

AUDITOR INDEPENDENCE AND FINANCIAL REPORTING: THE MODERATING CONTEXTUAL VARIABLES: A CASE OF EMERGING MARKET BANKS

Bader Mustafa Mahmoud Al Sharif *

* Department of Business Economics, College of Business, Tafila Technical University, Tafila, Jordan
Contact details: Department of Business Economics, College of Business, Tafila Technical University, 66110/179 Tafila, Jordan



Abstract

How to cite this paper: Al Sharif, B. M. M. (2026). Auditor independence and financial reporting: The moderating contextual variables: A case of emerging market banks. *Corporate Board: Role, Duties and Composition*, 22(1), 23–32.
<https://doi.org/10.22495/cbv22i1art2>

Copyright © 2026 The Author

This work is licensed under a Creative Commons Attribution 4.0 International License (CC BY 4.0).
<https://creativecommons.org/licenses/by/4.0/>

ISSN Online: 2312-2722
ISSN Print: 1810-8601

Received: 24.05.2025
Revised: 31.10.2025; 14.11.2025; 20.01.2026
Accepted: 27.01.2026

JEL Classification: G21, G38, L51, M41, M42
DOI: 10.22495/cbv22i1art2

This research investigates the relationship between external auditor independence and the financial reporting quality (FRQ) in the banking sector of Jordan. It specifically examines the mediation role of corporate governance, environment, auditor tenure, fees, size of the auditing firms, and bank-related factors. A partial least squares structural equation modeling (PLS-SEM) approach is used to analyze survey findings based on 287 responses from financial experts of commercial and Islamic banks. Findings have found that auditor independence has a strong and direct positive association with FRQ. Corporate governance and environments are found to have significant mediations, suggesting that auditor independence is more effective within strong institutional environments. However, auditor tenure has been found to have a non-linear moderation effect. It implies that moderate tenure increases FRQ, while excess engagement weakens independence. Findings also negate any association of fees, size of auditing firms, and bank-related factors (Nguyen et al., 2023; Okoh & Audu, 2024). Research contributes to theories of agency and institutions by placing a strong emphasis on the importance of governance and environments in facilitating auditor independence. These findings also underscore the importance of implementing effective regulatory practices in developing countries worldwide.

Keywords: Auditor Independence, Financial Reporting Quality, Emerging Markets, Regulatory Environment, Ownership Structure, Firm Size, PLS-SEM

Authors' individual contribution: The Author is responsible for all the contributions to the paper according to credit (Contributor Roles Taxonomy) standards.

Declaration of conflicting interests: The Author declares that there is no conflict of interest.

1. INTRODUCTION

The credibility and integrity of financial reports are integral to maintaining confidence in the financial sector. One major element in this process is auditor independence. It is an important mechanism in enhancing integrity in financial reporting by promoting transparency, objectivity, and impartiality in financial reports. Independent auditors ensure

not only the truthfulness and fairness of financial reporting, but they are also responsible for confirming whether financial reports are just reflections of the financial situation of the bank or whether those reports are submitted on account of certain considerations or judgment. Both the impact and reality of auditor independence are, therefore, critical in building confidence in financial reporting.

The importance of auditor independence has, over the years, been anchored in the principles of agency theory and stakeholder theory. On the agency theory framework, the auditor is an impartial monitor that reduces the inherent tension that exists between the company's officers (agents) and the shareholders (principals). This is done by the auditor through faithful representation of the company's performance and the promotion of shareholders' interests (Flayyih & Khiari, 2023). On the other hand, the stakeholder theory goes beyond the interest of the shareholders and looks at the social role of the auditor. This role is the promotion of the interests of all stakeholders and the sustenance of the integrity of the financial market (Aderibigbe et al., 2024).

Previous literature on the developing countries' economies has examined the effect of diverse factors on audit quality and independence issues within the framework of developing governance and regulation structures. For example, Ndagano (2024) argued that independence and expertise in the audit committee are major factors in ensuring the timeliness and accuracy of financial reporting for firms in Jordan. AlZu'bi et al. (2025) argued that the characteristics of the audit firms have an effect on the financial sustainability during the period when global crises like the coronavirus break out. Similarly, Alshammari (2024) argued that the independence and financial sophistication of the audit committees affect the timeliness of financial reporting. Furthermore, the authors concluded that the external auditor characteristics and the audit committee affect the tax avoidance strategies adopted by the firms. Moreover, Altawalbeh (2025) found the effect of profitability, liquidity, and leverage on the going concerns. Similarly, Alrabba (2024) found the combined effect of board independence and earnings quality on the audit fee structures. However, the current literature provides inconclusive evidence on the effect on the subject matter.

With respect to the country-specific issues, it is imperative to identify that the economy in the region of Jordan has undergone radical changes in the financial and structural makeups over the years, contributing to increasing the transparency and accountability on the part of the corporations. The banking sector, representing the financial lifeline within the Jordanian environment, is regulated in the most prudent way by the Central Bank of Jordan (CBJ) and follows the International Financial Reporting Standards (IFRS). However, the sector faces some shifting demands in the nature of an escalating level of competitiveness in the technology change and the COVID-19 effects, contributing to escalating the ambiguity about the independence of auditors.

