfall of not just companies but also significant nations. Some research about audit teams has faced criticism, and some have raised concerns about the formation of these teams and the necessary criteria for them to ensure their independence, which is vital for achieving favorable results through their role in oversight and regulation in a more impartial way. On a local scale, standards, regulations, and laws for audit teams were established by both the Securities Commission and disclosure guidelines for companies, keeping in mind the advancements happening worldwide and to prevent the challenges faced by major firms in developed nations, particularly as the business market opened up to global trade and entered into organizations like the World Trade Organization and the Free Trade Organization, with the goal of attracting foreign and Arab investments.

Earnings Quality: Earnings quality refers to the extent to which reported earnings accurately and fairly reflect a company's true earnings. In other words, high-quality published earnings have a tangible, non-exaggerated cash flow and potential for realization. The concept of earnings quality is also an important part of the financial analysis process. Understanding earnings quality is crucial for financial analysts, helping them analyze information from three key perspectives: (Dechow and Schrand, 2004)

- Current performance
- Future performance
- The company's current value

The concept of earnings quality is an important indicator of dividend payouts, as profits increase with increasing quality, and the amount of dividends also increases with increasing quality of earnings. The importance of earnings quality stems from the importance of earnings, which many parties rely on in making their decisions. It is considered an important element in financial statements, as it is used to rationalize decision-making. Relying on low-quality earnings leads to inappropriate decisions or when the timing is inappropriate. Therefore, it is essential to ensure that financial reports related to earnings are not misleading and are available in a timely manner. The more appropriate the timing, the more correct the decisions made. De Jun summarized the factors affecting the quality of earnings into six, the most important of which are the following:



1. Quality of accounting standards: Quality of standards prevents the exploitation of gaps in accounting principles in earnings management, which increases earnings quality.
2. Differences in accounting standards: The differences in standards used in preparing financial reports between local and international ones have an impact on earnings quality. International accounting principles are less practiced in earnings management due to their robustness.
3. Shareholder composition: There is a direct relationship between the percentage of shares owned by board members and earnings quality. Earnings management practices are lowest in companies with the highest percentage of board members.
4. Shareholder control: When shareholder control falls below half, earnings quality declines.
5. Board members: Independent board members may contribute to improving earnings quality.
6. Audit Team: A larger audit team increases oversight over financial reporting, which leads to improved earnings quality by reducing the likelihood of financial statement manipulation.
7. Use of modern systems: Using of new systems increases expertise in detecting errors and reduces the time and effort required to complete audits. This means saving audit time. Companies desperately need the time to make appropriate decisions in a timely manner, which in turn Leads to increased profits (Khudhair, 2019).

The Audit Team and Its Relationship to Earnings Quality

Audit teams have significant responsibilities toward stakeholders involved in the company's operations, particularly following the financial collapse of some global companies. Earnings presented not based on facts can result in misleading results (Dewi and Yasa, 2020). This has increased the importance of the team's role in overseeing financial reporting and monitoring whether companies are practicing earnings management in their accounts, according to a set of procedures that monitor companies' tendency to manipulate figures and their efficiency, which impacts their quality. Audit teams also play a major role in monitoring the optimal use of available resources and accounting information resources (Khudhair, 2020) and deterring earnings management practices through their systems in the areas of supervising internal audit work and internal control systems, supporting outer auditing, contributing to risk management, and using modern systems (Khudhair, 2020). This enhances their position in order to ensure the optimal use of available resources and present a true and fair model of the company's performance (Oroud, 2019). Therefore, audit teams, especially their formation process, have received great attention to ensure they perform their duties efficiently and effectively. Company boards of directors must be careful in their formation procedures through controls that guarantee



their efficiency and independence. They require integrity, objectivity, and specialized financial and accounting expertise in the field of expertise, while allocating sufficient time to discuss various work-related issues and distributing tasks among members to complete them without delay. The importance of paying attention to these characteristics increases in work environments characterized by Their operations are as complex as those of banks, so the audit team can detect fraud in a timely manner. Therefore, we find that the work of audit teams reduces the possibility of manipulation in financial statements and ensures access to comprehensive and integrated information that helps users make appropriate, timely decisions and seize opportunities that help improve and increase profits (Khudhair, 2020).

