

THE ROLE OF EXTERNAL AUDITING IN ACTIVATING THE GOVERNANCE FOR CONTROLLING BANKING RISK

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Abstract

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This study was done to investigate the role of external auditing in activating the governance for controlling banking risk. The study was mainly focused on Jordanian banking sector. Data for this study was collected using structured and non-structured questionnaires. The questionnaires were distributed randomly to internal auditors in different banks in Jordan. To ensure that accurate result was achieved, hypotheses testing was done using sample-t-test where alternative hypotheses were accepted and null hypotheses rejected. The most valid result that was obtained in this study was that external auditing was the main tool that is able to activate the governance of banking risk. The result showed that with the existence of external auditors, the management of a bank has to be very vigilant to ensure that there are no financial risks affecting banking sector of Jordan. Most vital recommendation determined by the researcher was to ensure that the banking sector of Jordan keeps proper financial records in order to mitigate the extent of financial risk. It is also recommended for all financial institutions in Jordan to adopt the use of accounting information technology to improve accounting functions of the banks. In this research study, 11 different banks were investigated to provide actual evidence of the roles external auditing play in activating governance to mitigate financial risk. 70% of the banks showed that external audit activate the management governance while only 30% of the Jordan banks denied that fact. The aim of this research was to determine the roles played by external audit to manage risk. The main focus was on banking sector of Jordan. In this analysis, were able to determine different risks which affects banking sector of Jordan. Finally, the banking sector of Jordan must adopt international accounting standards such as transparency, accountability, integrity and objectivity when preparing financial statements.

Keywords: External Auditing, Controlling, Banking Risk

1. INTRODUCTION

The evaluation and examination objection of an organization's financial records is an audit. The key purpose of the activity is to create certainty that the transactions in the financial statement are accurate and fair. Apparently, the existence of the audits has worked as a watchdog against corruption and embezzlement of funds by the employees and the management of firms. Audits are divided into two distinctive sections, the external and internal audits. Accountants with professional qualifications carry out the detailed practice as part of an annual review of the entire organization. The control of risk is an

effectual activity that needs to be carried out by the management of every firm. Today, the majority of banks around the globe are searching for an effectual way of managing and controlling the potential risk that they face. The evaluation process in which the banks undertake to assess the potential losses expected shortly is an efficient process that the top managements need to identify the paper discusses the role of external audits in the control of banking risks through governance activation. This research was conducted from January 2016 to 30th December 2016. It was conducted in 11 different banks in Jordan so that the role of external auditing in activating governance to mitigate financial risk.

1.2. Problem statements

There are different banks in Jordan that suffer from poor management and financial practices which increase incidences of corruption and frauds in financial sectors. This leads to misuse of public financial resource causing a decline in the quality of public service that the general public should get. It is noted that there is improper use of external auditing practices in different banks and this increases the likelihood of risk in different banks in Jordan. This result into poor use of corporate governance in banking sectors resulting into increase in corruption and misappropriation of funds.

1.3. Research Questions

The paper answers the research question, what is the role of external auditing in initializing the authority for management of banking risks in Jordan banks?

The paper answers the research question:

1. What are the types of risks?
2. What are the mechanisms of management that the Jordan banks apply?
3. What are role of external audits in the management of risks?
4. What roles internal audits play?
5. What is the role of the regression model in the assessment of risks?
6. What are the benefits of external audits?
7. What is importance of the external audits to the financial institution in the country?

1.4. Study objective

Audits play a vital role in determining errors that exists within the financial systems of an organization.

1. The paper aims at discussing the role external audits in the management risks.
2. A discussion on the Jordan banking system
3. The type of risks most financial institutions and banks face
4. The use of regression model in assessing the role of external audits
5. The relevance of internal audits in conduction external audits
6. The impacts of technology in the accounting systems
7. The ability of external auditors to detect the occurrence of risks at early stages
8. The risk assessment procedures applied by the banks
9. The reliability of the external audits

1.5. Significance of the study

The understanding of the potential risks that the banking sector faces is a relevant activity that dictates the involvement of various stakeholders.

The paper provides a detailed discussion on how the identification of the potential risks that the banking sector faces is a relevant activity in the determination of the bank's financial position. Firstly, a reader is able to understand the type of risks that most financial organizations in Jordan face. The understanding of the potential risks plays

a vital part in the creation of insurance policies and ways of protecting the financial institution. The research paper mentions ways in which the risk would occur and the possible solutions to the prevailing issues. The control of such risk makes up an integral part of the management program of the Jordan banks. The activity dictates the involvement of auditors in such activities.

The paper gives detailed explanations about the roles of external auditors in the management of the risks. Firstly, the paper takes a detailed look about the relevance of the internal auditor's information to the external auditors. The financial investigations conducted by the internal auditors play a relevant part in the delivery of reliable data that could be used by the external auditors to conduct an effective risk evaluation. Auditing plays a key role in the early identification of potential risks facing the banking sector. The identification of interest's risks, credit risks, operational risks and trade risks is a relevant activity that dictates the involvement of various stakeholders. Factors such as technology and contemporary changes in the accounting sector play a definitive role in aiding the external auditors to conduct an effective audit to Jordan banks. In conclusion, the study enables a person to understand the significant role external auditors play in the management of risks in the banking sector.