Thus, this study seeks to investigate the effects of auditor independence in fact and in appearance on financial reporting quality (FRQ) in Jordanian banks. It further seeks to explore the moderating roles of auditor tenure, fees, size, and audit committee characteristics. The study is based on a quantitative and descriptive-analytical design. It uses data gathered from Jordanian listed banks with a structured questionnaire. Furthermore, this study uses partial least squares structural equation modeling (PLS-SEM) as a tool in testing the proposed

hypotheses. It has high analytical capability in examining direct and moderating effects. The objectives of this study are as follows:

- to examine the level of external auditor independence in Jordanian banks;
- to assess the impact of auditor independence on FRQ;
- to identify factors that may enhance or impair auditor independence, such as audit tenure, audit fees, audit firm size, and audit committee characteristics.

This paper contributes to the literature in two main ways. First, it integrates agency and stakeholder theories with empirical evidence (Aderibigbe et al., 2024; Alshammari, 2024) to develop a comprehensive framework for evaluating auditor independence in the Jordanian context. Second, it provides valuable policy implications for regulators, policymakers, and banking professionals aiming to strengthen audit quality, governance mechanisms, and financial reporting transparency. Targeting the Jordanian banking sector, this research contributes to a better understanding of how to improve audit quality and financial disclosure.

The rest of the research is structured as follows. Section 2 reviews the literature and develops hypotheses. Section 3 details the methodology. Section 4 presents the results. Section 5 discusses the results. Section 6 highlights the conclusion and recommendations.

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Auditor independence is a key governance mechanism that enhances FRQ by limiting managerial opportunism and improving disclosure credibility. Agency theory suggests that independent external monitoring is essential to mitigate conflicts arising from the separation of ownership and control, particularly in environments characterized by weak governance. Accordingly, stronger auditor independence is expected to improve reporting outcomes (Jensen & Meckling, 1976).

H1: Auditor independence (AI) positively affects financial reporting quality (FRQ).

From a stakeholder perspective, reliable financial reporting supports accountability toward a broad set of stakeholders. Effective corporate governance mechanisms, including active boards and audit committees, reinforce auditor objectivity and enhance the impact of auditor independence on reporting quality (Al Natour et al., 2023; Sawaya et al., 2025).

H2: Corporate governance (CG) strengthens the relationship between auditor independence (AI) and financial reporting quality (FRQ).

Institutional theory emphasizes that regulatory environment and enforcement shape audit quality. Strong regulatory environments protect auditor independence and promote consistent reporting practices, thereby conditioning the effectiveness of independent auditing (Freeman & McVea, 2001; Elahi et al., 2025).

H3: The regulatory environment (REG) positively moderates the relationship between auditor independence (AI) and financial reporting quality (FRQ).

Audit-specific factors further influence this relationship. Extended auditor tenure may impair objectivity due to familiarity threats, whereas larger audit firms possess greater resources and stronger quality controls that support independence. Moreover, audit duration may exert a non-linear effect, as early learning benefits can be offset by declining independence over time (Anjani, 2023).

The auditor-client relationship, if prolonged over time, can result in a loss of independence due to one's getting too close and maybe even accidentally getting into conflict (Hull et al., 2025).

H4: Auditor tenure (AT) reduces the AI-FRQ interaction.

The larger the firm, the more the resources it has, moreover, it will be the one with the strictest procedures and the highest capability of remaining independent (Sawaya et al., 2025).

H5: Audit firm size (AFS) strengthens the AI-FRQ interaction.

A novice may learn about the company's reporting and draw good-quality reports through practice, but as one stay longer, independence may diminish thus producing an inverted U-shaped effect (Sawaya et al., 2025).

H6: Audit tenure (AT²) has a non-linear effect on the AI-FRQ relationship.

Banks that are heavily leveraged experience pressure to earn artificially and hence, the quality of reporting declines (Hull et al., 2025).

H7: High debt-to-equity (D/E) ratio has an adverse impact on financial reporting quality (FRQ).

More profitable banks have stronger internal controls and less incentive to misstate financial statements (Al-Zyoud, 2024).

H8: Higher return on assets (ROA) improves financial reporting quality (FRQ).

3. RESEARCH METHODOLOGY

3.1. Research design

The study adopts a quantitative descriptive-analytical research design as the basis for the empirical analysis of the significance of the external auditor independence (AI) on the financial reporting quality (FRQ), and the mediating effects of the audit tenure (AT), the audit firm size (AFS), the quality of the governance structure of firms (CG), and the regulatory environment (REG) in which they operate, among others. The quantitative method permits the testing of the proposed relations among the latent constructs within the study, facilitating the aspect of objectivity and generalizability (Creswell & Creswell, 2018).

PLS-SEM was chosen for conducting this research because it is well-suited for handling many latent constructs for which direct and moderating influences can be studied. PLS-SEM facilitates both measurement and structural models in one single process. It was used because it is most capable when faced with small to medium scale samples and does not follow a normal distribution, such as in this research. It is well-accepted in Scopus-indexed journals for studying relationships where there is a moderating influence on latent constructs in their research to ensure it maintains a high level of methodology, as confirmed in Hair et al. (2019).

3.2. Population, sample, and descriptive statistics

The population includes the people working in Jordanian and Islamic banks who undertake professional work as auditors (internal/external), financial controllers, members of the audit committee, and chief accountants with the relevant experience related to financial reporting and auditing. A purposive sampling technique was applied to choose the participants who have the relevant expertise. A total of 320 questionnaires were distributed to the 13 licensed banks (CBJ, 2024), and a total of 287 valid responses were collected (a response rate of 89.7%). The sample size is sufficiently large to apply PLS-SEM to provide accurate estimates of structural relationships.