Modern Systems and Audit Teams

Companies' business policies and direction have recently relied entirely on the reports issued by audit committees for performance, whether administrative or financial, as well as administrative and financial oversight functions. Consequently, these functions have highly sensitive tasks related to evaluating and continuously directing company activity and business to improve the financial and administrative performance of the company and achieve high levels of performance. Therefore, they require support in performing their duties, including the use of modern methods and the application of the latest techniques aimed at developing the skills of participants in internal planning processes, reviewing problems and ways to address them, and developing effective policies and methods for eliminating problems that hinder the proper flow of work.

Juhmani's study (2017) demonstrated that the use of modern systems in auditing processes achieves significant gains in time, effort, and accuracy in performance. This helps address the challenges posed by digital transformation in the auditing sector. The electronic systems now available will enable audits to be performed with complete professionalism, ensuring high accuracy and effectiveness and ensuring the success of the organization. The financial expertise of audit team members increases the likelihood of detecting, reporting, and correcting material errors early, preventing their escalation.

Benefits of Using Modern Systems

Modern software provides significant facilities for audit management, enabling it to improve its performance and the quality of its output. The most important of these benefits are:

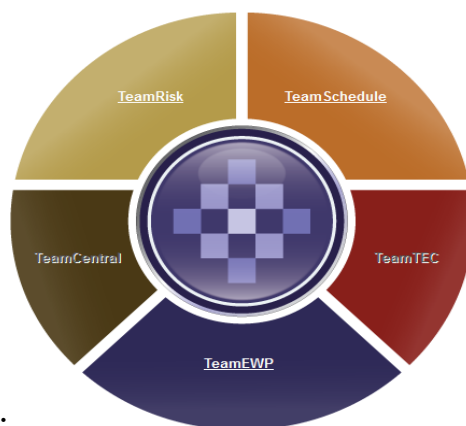
1. Data collection from the audited entity independently, without any interference with its data or programs. Data extraction is analyzed in line with pre-defined audit objectives.
2. Speed of data collection and processing improves audit productivity by reducing the time required to complete audit tasks.



3. Ability to process big data simultaneously and dynamically.
 4. Ability to detect unusual data anomalies.
 5. Helps identify weaknesses and deficiencies in internal control systems.
 6. Saving audit management expenses, especially travel and telephone expenses in the case of companies with geographically dispersed branches.
 7. Saving human resources.
 8. Recording all stages of the audit process, from planning to report writing, provides documented evidence to protect the auditor and allows for reprogramming these stages for automated re-execution in future assignments.
- In addition to a set of exclusive features and facilities that each system provides to its users.

Electronic systems used in the audit field

1- Team Mate: Do More with Less: Considered the world's leading audit management software, Team Mate has revolutionized the auditing industry, enabling audit departments of all sizes to spend less time on programming, documentation, and review, and more time providing value-added services. This has led to nearly 85,000 auditors from over 2,000 organizations worldwide having already discovered and tested Team Mate's offering. By providing an integrated electronic system for audit departments, Team Mate removes the barriers associated with traditional document work and focuses on electronic files, increasing leadership efficiency across all aspects of the workflow from the beginning to the end of the audit process. Team Mate is considered one of the most important electronic systems that touches on all stages of the internal audit process through a comprehensive system consisting of five specialized and



integrated programs:

A- Team Risk Management: As part of the Team Mate system, Team Risk is an advanced risk assessment system that enables audit departments to develop a risk-based audit plane.

B- Team Schedule Audit Programming: Team Schedule enables users to program their tasks and available resources in a way that clarifies staff allocation and task tracking within an annual schedule. The most important functions offered include:



- Project scheduling based on user-defined criteria (risk, expected start date, type, location)
- Resource allocation and distribution (financial and human)
- Resource search: An advanced tool that allows audit assignments to select their team members based on the current task needs.

C- Timing and Expense Tracking (Team TEC): As part of the integrated Team Mate system, Team TEC enables the identification of time and expenses related to audit assignments. This application also allows the monitoring of the progress of assignments assigned by the audit department and their associated costs, and the generation of reports summarizing progress rates and related expenses.

D- Team EWP (Electronic Working Papers) Audit Documentation System: As part of the integrated Teammates system, this application, through its coherent database structure, enables the retrieval of necessary data and increases the efficiency of the documentation and auditing process. All important information, such as programs, discrepancies, notes, agreements, and the history of database changes, is recorded electronically, allowing access at any time and by any third party.