1.6. Hypothesis of the study

1. The employment of external auditors in the bank of Jordan will facilitate the early identification of risks facing the banks.
2. The role that the external audits play facilitates the management of the banks to come up with proper internal audits that are relevant in the early identification of bank risks.
3. The inclusion of external audits leads to the creation of a reliable risk analysis and identification system within the bank's administration.
4. The early identification of risks is an important issue that the financial institutions need to apply through the effective use of the periodical external audits.
5. The understanding of the type of risks is a key factor that the paper discusses to understand the reliability of the audits.
6. Ideally, the internal audits also play a key role in aiding an effective external audit to be conducted.
7. Technology plays an inclusive role in the creation of quick and reliable audits in the banks.
8. The application of the regression model provides a perfect way of testing the role external audits play in the banking sector.

2. LITERATURE REVIEW

2.1. Jordan banking system

A detailed study of the Jordan banking system facilitates the understanding of the purposes of the audit. Apparently, the banking system of the Middle Eastern countries contains three independent entities. The national banks, foreign banks and the credit institutions that are specialized make up the

independent banks entities. The role played by each bank in the economy of the country is vital and has enabled the nation to develop economically. A look at the national banking sector of the country plays a definitive role. The national bank's sector is also divided into three parts. The three parts include the central bank of Jordan, National Islamic banks and the national commercial banks (Malaescu & Sutton, 2015). The coordination of the banking sector has played a definitive role in the economy of the country. Jordan has become a stable economy based on the banking system of the country.

The financial and social performances of the Jordan banking sector have received a positive critical acclaim based on the development records. Most economists of surrounding countries are crumpling because of the existing poor economic structure that has weakened the functioning of the banking sectors. The banking sector of Jordan has worked as a main economic contributor of the country. The existence of capital adequacy, liquidity and assets has facilitated the nation to establish economic policies that have led to the creation of more resources and increment in the employment rates. The factor has led to the attraction of foreign investors that are willing to invest in the country. This enables the country to create an economy that meets the economic needs of the public. Therefore, the role played by the Jordan banking sector is quite definitive and aids in the establishment of better economic structures in the country (Al-Refae & Siam, 2013).

The performance track of banks has been kept in check with audits. Apparently, the application of external audits has enabled the banking sector of the country to identify the potential risk that they face in the future. This has led to the creation of appropriate economic and financial strategies that work at creating a unified economic and financial structure that eliminates the existing threats (Ahmad & Alrjoub, 2014). The external audits take place according to the preferred time of the management. This facilitates proper planning and execution of activities that evaluates the level of accuracy in the financial transactions carried out by the banking sectors. The banking system of the country understands the role of the audits and is keen to implement the process into their programs by their preferred timeline (Tenev & Zhang, 2002).

2.2. Types of bank risks

2.1.1. Liquidity risks

As a financial institution, the banking sector is expected to have several risk factors threat needs to manage. The proper management of risks guarantees the long-term survival of financial institution in the industry. A look at the type of risks facing the banking sector plays a definitive role in understanding the significance of the external audits based on governance in the management of risks (Ahmad, 2015). Apparently, liquidity risk is a common type of risk that most banks face. The Jordan banking system has to be ready to deal with such risk because of nature. The inability to pay the depositors on demand an off-balance sheet is an existing risk that most banks face.

2.1.2. Credit risk

The risk that takes place when the borrower fails or lacks the ability to pay a loan is a credit default risk. Credit default risk is a common type of risk that most Jordan banks are likely to face. After the ninety-day period, the bank has to write off the loan (Jordan, 2016). This comes as a loss for the bank because the loan would affect the financial transactions. The laws in Jordan dictate that the bank should create and maintain an existing account for the loan losses to ensure that they are covered. The banks in the country reduce the credits by ensuring that they do a detailed screening on the existing applicants of the loan.

2.1.3. Interest risk

Interests make up the key source of profit for the banks all over the globe. The interest made from the loans issued out by the banks comes as a profit for the financial institution. The conversion of borrowings and depositories into eminent liabilities and deposits is a relevant activity carried out by most banks to generate interests (Cannon, 2014). When the liability terms become shorter than the asset terms or the interest made in the current deposits and the borrowings on short-term become sensitive to the term rates while the rate of interest earned in the long term liabilities become fixed it creates a risk (Schönborn, 2010).

2.1.4. Trading risk

The higher the risk, the greater the reward is a basic terminology that could be used to describe the occurrence of the risk. The Jordan financial law limits the advantage ratio of its commercial banks. The factor does not limit the bank from taking larger risks for pursuing greater rewards. The trade in securities is large risk that most banks take in the effort of earning more profits. Most banks cannot afford possess stocks (Ahmad, 2015). They have the ability to debt derivatives and securities. The activity results in the commercial banks hiring traders for separate departments that have specialization in the securities trading (Grant, 2004).