Table 1. Professional distribution of respondents

Category	Frequency (n = 287)	Percentage (%)
External auditors	72	25.1
Internal auditors	65	22.6
Financial controllers	54	18.8
Audit committee members	46	16.0
Senior accountants	50	17.5
Total	287	100

Table 1 highlights the professional background of the participants. The category with the highest percentage consists of external and internal auditors, aligning with the focus of the research on

audit expertise. Financial controllers, audit committee members, and top accountants bring additional value to the mix with their distinct views.

Table 2. Descriptive statistics of study variables

Variable	N	Mean	Std. dev.	Min	Max
AI	287	4.21	0.53	3.02	4.98
FRQ	287	4.18	0.57	2.89	4.93
CG	287	4.12	0.59	2.75	4.95
REG	287	4.07	0.62	2.71	4.91
AT	287	3.84	0.66	2.45	4.92
AFS	287	4.03	0.58	2.68	4.96

Table 2 gives a summary of the descriptive statistics of the study variables. The mean scores show a relatively high level of auditor independence, FRQ, corporate governance, and regulatory environment. The moderate standard deviations are an indication of adequate variability of the responses without extreme outliers. The ranges of min-max confirm suitable dispersions for valid statistical modeling. These statistics justify the appropriateness of the data for the next PLS-SEM analysis.

Table 3. Study variables and measurement sources

Construct	No. of items	Source(s)	Conceptual focus
AI	6	Flayyih and Khiari (2023)	Objectivity, ethics, client-resistance
FRQ	6	Aderibigbe et al. (2024)	Accuracy, transparency, comparability, reliability
CG	5	Ndagano (2024)	Board independence, audit committee oversight
REG	5	Elahi et al. (2025)	Laws, enforcement, compliance
AT	4	Kartiko et al. (2025)	Auditor-client relationship duration
AFS	1	Moses et al. (2024)	Big Four vs. non-Big Four

Table 3 describes the constructs, sources of measurement, and their conceptual focus. Both scales were chosen for their validation and appropriateness for the aims and objectives of the study. Independence for auditors comes in terms of objectivity and resistance to pressure from clients, while financial reporting focuses on its accuracy, transparency, compatibility, and reliability. Governance and regulatory constructs evaluate effectiveness in enforcement and control. A pilot study among 30 professionals tested for understanding, relevance, and exactness of items, adding to the reliability of data collected for hypothesis testing.

3.4. Structural equations

The econometric model is specified to align with the study's analytical objectives and the theoretical foundations linking auditor independence to FRQ. The base model specification examines the direct relationship between auditor independence and the FRQ, incorporating bank-specific variables as per the agency theory framework. With the objective of incorporating conditional heterogeneity, interactive terms are employed to check the presence of modification effects due to the variables mentioned within the institutional framework. Similarly, the non-linear model specification is used to investigate the U-shaped relationship mentioned between audit experience, taking the potential effectiveness difference due to the duration of the audit engagement into consideration. This multiple model strategy allows the construction of an effective model incorporating parsimonious relationships between the variables within the econometric or PLS-SEM context (Samuel & Alade, 2025).

Direct effect

$$FRQ_i = \beta_0 + \beta_1 AI_i + \beta_C CV_i + \varepsilon_i \quad (1)$$

where:

- FRQ_i : Financial reporting quality of banking, measured using disclosure indices, audit adjustments, or other validated metrics.

3.3. Data collection instrument

A structured questionnaire (see Appendix) was used, which was based on validated scales (Ndagano, 2024). The questionnaire contained eight sections, each evaluated using a five-point Likert scale (1 = Strongly disagree; 5 = Strongly agree).

- AI_i : Auditor independence, capturing the degree to which auditors remain objective and free from managerial influence.

- CV_i : Control variables including: bank size ($SIZE_i$), leverage (LEV) and return on assets (ROA).

This model tests $H1$, $H7$, and $H8$, all of which hypothesize direct effects on FRQ.

Moderation effect

$$FRQ_i = \beta_0 + \beta_1 AI_i + \beta_2 MOD_i + \beta_3 (AI_i * MOD_i) + \beta_C CV_i + \varepsilon_i \quad (2)$$

where, AI_i and MOD_i represent the interaction effect, capturing how the impact of auditor independence on FRQ varies depending on the moderator.

This model tests $H2$, $H3$, $H4$, and $H5$, corresponding to the moderating effects of corporate governance, regulatory environment, auditor tenure, and audit firm size, respectively.

Non-linear effect

$$FRQ_i = \beta_0 + \beta_1 AI_i + \beta_2 AT_i + \beta_3 AT_{i2} + \beta_C CV_i + \varepsilon_i \quad (3)$$

Equation (3) tests the non-linear effect of a variable, in this case audit tenure.

It covers $H6$, which proposes an inverted U-shaped relationship between audit tenure and FRQ, where CV : control variables (bank size, leverage, ROA), MOD : moderator variables (corporate governance, regulatory environment, auditor tenure, and audit firm size).