E- Team Central Audit and Discrepancies Monitoring: This component represents a robust and coherent database for monitoring the audit and discrepancies process via the web. It collects data on all tasks recorded in the Team EWP application and the results achieved, in addition to monitoring the implementation of recommendations submitted by relevant departments and senior management.

2- IDEA Audit and Data Analysis System: As one of the leading programs in the field of financial data processing, currently in its tenth version, issued by ASEWARE, this program provides significant facilities for dealing with, analyzing, and processing databases with the required accuracy and speed, enabling increased efficiency and quality of the audit department's work:

- Facilitates the process of importing data from any database,
- Facilitates the process of converting data after processing to any format (.pdf, .xls, .txt, etc.),
- Access to several common audit functions, including Benford's Law,
- Records all stages of the audit and data processing, enabling use in subsequent audit assignments,
- Provides facilities, most notably IDEA add-ons, IDEA Script, Forums, Webinars, and the Support Portal.

3- Audit Command Language (ACL): As one of the most widely used financial data processing programs worldwide, issued by ACL, this program provides significant facilities for handling, analyzing, and processing databases with the required accuracy and speed, enabling increased efficiency and quality of the audit department's work. Among the most important functions of the program in its current version, ACL 13, as presented on the product's official website, are:



- Aging data according to its history
- Discovering repetition in numbers
- Exporting data from the program to other programs,
- Extracting exceptional data from extract files.
- Detecting gaps in the data sequence (gap identification)
- Joining and merging data from two separate files into a single file (joining and relation)
- Classifying data into specific layers based on a factor appropriate for control purposes (stratification)
- Sampling
- Classifying and sorting data according to any field within the file (sorting)
- Summarizing and aggregating data for control purposes (summarization)
- Aggregate data values in fields (total file).

4- Microsoft Excel (MS Excel): This program is one of the most important software programs used by auditors due to its ease of use and the availability of explanatory references in most languages. This program offers numerous functions to its users, the most important of which, are:

- Data organization: Organizing numeric or text data into spreadsheets or workbooks helps the auditor make better decisions.
- Data reformatting and rearranging: As the auditor reviews different configurations, Excel recognizes and recognizes the user's style and automatically completes the remaining data. No formulas or macros are required. The "Tell Me" search feature guides the auditor to feature commands so they can find the results they're looking for.
- Personal data analysis: Excel performs complex analysis for the user and summarizes the data with previews of pivot-table options, so they can compare and select the option that best represents their idea.

5- Microsoft Access: This program is one of the most important electronic programs used by auditors due to its ease of use and the availability of explanatory references in most languages. This program offers many features to its users, the most important of which are:

- Quick start by use database templates: We can efficiently initiate by developing a personalized application or find motivation from a set of fresh application templates showcasing expert layouts. Additionally, you can develop templates from applications you have built for reapplication or distribution to others.
- Data synchronization between Access and business suite tools: The connector library available in Access offers several methods to merge data from the applications and information sources that you business relies on. Collaborative



environments using contemporary data sources generate a series of insights and visual representations within the well-known Access interface.

- Data storage in SQL: You can store data in SQL Server and Microsoft Azure SQL to enhance reliability, robust security, scalability, and long-term manageability. Access applications contribute to improving the syntax of standard SQL syntax as well as mission-critical applications, whether deployed on-premises or in the cloud.

How to Use Modern Electronic Systems to Improve Performance

You can use one or more of these electronic systems simultaneously to perform your tasks with the required speed and efficiency.

- The selected electronic system, Audit Tool, is installed on the audit team's device.
- Obtain an immediate copy of the data the teams need to perform their tasks (Data Live Copy) to avoid the risks of working directly with the original data (operational data). Databases must be complete and comprehensive to prevent duplication of information.

The copy must be entered into the electronic system, and the necessary tests must be performed.

Thus, the use of electronic systems by audit teams enables them to easily and quickly gather the required information by independently and securely accessing the databases of the department subject to the audit, without affecting its data or programs. This data can then be analyzed according to the audit objectives. These integrated systems also help audit and analyze large volumes of data, and record all audit operations performed by the auditor, as well as the results obtained.