2.1.5. Operational risk

As an organization, operational risk is a common type of risk that financial institutions would have to face. The existence of the risk takes place from bad businesses practices that the bank may indulge. The risk may also take place when buildings, properly, relevant documents and equipment become damaged. The majority of the financial institutions are often faced with such risks. Instances such as the conflicts in the area especially in the Middle East leading to the creation of operational risk (Girling, 2013).

2.3. Benefits of external audits

An external audit has a privilege to the firms that decides to conduct the activity. The banking sector in Jordan has the advantage of coming up with a reliable system of governance after conducting a careful assessments about the benefits that comes

with the application of the external audits. The acceptance of such systems is a privilege to banking systems considering the financial benefits and the evaluation of potential risks. The paper takes a detailed discussion of the potential advantages that the banks in Jordan may get from the incorporation of the banking technology. The assessment of the potential benefits is a relevant activity that financial analysts carry out to decide effective strategies to implement. The process needs the combined effort of the management to facilitate the delivery of a detailed report. In conclusion, the decision to carry out the external audit requires the evaluation of the potential benefits accrued from the activity.

3. RESEARCH METHODOLOGY

3.1. Introduction

In this research study descriptive analytical approach was used to allow for the review of vital literatures which fell within the topic of our study (Long & Freese, 2006). Data was also collected using questionnaires purposely developed for this study.

The data collected were examined statistically through the use of correct statistical methods so as to provide answers to different questions concerning the study and also to prove the validity of the available hypotheses.

3.2. Study sample and population of the study

The population of this study was mainly composed of workers of banking sector of Jordan and others from external audit firm (Turabian, 2007). They were selected randomly to fill in the questionnaires prepared for this study. Only 300, workers were randomly selected resulting into 30% of the total employees working in 13 different banks in Jordan. They were mainly selected from finance department and administration. The questionnaires were distributed randomly to all the members and only 257 participants were able to return their questionnaires. This only comprise of 77% of the participants selected to participate in this study. None of the members were excused from participating in the study because they were able to fill in their questionnaires accordingly (Emerson & Shaw, 2011).

Table 1. Distribution of collected questionnaires

Bank Name	Questionnaires Distributed	Questionnaires received	Rate of response	Removed questionnaires	Questionnaires examined
The Arab Bank	46	40	87%	6	40
The housing bank	22	16	73%	6	16
Jordan Islamic bank	31	30	97%	1	30
Arab banking corporation	28	26	93%	2	26
Jordan Kuwait bank	22	17	77%	5	17
Bank of Jordan	16	16	100%	0	16
Dubai Islamic bank	28	22	79%	6	22
Jordan invest and Finance bank	25	23	92%	2	23
Cairo Amman Bank	26	20	77%	6	20
Union bank for saving	30	26	87%	4	26
Jordan national bank	20	19	95%	1	19
Jordan commercial bank	12	8	67%	4	8
Capital bank of Jordan	12	12	100%	0	12
Total	300			43	257

This therefore only allowed 257 questionnaires to be subjected to statistical analysis. 13 banks were used in this study to ensure that the purpose of this research is met. The banks that were used in this

study were as shown below. The participants were selected from different departments so that we could have varied opinion about the role of external auditing in activating governance.

Table 2. Showing the number of banks and the employees selected to participate in the survey

Bank Name	Finance	Administration
The Arab Bank	30	16
The housing bank	12	10
Jordan Islamic bank	20	11
Arab banking corporation	11	17
Jordan Kuwait bank	8	14
Bank of Jordan	10	6
Dubai Islamic bank	18	10
Jordan invest and Finance bank	11	14
Cairo Amman Bank	16	10
Union bank for saving	18	12
Jordan national bank	10	10
Jordan commercial bank	4	8
Capital bank of Jordan	6	6
Total	162	138

3.3. Data collection instrument

Data was collected using questionnaires which mainly contain 20 items necessary for measuring the role of external auditing in activating governance for controlling banking risk. The creation of these items was done using the information from previous literatures related to the main research study (Jarrar, 2016). The questionnaires developed were sub-divided into three different sections where section one has general and demographic information about the respondents. The second section contains various variables needed in this study such as the roles of external auditing in activating governance and the other part how it mitigates banking risk. The last section only focuses on the manifestation of fraud and financial misappropriation in Jordan banking sector.

3.4. Validity of scales

The reliability of the research instrument was determined by presenting the questionnaires before a group of 10 experts to confirm the appropriateness of the questionnaires developed for the study. They were also required to provide their opinion about the reliability of the questionnaires before they were used in this study (Jarrar, 2016). These experts were allowed to give their suggestions regarding the correctness and validity of the questionnaires. Any error and omission found in the questionnaires were corrected immediately in order to improve their validity. They were finally amended according to the suggestions of experts selected. They were only accepted to be valid when the majority of these experts approved them to be valid.

3.5. Reliability of scales

In order to measure the reliability of the data collected, Cronbach's alpha was used. It was able to measure the quality of data provided by respondents. Its alpha for all the variables used in this research ranges from 0.72 and 0.87.