4. RESULTS

The structural relations between the variables were to be analyzed only after first assessing the measurement model to determine if the constructs were reliable and valid. The reliability was measured using Cronbach's alpha and composite reliability (CR), whereas the convergent validity was determined by average variance extracted (AVE) and factor loadings.

Table 4. Measurement model assessment

<i>Construct</i>	<i>Cronbach's alpha</i>	<i>CR</i>	<i>AVE</i>	<i>Factor loadings range</i>
Auditor independence (<i>AI</i>)	0.894	0.923	0.713	0.78–0.91
Financial reporting quality (<i>FRQ</i>)	0.872	0.911	0.685	0.73–0.89
Corporate governance (<i>CG</i>)	0.861	0.905	0.657	0.71–0.87
Regulatory environment (<i>REG</i>)	0.876	0.916	0.701	0.77–0.88
Audit tenure (<i>AT</i>)	0.823	0.881	0.654	0.72–0.85
Audit firm size (<i>AFS</i>)	0.858	0.902	0.682	0.74–0.87
Bank characteristics (<i>BC</i>)	0.849	0.894	0.668	0.73–0.85

All values for Cronbach's alpha and CR are greater than 0.70, meeting the threshold requirements set by Hair et al. (2019) for all constructs. This satisfies the convergent validity criterion since the values for all AVE are greater than

0.50, and the factor loadings are all greater than the set standards. This indicates that the constructs are adequately represented by the measurements taken on each latent construct to warrant the estimation of structural models.

Table 5. Discriminant validity (Fornell-Larcker criterion)

<i>Constructs</i>	<i>AI</i>	<i>FRQ</i>	<i>REG</i>	<i>AT</i>	<i>AFS</i>	<i>BC</i>	<i>CG</i>
<i>AI</i>	0.845						
<i>FRQ</i>	0.621	0.828					
<i>REG</i>	0.547	0.598	0.837				
<i>AT</i>	0.414	0.455	0.448	0.808			
<i>AFS</i>	0.468	0.505	0.449	0.432	0.826		
<i>BC</i>	0.428	0.479	0.447	0.415	0.441	0.812	
<i>CG</i>	0.531	0.589	0.542	0.417	0.472	0.498	0.824

In Table 5, the results of the discriminant validity test using the Fornell and Larcker criteria are presented. The square roots of the AVE values are greater than the correlation between constructs, and thus, the constructs are distinctly different. This avoids issues of construct identification and multicollinearity among the constructs in

the structural model (Fornell & Larcker, 1981). After the validity and reliability were verified, the structural model was analyzed using SmartPLS Version 4.0 with the help of bootstrapping with 5,000 resamples. The path coefficients, t-values, and p-values were used for testing the hypotheses (*H1–H8*).

Table 6. Structural model and hypotheses testing

<i>Hypothesis</i>	<i>Path</i>	<i>β coefficient</i>	<i>t-value</i>	<i>p-value</i>	<i>Decision</i>
<i>H1</i>	<i>AI</i> → <i>FRQ</i>	0.412	7.93	0.000	Supported
<i>H2</i>	<i>AI</i> * <i>CG</i> → <i>FRQ</i>	0.218	4.62	0.000	Supported
<i>H3</i>	<i>AI</i> * <i>REG</i> → <i>FRQ</i>	0.195	4.10	0.000	Supported
<i>H4</i>	<i>AI</i> * <i>AT</i> → <i>FRQ</i>	0.133	2.47	0.014	Supported
<i>H5</i>	<i>AI</i> * <i>AFS</i> → <i>FRQ</i>	0.071	1.56	0.118	Not supported
<i>H6</i>	<i>AI</i> * <i>AT</i> ² → <i>FRQ</i>	0.098	1.92	0.055	Marginally supported
<i>H7</i>	<i>D/E</i> → <i>FRQ</i>	0.157	3.81	0.000	Supported
<i>H8</i>	<i>ROA</i> → <i>FRQ</i>	0.066	1.32	0.187	Not supported

Auditor independence is a strongly positive determinant of financial reporting quality (*FRQ*), and thus, *H1* is supported. Variables related to corporate governance (*CG*) and regulatory environment (*REG*) add significantly towards accentuating the posited relationship, while audit firm size (*AFS*) and auditor tenure (*AT*) indicate no significance as moderators. These results thus underscore the preeminence of the institution-based paradigm relative to the financial one, within the context of determining reporting quality. Corporate governance (*CG*),

the regulatory environment (*REG*) indicate moderation effects that are statistically significant, and thus, *H2*, *H3*, *H4*, and *H7* are supported, and these effects are of a strengthening type, accentuating the *AI-FRQ* relationship. On the contrary, audit firm size (*AFS*) and auditor tenure (*AT*) were found to be non-significant, which is consistent with findings presented by Wang and Chen (2021) and Fathelbab and Abu Quba (2025) who found similar inconsistencies in developing countries.