Ultimately, The implementation of contemporary technology enhances the effectiveness of audit divisions and tackles the issues arising from the advancements made by the entities being audited in utilizing modern tools. This also helps keep pace with e-governance, a policy adopted by many companies and embedded within their management across all their interests.

Chapter Three / Practical Framework

This chapter presents the results of the statistical analysis based on the responses of the analysis unit members to the adopted variables. The preliminary statistical indicators of their responses are presented through arithmetic means and standard deviations for each variable, as well as relative importance. The chapter also examines the research hypotheses and their statistical significance.

Description of study variables



The results in the table (1), which shows the item frequencies, arithmetic mean, standard deviation, and response direction and level regarding the dimension of the nature of the audit teams' work, indicate a positive agreement regarding the variable of the nature of the audit teams' work. The general mean of the arithmetic averages derived from the sampled participants shows a consensus, attaining a score of (3.598). This figure surpasses the expected average on the five-point Likert scale utilized in this research, which is (3). This suggests a primarily affirmative inclination in the responses from the study population.

Table 1. Nature of audit teams

Paragr aph		total y disag ree	disag ree	Neu tral	Agr ee	Agr ee exac tly	arith metic mean	stand ard devia tion	Ans wer direc tion	Ans wer level	Import ance
1	F*	9	47	78	163	49	3.566	0.979	Agre e	Hig h	4
	%	2.6	13.6	22.5	47.1	14.2					
2	F*	15	37	75	162	57	3.604	1.022	Agre e	Hig h	3
	%	4.3	10.7	21.7	46.8	16.5					
3	F*	5	41	92	140	68	3.650	0.973	Agre e	Hig h	2
	%	1.4	11.8	26.6	40.5	19.7					
4	F*	7	48	92	146	53	3.549	0.977	Agre e	Hig h	5
	%	2.02	13.8	26.6	42.1	15.3					
5	F*	7	48	92	145	54	3.543	0.977	Agre e	Hig h	7
	%	2.02	13.8	26.6	42	15.4					
6	F*	10	35	109	54	141	3.593	0.959	Agre e exac tly	Hig h	6
	%	2.8	10.1	31.5	14.7	40.8					
7	F*	5	29	104	64	114	3.673	0.920	Agre e exac tly	Hig h	1
	%	1.4	8.4	30.1	18.4	41.6					
General Arithmetic Mean							3.598	0.973	Agre e	Hig h	

It is also clear from the table above that paragraph No. (7), obtained the highest arithmetic mean of (3.673) and a standard deviation of (0.920), in the direction



of the answer (strongly agree) and the level of the answer (high) in most of the study sample. While paragraph (5) comes in last place with an arithmetic mean value of (3.543) and a high standard deviation (0.950) in the direction of the answer (agree) and a response level of (high), in most of the study sample. As for the rest of the paragraphs within the risk detection dimension, they were in the direction of the answer (agree) and a response level of (high) in most of the study sample.

Table (2) Use of modern systems for audit teams

Paragr aph		totall y disag ree	disag ree	Neu tral	Agr ee	Agr ee exac tly	arith metic mean	stand ard devia tion	Ans wer direc tion	Ans wer level	Import ance
1	F*	19	35	80	156	56	3.563	1.051	Agre e	Hig h	6
	%	5.5	10.1	23.1	45.1	16.2					
2	F*	16	32	69	182	47	3.612	0.987	Agre e	Hig h	5
	%	4.6	9.2	19.9	52.6	13.6					
3	F*	10	32	90	152	62	3.637	0.973	Agre e	Hig h	4
	%	2.9	9.2	26.0	43.9	17.9					
4	F*	11	28	92	156	59	3.647	0.961	Agre e	Hig h	3
	%	3.2	8.1	26.6	45.1	17.1					
5	F*	9	22	103	155	57	3.661	0.915	Agre e	Hig h	1
	%	2.6	6.2	29.8	44.8	16.5					
6	F*	8	26	96	53	163	3.656	0.907	Agre e exact ly	Hig h	2
	%	2.3	7.5	27.7	14.3	47.1					
General Arithmetic Men							3.629	0.966	Agre e	Hig h	