Table 3. Study variables

Variables	Cronbach's alpha	Items
Corporate Governance	0.82	1-5
External Audit	0.72	6-13
Jordan Bank risk	0.87	14-20

3.6. Data analysis techniques

Immediately the questionnaires had been collected from different respondents, data analysis software called SPSS version 21 was used to examine the data (Jarrar, 2016). We also employ different descriptive and inferential statistical techniques to examine data such as role of auditing in activating governance for controlling banking risk, the efficiency of external auditing to mitigate financial frauds and finally the level of banking risk when there is no external auditing in banking sector.

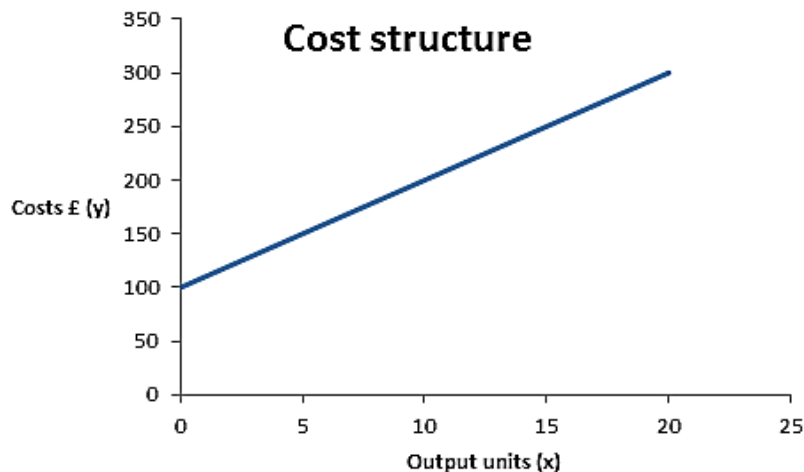
The regression model provides a detail calculation of how the combination of the skeptics such as the derivation of cost structure could be applied in the identification of errors within financial system if the Jordan banking sector (Malaescu & Sutton, 2015). A Jordan bank has its unit of services recorded. The cost of production are created and observed in four output levels on a monthly basis.

Table 4. Regression table

Units	Costs
5	150
10	200
15	250
20	300

The units in the table reflect on the number of shares. The calculations analysis gives a clear reflection that a correlation of +1 exists. This is an indication that it is the correlation is linear positive (Cannon, 2014). The units make up the independent variable that resulted to the movement in the costs. The creation of a regression analysis illustrates the point (Jonge, 2011). The development of the cost structure is essential in this case.

Figure 1. Regression model graph



The straight line reflects the connection that exists in the four observations. The line is extended and touches the y-axis at GBP100. The comparisons of 20units and 5units indicates the cost per unit in the GBP10 together with the fixed cost the actual value would be $Y=100+10x$. By looking at the basic calculations, an individual is able to identify the potential risks that the Jordan bank experiences. The cost structure provides the detailed explanation of the topic (Long & Freese, 2006).

4. RESEARCH ANALYSIS

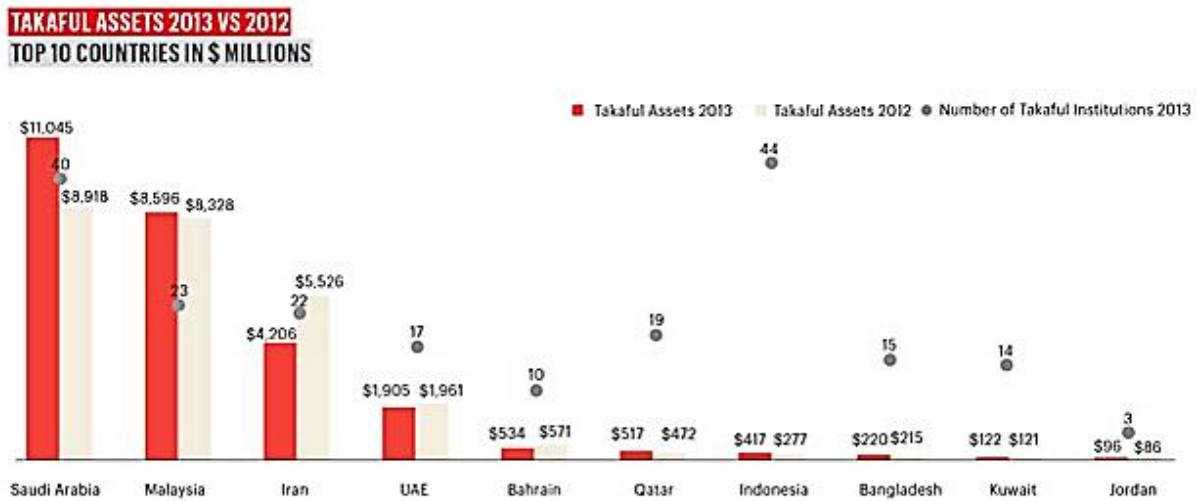
4.1. Analysis

The role of external auditing in activating the governance for controlling banking risk (an applied study in Jordanian banking sector).