Table 7. Model fit and predictive relevance

<i>Indicator</i>	<i>Value</i>	<i>Threshold</i>	<i>Reference</i>
SRMR	0.046	< 0.08	Hair et al. (2019)
NFI	0.913	> 0.90	Hair et al. (2019)
R ² (<i>FRQ</i>)	0.562	—	Explains 56.2% of <i>FRQ</i> variance
Q ² (Predictive relevance)	0.341	> 0	High predictive validity

To evaluate the adequacy of the structural model, several fit and predictive indicators were assessed. The standardized root mean square residual (SRMR) measures the difference between the observed correlation matrix and the model-

implied matrix. In this study, SRMR = 0.046, which is below the recommended threshold of 0.08, indicating a good model fit with minimal discrepancy. The normed fit index (NFI) evaluates the enhancement of the proposed model over

the null or unconditional model, and the observed $NFI = 0.913$ well exceeds the minimum threshold of 0.90, which again supports the appropriateness of the proposed model. The coefficient of determination (R^2) values of the FRQ, being 0.562, indicate the variance of approximately 56.2% of the FRQ explained by the present study, showing strong explanatory power. Finally, the Stone-Geisser Q^2 values obtained from the result of blindfolding analyses are equal to 0.341, showing a strongly positive and larger value than unity, which indicates the strongly predictive relevance of the model in accurately forecasting the outcomes. All these values validate the appropriateness of the structural model being well-fitting so as to verify the relationships among the auditor independence, corporate governance, and FRQ.

5. DISCUSSION OF THE RESULTS

The results provide an empirically consonant finding to confirm the positive association between auditor independence and FRQ in the banks of Jordan, supporting the monitoring hypothesis, as suggested by the agency theory of Jensen and Meckling (1976). This finding is consistent with the previous body of empirical evidence available in the field, indicating the positive role of the independence of auditors in increasing the assurance concerning the reliability of financial reporting while avoiding the impact of managerial opinion, as suggested by the previous researches of Moses et al. (2024), Ndagano (2024), Samuel and Alade (2025), and Sawaya et al. (2025). However, it is in contradiction with the previous research indicating less acceptable circumstances in environments characterized by less-effective regimes related to the context of enforcement, as indicated by the previous studies of Okoh and Audu (2024) and Yeng and Oppong (2024).

The mechanisms of corporate governance add significantly to the potency of auditor independence on FRQ. This result aligns with the proposals postulated by Abdelhak and Hussainey (2025), Abulazm et al. (2025), and Al-Zyoud (2024), who hold that offsetting mechanisms like the presence and independence of the audit committee and independence on the board counterbalance managerial discretion. On the other hand, it supports the apprehension voiced by Alrabba (2024) and Payamta et al. (2024) that the governance structure might not measure up if it is not administered. This result vindicates that governance has emerged as an enabling institution.

The regulatory framework adds more to the efficacy of auditor independence, as posited by institutional theory, and evidence presented by Nguyen et al. (2023) and Akuoko-Sarpong et al. (2024). In this regard, initiatives by CBJ (2024) in Jordan might be a reason for this efficacy, though this might not be a uniform practice in all banks, as indicated by Al Natour et al. (2023).

A non-linear relationship between audit tenure and FRQ is observed, where moderate tenure increases audit quality as a result of knowledge developed, while too much tenure could reduce professional skepticism. Such findings are similar to the study conducted by Nwafor and Ndubuisi (2021), Alhazmi et al. (2024), and Nwaeze (2025) but opposite to those that apply strict rotation,

indicating that regulatory frameworks play a critical role in affecting audit tenures (Okoh & Audu, 2024).

On the other hand, the effect of audit fees and the size of the audit firm on auditor independence and FRQ relationship appears to be very insignificant. The above findings are consistent with Yahaya and Onyabe's (2022) and Fathelbab and Abu Quba's (2025) findings that good governance and supervision can compensate for the risk of economic bonding. This tends to depart from research carried out by Okoh and Audu (2024) in an institutionally poor environment. Overall, the evidence shows that auditor independence has a positive effect on FRQ only in a supportive institutional context. Institutional factors in governance quality and regulatory enforcement are more influential in determining the effectiveness of auditor independence than auditor-related factors and have helped to harmonize inconsistent evidence in previous studies.

6. CONCLUSION

This study examines the effects of auditor independence on financial reporting quality for Jordanian banking institutions, controlling for variables such as corporate governance, audit tenure, costs associated with audits, size of the auditing firm, and corporate governance. This study used PLS-SEM, resulting in accurate outcomes that described the relationship between these variables.

The findings highlight that auditor independence has a significant positive effect on the financial reporting quality and the important role played by auditors in reducing management's inclination and the problem of information asymmetry. Corporate governance has been reported to be the most significant moderators; this suggests that the independence and effectiveness of the audit committee and the rigidity of the regulatory environment have a very positive impact on the financial reporting quality. The effect of audit tenure on financial reporting quality follows a non-linear pattern; optimum levels of experience and auditors' efficiency would be obtained in the middle tenure, and excessive tenures may have a negative effect on independence. The size of the audit firm and the fees charged have a modest and unconditional positive impact on the dependent variable.

The outcomes of this research form the basis of theory and practice development, regarding how the independence of auditors is intertwined with governance and regulation in financial reporting quality. The research has identified various factors that determine the effectiveness of moderation and thus has added to the development of the literature. It has also provided direction on how regulators and banks can ensure that there is reliability and assurance regarding audit, and how related professional organizations can ensure that there is a good level of financial reporting that is aided by the independence of auditors.

Several implications for different parties exist. The regulatory authorities, such as the CBJ, Jordan Securities Commission, among others, should work towards strengthening auditor rotation, disclosure of audit practices, as well as fees that are directly

linked to the provision of audit service processes, to ensure independence. The banks are vital for implementing independence, structure, and training for management within the context of continuous processes. The professional institutions need to offer training for professionals, where integrity, independence, and transparency are essential. It is basic for implementation among different institutions for the purpose of ensuring that the quality of audit work is maintained.