The results in Table (2), which shows the frequencies of the paragraphs, the arithmetic mean, the standard deviation, the direction and level of the response and the importance of the dimension of using modern systems for audit teams, indicate that a favorable consensus exists regarding this dimension, as the overall average of the arithmetic means for the group of respondents demonstrates an agreement. This is substantiated by the arithmetic mean, which



achieved a value of (3.629), surpassing the theoretical mean of the five-point Likert scale utilized in this research, which is (3). This suggests a constructive inclination in the responses of the study participants overall. Furthermore, it is evident from the table that the statement No. (5) obtained the highest arithmetic mean (3.661) with a standard deviation (0.915), towards the answer (strongly agree) and the level of the answer (high) in most of the study sample. While paragraph (1) comes in last place with an arithmetic mean (3.563) and a high standard deviation (1.051), in the direction of the answer (agree) and a (high) answer level in most of the study sample. As for the rest of the paragraphs within the dimension (use of modern systems for audit teams), they were in the direction of the answer (agree) and a (high) answer level in most of the study sample.

Testing research hypotheses

Using analytical statistical methods, including Spearman's simple correlation coefficient, and then testing the significance of relationships using the t-test. The current research relies on the Mukaka (2012) scale to determine the strength of the correlation between the research variables.

Table 3. Spearman's correlation relation for the axis the nature of the audit teams' work with the axis of quality performance and Use of modern systems

Variables		Quality of performance
The nature of the audit teams' work	Correlation	0.783**
	Sig. (2-tailed)	0.000
	N	346
Use of modern systems	Correlation	0.809**
	Sig. (2-tailed)	0.000
	N	346

A strong, statistically significant, direct correlation was observed between the axis of the nature of the audit teams' work and the axis of performance quality. The correlation coefficient between them reached (0.783) at a significant level (sig = 0.000), which is much less than (0.05). This means rejecting the null hypothesis, which states, "There is no statistically significant correlation between the axis of the nature of the audit teams' work and the axis of performance quality," and accepting the alternative hypothesis, "There is a statistically significant correlation between the axis of the nature of the audit teams' work and the axis of performance quality." There was also a strong, statistically significant direct correlation between the dimension of using modern systems and the axis of performance quality. The correlation coefficient between them reached (0.809) at a significant level (sig = 0.000), which is much less than (0.05). This means rejecting the null hypothesis that states "There is no



statistically significant correlation between the dimension of using modern systems and the axis of performance quality” and accepting the alternative hypothesis that states “There is a statistically significant correlation between the dimension of using modern systems and the axis of performance quality.”

Interpretation and Analysis of Results

To test the research hypothesis that "there is a statistically significant effect of the nature of audit team work on performance quality," a simple linear regression equation, defined by the following mathematical function, is used:

$$y_i = \beta_0 + \beta_1 x_{1i} + e_i$$

Where y_i is the dependent variable (the performance quality axis), β_0 is the fixed limit, β_1 is the marginal slope of the regression to be estimated, x_{1i} is the independent variable, the nature of the audit teams' work, and e_i is the random error term, which is normally distributed with average of zero and a standard deviation of σ_i .

Describing the relationship between the performance quality axis and the nature of the audit teams' work

The regression model is considered one of the best models for estimating the impact of the relationship between the independent and dependent variables. One of these models is the simple linear regression model described in the models above. It enables the relationship between the impact of the independent variable (the nature of the audit teams' work) and the dependent variable (performance quality), as shown in the table 4.

Table 4. Results of the regression coefficient between performance quality and the nature of the work of audit teams

Dependent variable Independent variable	Quality of performance			F	Sig
	β	T	Sig	8.138	0.000
Fixed limit	1.832	4.817	0.0072		
The nature of the audit teams' work	1.068	5.291	0.0000		
$R^2=0.682$ Determination coefficient, $R^2=0.667$ Corrected Determination coefficient					