The outsourcing of the work of external audit is a relevant activity that comes with several benefits. Apparently, the outsourcing facilitates the reduction of cost that the bank would incur when coming up with various substantive factors that reflect on the financial position of the financial institution. The activity frees up the rate of capital by the bank and enhances the focus ability on the key strengths. Research indicates that it enables the management of the banking sector to tap the specific skills of employees and focus on productive ways of improving their rate of productive (Cannon, 2014).

The activity leads to the creation of reliable strategies that work at creating a sustainable and working environmental culture in which the team of outsourced auditors would evaluate the current financial position of the organization. Industrial knowledge, global sourcing makes up the few advantages that the organization gets through the involvement of various stakeholders.

Figure 2. External audit graph for Jordan banks



Source: ICD Thomson Reuters; Islamic Finance Development Report

The understanding affects the internal audits on the external auditor's reliance plays a significant part in the management of the banking sector. The investigation on the perceptions that the external auditors have towards the internal audit matters a lot. Apparently, internal audits (AI) are regarded as a key component of the corporate governance in any organization (Davidson et al, 2013). The activity dictates that the Jordan banks create a unified system of their internal auditors such that they give out a reliable set of results that focuses on the current needs of the banking sectors. The employment of qualified accountants plays a definitive role as it enables the management to develop a reliable system that depends on the delivery of reliable financial audits that may assist the future financial audits.

Auditors have the duty of performing the audits on a regular basis. The activity takes place to ensure that the operations in regard stop the financial transactions of the company talks place according to the preferred time setting. The activity dictates the creation a unified period that facilitates the collection of reliable information. The external

authors that come to audit the bank uses the AI function to make determinations on the key financial processes. The activity dictates a high level of transparency because the management needs to understand functions properly (Davidson et al 2013). The external auditor also needs to understand the functions properly before coming up with reliable decisions in regards to the mentioned places of financial transactions. The determination in the level of competence is a relevant that needs to be carried out with the audit team. In conclusion, the internal audit team plays a significant part in the management structure of the Jordan banking sector.

The decision made by the auditor in regards to the financial position of the company also depends on the IA function. The decision is heavily reliant on the function because of specific factors. Apparently, internal auditors face the pressure from the management of the company. The activity results in the creation of specific set of decisions that rely on the capability of the organization to come up with a unified timeframe that focuses on the delivery of specified results. The existence of inherent risks

also creates reliability of the IA function. External auditors rely on the IA function if the risk is quite high. The action takes the opposite step if the inherent risks are low within the specific domains. In conclusion, the internal auditors play a significant part in the management of the banking sectors.

Table 5. Role of internal audit table

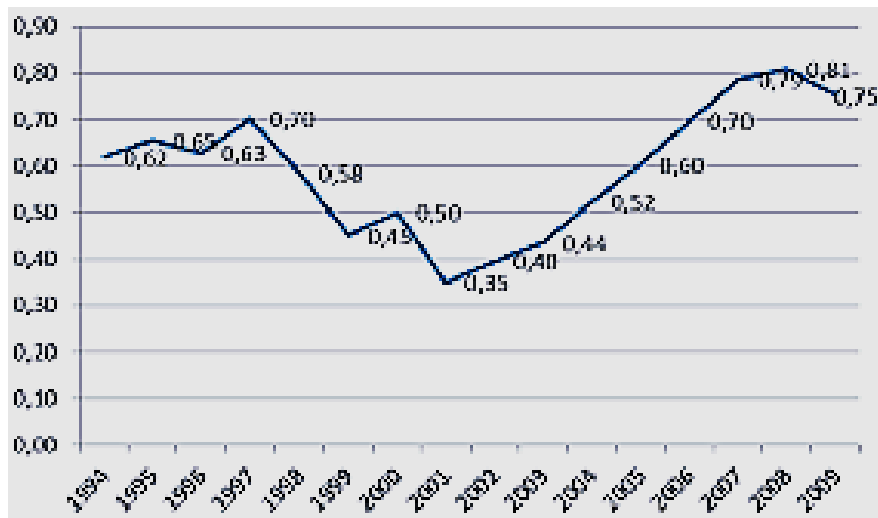
Area-information systems	2012	2013	Status
Assessment and management of IT risks	2-3	4	Up
Managing changes	1-2	2	Up
Ensuring continuous services	2	2	-
Ensuring systems security	2-3	2	Down
Managing physical environments	3-4	3	Down
Managing operations	1-2	2	Down
Strategic planning	n/a	2	-
Managing projects	n/a	2	-

Jordan banks face the regular pressure to upgrade the accountability and reliability of the financial information. The activity takes place for the purpose of compliance with the regulatory bodies in the country. The activity also takes place to create a healthy business environment in the country that is able to sustain the existing economic structure (Ahmad, 2015). A demand in the

assurance of the risk management effectiveness together with the control systems are a relevant activity that the government partakes to ensure the economy of the country runs. Today, Jordan banks have taken the initiative of coming up with an automated control mechanisms such as the implementation of the continuous audits to ensure that the country economic pillar is stable and reliable for the public.