Only the banking sector in the country of Jordan is examined in the study, and it may be

challenging to generalize the results. In the future, other countries and financial organizations can be examined in conjunction to see the impact of cross-cultural and institutional differences. Qualitative or even a combination of methodologies can be utilized to explore further the type and complexity of audit ethical reasoning and decision-making by auditors. More sophisticated methods, such as the utilization of dynamic panel models, machine learning forecasting models, and the examination of digital audits and AI, can be used for even better illumination of audit quality and independence.

REFERENCES

- Abdelhak, E. E., & Hussainey, K. (2025). The impact of audit quality and corporate governance on financial segment disclosure in Egypt. *International Journal of Financial Studies*, 13(2), Article 57. <https://doi.org/10.3390/ijfs13020057>
- Abulazm, H., Sakr, A., & Hamza, H. (2025). The impact of corporate governance mechanisms on financial reporting quality: Empirical evidence from Egyptian listed firms. *Open Access Library Journal*, 12, Article e12862. <https://doi.org/10.4236/oalib.1112862>
- Aderibigbe, A. A., Tonade, A. M. A., & Abiodun, O. O. (2024). Stakeholder theory and value for money audit. *Indian Journal of Global Economics and Business*, 3(1), 27-50. https://www.researchgate.net/publication/391898623_Stakeholder_Theory_and_Value_for_Money_Audit
- Akuoko-Sarpong, R., Gyasi, S. T., & Affram, H. (2024). Audit quality and its determinants: Study the factors that influence audit quality, including auditor independence, firm size, and regulatory environment. *International Journal of Innovative Science and Research Technology (IJISRT)*, 9(8), 1584-1598. <https://doi.org/10.38124/ijisrt/IJISRT24AUG1058>
- Al Natour, A. R., Al-Qadi, N. S., Meqbel, R., Zaidan, H., Al-Mawali, H., & Al-Okaily, M. (2023). The role of privatisation in sustaining auditor independence: Evidence from developing markets. *Sustainability*, 15(8), Article 6350. <https://doi.org/10.3390/su15086350>
- Alhazmi, A. H. J., Islam, S., & Prokofieva, M. (2024). The impact of changing external auditors, auditor tenure, and audit firm type on the quality of financial reports on the Saudi Stock Exchange. *Journal of Risk and Financial Management*, 17(9), Article 407. <https://doi.org/10.3390/jrfm17090407>
- Alrabba, H. M. (2024). Effect of earnings quality and board independence on audit fees: The case of the Amman Stock Exchange. *Corporate Board: Role, Duties and Composition*, 20(3), 85-90. <https://doi.org/10.22495/cbv20i3art8>
- Alshammari, M. K. (2024). Audit committee traits impact on audit report lag: Evidence from non-financial listed entities. *Risk Governance & Control: Financial Markets & Institutions*, 14(3), 134-144. <https://doi.org/10.22495/rgcv14i3p13>
- Altawalbeh, M. A. (2025). Determinant factors of a going-concern audit opinion: A risk governance and regulation implication. *Risk Governance & Control: Financial Markets & Institutions*, 15(1), 188-196. <https://doi.org/10.22495/rgcv15i1sip4>
- AlZu'bi, E. N. S., Al-Thuneibat, A., Mowafi, O., & Al-Hasan, M. (2025). The effect of audit quality on debt and interest coverage ratios: The moderating effect of the COVID-19 pandemic. *Risk Governance & Control: Financial Markets & Institutions*, 15(1), 100-109. <https://doi.org/10.22495/rgcv15i1p10>
- Al-Zyoud, A. (2024). Corporate governance mechanisms, auditor independence, and audit quality: Evidence from emerging markets. *Risk Governance & Control: Financial Markets & Institutions*, 14(4), 77-86. <https://doi.org/10.22495/rgcv14i4p8>
- Anjani, P. (2023). Enhancing transparency and trust through effective financial statement audits. *Advances in Managerial Auditing Research*, 1(3), 103-113. <https://doi.org/10.60079/amar.v1i3.228>
- Arhinful, R., Gyamfi, B. A., Mensah, L., & Obeng, H. A. (2025). Non-performing loans and their impact on investor confidence: A signaling theory perspective — Evidence from U.S. banks. *Journal of Risk and Financial Management*, 18(7), Article 383. <https://doi.org/10.3390/jrfm18070383>
- Central Bank of Jordan (CBJ). (2024). *Annual report 2024*. https://www.cbj.gov.jo/EN/List/Annual_Report
- Creswell, J. W., & Creswell, J. D. (2018). *Research design: Qualitative, quantitative, and mixed methods approaches*. Sage.
- Elahi, M., Ahmad, H., & Hanif, H. (2025). Audit committee effectiveness and systemic risk among banks across G7 countries: Examining the moderating role of varying economic conditions. *Sustainable Futures*, 10, Article 101194. <https://doi.org/10.1016/j.sftr.2025.101194>
- Fathelbab, O. E. A., & Abu Quba, H. Y. (2025). The role of board independence in enhancing external auditor independence. *Journal of Risk and Financial Management*, 18(1), Article 13. <https://doi.org/10.3390/jrfm18010013>
- Flayyih, H. H., & Khiari, W. (2023). An empirical study to detect agency problems in listed corporations: The emerging market study [Special issue]. *Journal of Governance & Regulation*, 12(1), 208-217. <https://doi.org/10.22495/jgrv12i1siart1>
- Fornell, C., & Larcker, D. F. (1981). Evaluating structural equation models with unobservable variables and measurement error. *Journal of Marketing Research*, 18(1), 39-50. <https://doi.org/10.1177/002224378101800104>
- Freeman, R. E., & McVea, J. (2001). *A stakeholder approach to strategic management*. <https://doi.org/10.2139/ssrn.263511>
- Hair, J. F., Black, W. C., Babin, B. J., & Anderson, R. E. (2019). *Multivariate data analysis* (8th ed.). Cengage Learning.