Through the calculated F-test value of (8.138), and the corresponding probability value of (Sig = 0.000), which is a significant value below the significance level of 0.05, we conclude that the model studied between modern systems and the quality of audit committee performance is a significant model, meaning that this model is consistent with the phenomenon under study in its representation. In addition, it is noted from the table above that the coefficient of determination (R^2) reached (0.682) and the corrected coefficient of determination was (0.667). This shows that the interpretability of the regression equation is high, which indicates that (66.7%) of the changes that occur in the values of the dependent variable (performance quality) are due to the independent variable (the nature of the work of the audit committees). We find that the independent variable (the nature of the work of the audit committees) has a significant direct effect, meaning that when the variable (the mechanism of the work of the audit committees) increases by one unit, the variable (performance quality) will increase by (1.068). Through the t-test of the Beta value coefficient (B1), which reached (5.291) and its probability value is (Sig = 0.000), which is evidence of the significance of the beta coefficient under the significance level of 0.05. Through these results, we will reject the null hypothesis that states "There is no significant statistical effect of the axis of the nature of the work of the audit committees on performance quality." And accept the alternative hypothesis that states "There is A statistically significant moral effect of the axis of the nature of the work of audit committees on the quality of audit committee performance."

Describing the relationship between the performance quality axis and the use of modern systems

The effect of the independent variable, the use of modern systems, on the dependent variable, performance quality, will be studied using a simple regression model, as shown in the table 5:

Table 5. Results of the regression coefficient between performance quality and the use of modern systems

<div>Dependent variable</div> <div>Independent variable</div>	Quality of performance			F	Sig
	β	T	Sig	10.005	0.000
Fixed limit	1.004	3.730	0.0094		
Use of modern systems	0.964	7.812	0.0000		
R ² = 0.613 Determination coefficient, R ² =0.584 Corrected Determination coefficient					



Through the calculated F-test value of (10.005) and its corresponding probability value of (Sig = 0.000) which is a significant value under the significance level of 0.05, the research conclude that the studied model between the use of modern systems and performance quality is a significant model, meaning that this model is compatible with the phenomenon under study in its representation. In addition, it is noted from table (2) that the coefficient of determination (R^2) reached (0.613) and the corrected coefficient of determination was (0.584). This shows that the interpretability of the regression equation is high, which indicates that (58.4%) of the changes that occur in the values of the dependent variable (performance quality) are due to the independent variable (use of modern systems). We find that the independent variable (use of modern systems) has a significant direct effect, meaning that when the variable (use of modern systems) increases by one unit, the variable (performance quality) will increase by (0.964). Through the t-test of the (B1), which reached (7.812) and its possibility value is (Sig = 0.000), which is evidence of the significance of the (B1) under the significance level of 0.05. By these results, the research will reject the null hypothesis that states "There is no significant statistical effect of the dimension of using modern systems on performance quality" and accept the alternative hypothesis that states "There is a significant statistical effect Statistics on the impact of using modern systems on performance quality."

Chapter Four / Results and Recommendations

Based on the above, a set of results were reached in response to the questions posed, which represented the research problem and tested the hypotheses upon which it was based. These results are as follows:

First: Results of the descriptive analysis of the research variables:

- Audit teams are of great importance due to the anticipated advantages they can offer to all involved entities, including the board of directors, external and internal auditors, shareholders, and stakeholders.
- The main aim of creating audit teams is to guarantee that financial statements are devoid of mistakes, deceit, and alterations, to look for any management deceit and fraud, and to produce reports that can be trusted for significant decision-making.
- The work of audit teams reduces the likelihood of manipulation of financial statements and ensures access to comprehensive and integrated information that helps users make appropriate and timely decisions and seize opportunities that help improve performance and increase profits.
- Audit team members must have a thorough understanding of the importance of IT risks and related controls, as well as the available technology-based audit techniques to carry out their work.



- Not all audit team members are expected to have the same expertise as an internal auditor, whose primary responsibility is to audit information systems.
- Modern software provides significant facilities for audit management, enabling them to improve their performance and the quality of their output.
- The implementation of contemporary technologies plays a significant role in enhancing the efficiency of audit divisions and tackling the difficulties that arise from the advancements of entities subject to auditing in their adoption of modern tools. It also helps them keep pace with e-governance, a policy adopted by many companies and embedded within their management.
- Using of modern systems increases expertise in detecting errors and reduces the time and effort required to complete audits. This means saving audit time, which companies desperately need to make timely and appropriate decisions, which in turn leads to increased profits.
- The real problem lies not in acquiring the software, but in using it correctly.

Second: The results of the hypothesis testing are as below:

- A statistically significant effect of the "functionality of audit teams" axis on the quality of audit team performance.
- A statistically significant effect of the "use of modern systems" axis on the quality of audit team performance.

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