The continuous audit uses a technology that enables essential external audits activities to take place for the benefit of the banks. Activities such as audit testing on the current financial transactions together with risk assessment take place (Cannon, 2014). This facilitates most commercial banks to understand their current financial positions without the involvement of unreliable techniques. The technology enables the activity to take place in the required time frame leading to the creation of reliability on the internal audit instruction. Apparently, the external auditors need to rely on the information presented by the internal audits in order to makes determinations the accurate set of information portrayed in the financial records. However, cases of fraud and miscalculations still occur with the application of the continuous audit technology. The activity dictates that the Jordan banks take tough measures to ensure the audits are correct.

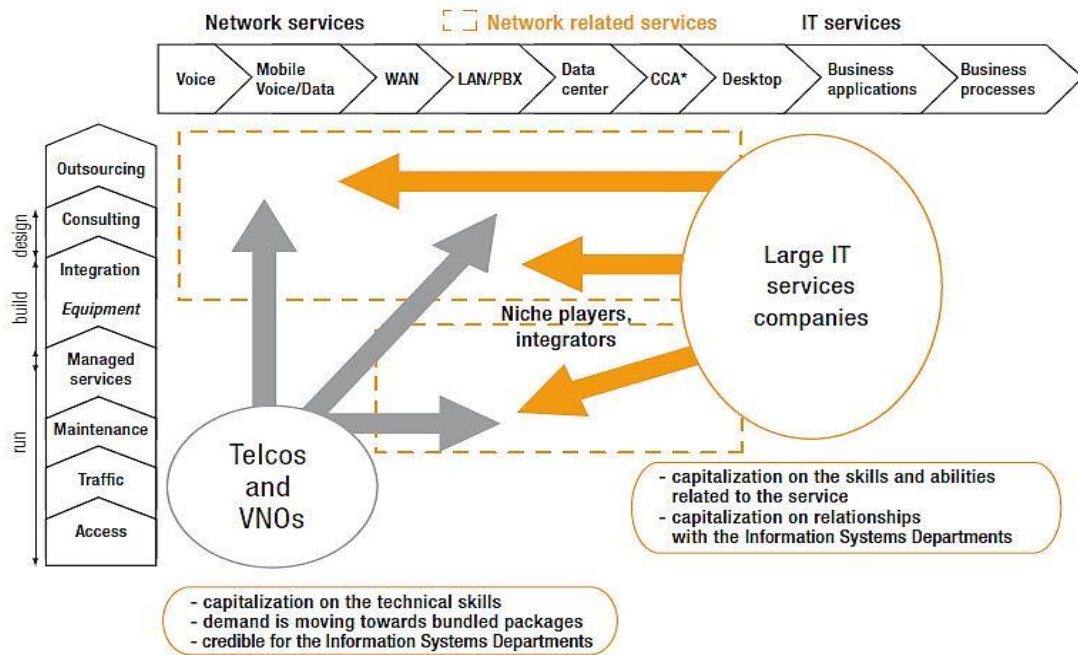
Figure 3. Assessment graph on the reliability of external audits



The errors on the internal audits and the internal control deficiencies play a relevant part in the reliance of the external auditors. The errors determine the rate to dependency that the external auditor would use the information of the records. The auditor could choose to identify the source of the errors and come up with an actual audit on the bank status. The reliance on the external auditor's information and decision has some impacts (Malaescu & Sutton, 2015). According to research, the reliance on the auditor's information has

relevance economic outcomes together with implications on the effectiveness and efficiency of both the internal and external audit. The activity creates the relevance of including the work done by the internal auditors. The inclusion of the work enables the external auditors to get the brief overview of the financial information about the banks in Jordan. In conclusion, it aids in the creation of a unified decision in relation to the auditing information.

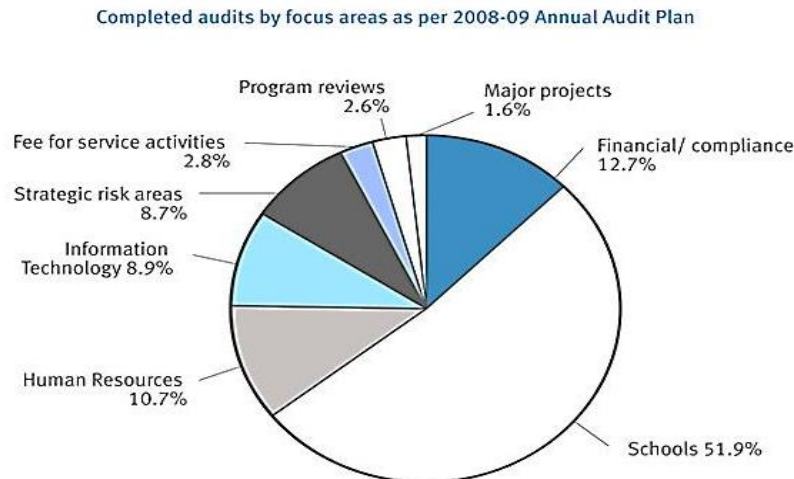
Figure 4. The IT structure applied by Jordan Banks



The use of Hogarth theory aids in making determinations about the relevance of the IA information in auditing. The theory stipulates the basic measures to be taken when assimilating information for the purpose of decision-making and judgment. Decision-making makes up a vital part of management of risk (Cannon, 2014). A wrong decision about the financial information by the external auditors could result to a poor decision

making that may affect the control of risk by the Jordan banking sector. Apparently, the theory comprise of five distinctive stages that that needs to be followed. Information acquisition makes up the first stage. The external auditors need to collect the right set of financial information through the correct means. The use of the internal auditors is a necessary step towards the achievement of the correct set of goals.