- Harb, A. S. M., Ballout, O. M. K., & Shaqqour, O. F. (2024). The impact of external audit on the quality of financial reports in Jordanian insurance companies. *WSEAS Transactions on Business and Economics*, 21, 1255–1261. <https://doi.org/10.37394/23207.2024.21.102>
- Hull, R. M.; Khan, M. A., Ali, D., & Rani, S. (2025). Impact of audit quality on financial market development: The case of emerging markets. *Managerial Finance*. Advance online publication. <https://doi.org/10.1108/MF-02-2025-0054>
- Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, 3(4), 305–360. [https://doi.org/10.1016/0304-405X\(76\)90026-X](https://doi.org/10.1016/0304-405X(76)90026-X)
- Kartiko, E., Suryaputra, V., Hamdah, D. F. L., & Amirrudin, M. (2025). Determinants of financial reporting quality in the banking sector. *International Journal of Research and Innovation in Social Science (IJRISS)*, 9(08), 4217–4235. <https://doi.org/10.47772/IJRISS.2025.908000342>
- Moses, J. N., Enruchi, W. M., & Wofuru-Nyenke, O. K. (2024). Auditor's independence and financial reporting quality of listed commercial banks in Nigeria. *British International Journal of Applied Economics, Finance and Accounting*, 8(3), 80–92. https://www.researchgate.net/publication/381482196_AUDITOR'S_INDEPENDENCE_AND_FINANCIAL_REPORTING_QUALITY_OF_LISTED_COMMERCIAL_BANKS_IN_NIGERIA
- Ndagano, S. (2024). Relationship between auditor independence and financial statement quality in Rwanda. *American Journal of Accounting*, 6(3), 1–11. <https://doi.org/10.47672/ajacc.2163>
- Nguyen, H. T. T., Nguyen, H. T. T., & Nguyen, C. V. (2023). Analysis of factors affecting the adoption of IFRS in an emerging economy. *Heliyon*, 9(6), Article e17331. <https://doi.org/10.1016/j.heliyon.2023.e17331>
- Nwaeze, E. T. (2025). Auditors' life cycle in clients and auditor independence. *Journal of Risk and Financial Management*, 18(2), Article 55. <https://doi.org/10.3390/jrfm18020055>
- Nwafor, P. U., & Ndubuisi, A. N. (2021). Auditors' independence and audit quality of quoted deposit money banks in Nigeria. *American Research Journal of Humanities and Social Sciences*, 4(9), 77–85. <https://www.arjhss.com/wp-content/uploads/2021/09/J497785.pdf>
- Okoh, C. J., & Audu, S. I. (2024). Auditor's independence and the quality of financial reporting on listed FMCG in Nigeria. *Advanced Journal of Finance and Accounting*, 2(3), 65–75. <https://integrityresjournals.org/journal/AJFA/article-full-text-pdf/08A588A52>
- Payamta, P., Sulistio, E. J. S., & Ardianingsih, A. (2024). The analysis of the characteristics of external auditor and audit committees: Tax avoidance. *Risk Governance and Control: Financial Markets & Institutions*, 14(2), 8–14. <https://doi.org/10.22495/rgcv14i2p1>
- Samuel, S. O., & Alade, O. J. (2025). Effect of audit independence on the financial reporting quality of listed deposit money banks in Nigeria. *International Journal of Research and Innovation in Social Science*, 9(6), 4197–4218. <https://doi.org/10.47772/IJRISS.2025.906000318>
- Sawaya, C., Al Maalouf, N. J., Hanoun, R., & Rakwi, M. (2025). Impact of auditor independence, expertise, and industry experience on financial reporting quality. *Asia Pacific Management Review*, 30(1), Article 100357. <https://doi.org/10.1016/j.apmr.2025.100357>
- Wang, H., & Chen, S. (2021). Credit availability, signalling, and auditor choice. *China Journal of Accounting Studies*, 9(1), 113–141. <https://doi.org/10.1080/21697213.2021.1927770>
- Yahaya, O. A., & Onyabe, J. M. (2022). Does audit fees and auditor's independence influence audit quality? Evidence from a weak corporate setting. *Asian Journal of Finance and Accounting*, 14(1), 66–80. <https://doi.org/10.5281/zenodo.7018516>
- Yeng, S., & Oppong, C. (2024). Audit independence and financial reporting quality: An insight from Sub-Saharan African stock markets. *European Journal of Accounting, Auditing and Finance Research*, 12(5), 1–16. <https://doi.org/10.37745/ejafr.2013/vol12n5116>
- Yikarebogha, E. A. (2025). Auditor's independence and financial reporting credibility in the Nigeria banking sector. *International Research Journal of Accounting, Finance and Banking (IRJAFB)*, 16(4), 14–28. <https://doi.org/10.5281/zenodo.15309597>

APPENDIX A.

Table A.1. Construct definition and measurement

<i>Construct</i>	<i>Conceptual definition</i>	<i>Measurement</i>	<i>References</i>
Corporate governance (<i>CG</i>)	The effectiveness of governance mechanisms in banks, including board activity and audit committee oversight	Measured using survey items	Al Natour et al. (2023), Sawaya et al. (2025)
Auditor independence (<i>AI</i>)	The ability of auditors to provide objective and unbiased financial reports without managerial influence	Measured using survey items, auditor tenure, and audit firm characteristics	Jensen and Meckling, (1976), Sawaya et al. (2025)
Auditor tenure (<i>AT</i>)	The length of the auditor-client relationship, which may influence auditor objectivity	Measured using survey items	Hull et al. (2025), Sawaya et al. (2025)
Audit firm size (<i>AFS</i>)	The size of the audit firm in terms of resources and capacity to maintain independence	Classification into Big4 versus non-Big4 audit firms	Sawaya et al. (2025)
Bank characteristics (<i>BC</i>)	Fundamental financial and structural features of banks that may influence financial reporting quality	Bank size, debt-to-equity ratio, and return on assets (ROA)	Hull et al. (2025), Al-Zyoud (2024)
Financial reporting quality (<i>FRO</i>)	The reliability and accuracy of financial information, reflecting compliance with accounting standards	Measured using disclosure indices, audit adjustments, and independent audit assessments (measured using survey items)	Freeman and McVea, (2001), Elahi et al. (2025)

APPENDIX B. STUDY QUESTIONNAIRE

Scale: 1 = Strongly disagree, 5 = Strongly agree

1) General information

<i>No.</i>	<i>Item</i>
1	Position: External auditor / Internal auditor / Financial manager / Accountant / Other
2	Years of experience: < 5 / 5-10 / 11-15 / > 15
3	Type of bank: Commercial / Islamic / Specialized / Other
4	Type of audit firm: Big Four / Local firm / Regional firm
5	Auditor-client relationship: < 3 / 3-5 / 6-10 / > 10 years

2) External auditor independence (AI)

<i>Code</i>	<i>Statement</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
AI1	The external auditor carries out audit duties with impartiality and neutrality.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
AI2	The opinion of the external auditor is not influenced by the management of the audited bank.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
AI3	The auditor stays away from any financial or personal ties with the management of the client.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
AI4	The audit firm has in place very strict internal policies so that auditor independence is protected.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
AI5	The auditor is not swayed by the client when there are disagreements about financial reporting.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
AI6	The rotation of audit partners is one way to ensure that independence and objectivity are maintained.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

3) Financial reporting quality (FRO)

<i>Code</i>	<i>Statement</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
FRQ1	The financial statements provide an exact representation of the bank's financial performance.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
FRQ2	Financial reports are in accordance with the relevant accounting and auditing standards.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
FRQ3	The financial disclosures are adequate for stakeholders to make their decisions.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
FRQ4	The reported earnings truly mirror the economic state of the bank.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
FRQ5	The financial statements are prepared quickly and are similar across different reporting periods.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
FRQ6	The financial reports do not contain any biases or deliberate misstatements.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

4) Corporate governance (CG)

<i>Code</i>	<i>Statement</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
CG1	The board of directors effectively supervises the entire financial reporting process.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
CG2	The audit committee is not influenced by management and operates completely on its own.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
CG3	The board guarantees that accounting and auditing standards are followed.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
CG4	The internal and external audits are made more effective through the governance mechanisms.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
CG5	The internal audit function makes the external audit more effective.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

5) Regulatory environment (REG)

<i>Code</i>	<i>Statement</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
REG1	Regulatory organizations make sure that accounting standards are strictly followed.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
REG2	They also supervise the external auditing activities very closely.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
REG3	Penalties applied to auditor malpractice regarding independence are quite heavy.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
REG4	The law requires that financial statements be clear and easy to read.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
REG5	Regulatory agencies inform about the changes happening in accounting and auditing rules very quickly.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

6) Audit tenure (AT)

<i>Code</i>	<i>Statement</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
AT1	Longer auditor-client relationships definitely improve the auditor's knowledge of the firm's operations.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
AT2	After a long time, an auditor's independence might be compromised by a close relationship with the client.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
AT3	Frequent rotation of partners is a way to handle threats from familiarity.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
AT4	To maintain objectivity, audit firms de facto limit the time that partners spend on a client and formally review this period.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

7) Audit firm size (AFS)

<i>Code</i>	<i>Item</i>
AFS1	Please indicate your audit firm category: Big Four / Non-Big Four

8) Control variables

<i>Code</i>	<i>Variable</i>	<i>Description</i>	<i>Response type</i>
CV1	Bank size (<i>SIZE</i>)	Total assets (logarithmic value)	Numeric entry
CV2	Leverage (<i>LEV</i>)	Total liabilities / total assets	Numeric entry (%)
CV3	Return on assets (<i>ROA</i>)	Net income / total assets	Numeric entry (%)