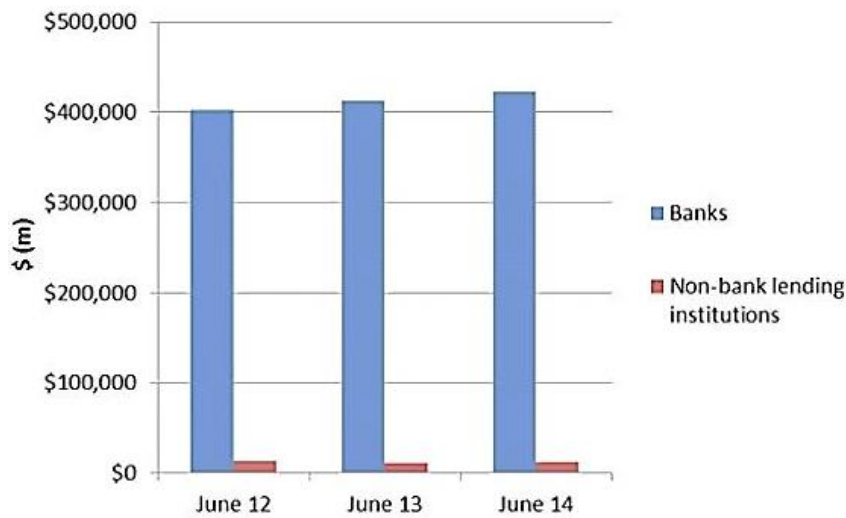
Figure 5. Role of internal audit graph



The processing of the information given out by various departments of the banks together with the internal auditors report is essential. The external auditors need to make proper accounting calculations on the balance sheets and income statements. The processing of the information assists the auditor's o make determinations on the existing errors kin the reports. Additionally, the determinations of the outputs are also another basic factor that the financial reports should include

(Malaescu & Sutton, 2015). The inclusion of the financial reports enables the external auditors to make determinations and identify the potential risk that the banking sector in the country risks experiencing. The activity is essential in the creation of a unified accounting system that helps in the identification of such errors. The giving out of the final feedback makes up another stage of the theory. The activity involves the explanation on the general opinion about the financial data.

Figure 6. Role of external audits graph



Most financial experts and accountants consider Accounting Information Systems (AIS) an important part of the junior systems in the management structure. The activity takes place because the financial information that is obtained from the system is relevant to external and internal use. Internal and external parts need the financial information to carry out several activities that work for the benefit of the business organization (Ahmad & Alrjoub, 2014). The activity depends on several implemented factors that aim at creating a sustainable environment in which the management could come up with several ways of making changes in the production structure. The accounting information contains economic data that could be used for the benefit of the whole organization. Ideally, the existence of the AIC system works for the benefit of the entire organization. This is because it contains all the financial transactions of the company. The proper utilization of the system facilitates the minimization of the existing risks.

5. DISCUSSION

5.1. External auditing

The implementation of the continuous audit technology serves a great purpose on the Jordan banking industry. The government has the initiative of ensuring that the banking sector of the country implores the use of the technology because of the expected benefits that comes from the use of the technology. Compared to the traditional auditing system, the system has greater efficiency and accuracy. This results to the collection of a reliable set of information that is useful to the external auditors (Ahmad, 2015). Research indicates the external auditors Jordan prefer using the internal audit information collected through the continuous audit technology compared to the traditional because of the potential advantages accrued from the use of the technology. The activity also creates a great deal of reliability on the systems that would address the current issues facing the bank. In conclusion, technology has played a significant part in auditing in banks.

External auditors operate under specific rules and strategies that enable them to detect potential risks that face the bank. The factor creates the necessity for regular external audit in the Jordan banking system to facilitate the creation of a stable risk management program that would ensure the safety of the organization operations in the country. Apparently, most external auditors have less reliance in the IA function when an annual audit report has a weakness in the internal control systems (Ahmad & Alrjoub, 2014). The activity enables the creation of the right decision because the use of the financial information obtained from such audits is quite unreliable to use. The banks need to ensure the elimination of such weaknesses because they could result to the creation of operational risks.

The approach used by the external auditors in the calculation of errors and determinations of financial positions is quite different than the ones that the internal auditors apply. There is a varying effect on the testing approach applied by the internal audits on the reliance of the external auditors. Apparently, the work would be quite insignificant if the material weakness is detected (Ahmad, 2015). The activity dictates that the internal auditors needs to carry out an exclusive work that eliminates the existence of such weakness in order to facilitate smooth external audits. The existence of such errors affects the entire operations of the department leading to the creation of weak practices that affects the operations of the external audits. The banks have the duty of implement the use of the conditions audit to ensure the elimination of the weaknesses early and facilitate a smooth transition period.

Accurate budgeting is an essential economic tool that the Jordan banks need to ensure it takes place. Apparently, accurate budgeting ensures that all operations of the organization take place in accordance with the written down plan to facilitate the creation of a reliable budget system that accommodates the activities of the banks. On the other hand, under budgeting leads to the creation of loses for the banks. The action would result to overworking the employees to reach a specified goal within the targeted timeframe (Cannon, 2014). The

activity would also lead to leads performance that would affect the economic status of Jordan. External auditing plays an integral role in ensuring that the banking sector does not fall victim of under budgeting. The financial figures produced by the external audits would result to the creation of a reliable budget that would fit the needs of the Jordan banks.

The budget hours taken by the external auditors determines a lot in an audit. Apparently, the auditor takes fewer hours when auditing the high-complexity accounts through the continuous environment of audits that in the traditional one. The activity dictates the inclusion of the current technology when creating the external audits for the purpose of a proper audit to be conducted (Ahmad & Alrjoub, 2014). On the other hand, the external audit budgets more time to the audit in a highly complex account. The activity takes place when the prior audit year becomes identified as the potential material weakness the internal control systems. Lastly, the continuous audit surrounding provides the reduction in an audit that is budgeted for ours through the high-complete account. The activity takes place in the prior that is identified by the internal control systems.

The management of risk is an essential activity carried out by most commercial banks across the globe. The activity includes the creation of several strategic factors to ensure that the risk are managed to reduce cases of bankruptcy. A look at the behavior of sticky costs that are affected by the fluctuations in demand plays a relevant part (Malaescu & Sutton, 2015). Apparently, the sticky notes situation arises because managers have the tendency of retaining the capacity idles as the demand grows. The opposite takes place as the demand falls. The activity is quite common in the air transport industry in the United States. The situation is common in the industry leading to the creation of several risk factors that affects the operations of the entire business enterprise.

The sticky cost situation also takes place when the managers decide to decrease the prices for utilizing the existing capacities when the demand goes down. They also increase the capacity when the demand rises. The strategy taken by the managers in the transport industry could be applied to the banking sectors. The activity relates with the charging of interests rates in loans. The management of the financial institution may decide to increase the interest's rate on loans when the borrowings are high because of the demand increase and lower the interest rates to attract more customers when the borrowings are quite low. The activity creates unfairness in the banking industry in Jordan resulting to the exploitation of the Jordan people. The identification of such activities is a necessity for creating high level of transparency in the organization.

The existence of external audits ensures that such activities are detected early. The external auditors take all the financial information of the company together with the annual reports to come up with the actual events of what activities were taking place as the year progressed. The internal auditor's information gives a brief overview of the activities that took place within the management. The ability of the entire management to come up

with such costs may be quite hard to determine if the financial records show the fixed costs only. The detections in the changes of the fluctuations levels may be quite difficult owing to the fact that the management of most banks in Jordan may opt to place the increase in the interests and decrease on a different book. The activity calls for an investigation that the external auditors are trained at doing.

The understanding of the sticky costs needs a careful evaluation process that point out to the common activities of the business. In the air transport industry of the United States, the analysis of the industrial capacity makes up an essential part of the investigation process. The external auditors need to understand the capacity of the air transport system to make key decision of the annual sales estimates (Cannon, 2014). The activity also dictates that the auditors investigate the cases by looking at the regular ticket selling prices and other things that air transport industry sells to the citizens. The look at the sells volume data is also an essential activity that the external auditors need to investigate in order to come up with the actual determinations about the case. In conclusion, the process of investigation is a detailed one that involves the participation of various stakeholders in each related field.

The bank external auditors also need to identify the occurrence of the sticky cost as a potential risk. The identification of the risk calls for an active investigation on the financial records. A look at the accounting information that relates to the long term and short term assets of the banks is relevant. The activity facilitates the auditors to come up with actual determinations about the value of the interest charge and the impacts on the customers. The understanding of the Jordan people-borrowing pattern also plays a significant part in analyzing the fluctuations in the demand of loans and borrowings in the country. The understanding of such dynamics pave way for external auditors to conduct an investigation about the existence of the stick cost that pointed out the potential risks that the banking sector faced.

A look at the capital bank 2015 annual report helps one to understand the scenario. The bank earned a net income of a significant \$18.3 million at the 4th quarter in the year 2015. This enabled the financial institution to get a one percent core in the return of the assets (ROA). The achievement went hand in with the annual goals that the organization shared with the investors. The look at the increase in profit does not reflect on the actual activity that the bank manager practiced to ensure that the bank earned a significant amount of profit during the year. Apparently, it is quite difficult to detect such activities owing to the fact that changes may not be recorded in the record books. Therefore, the investigation of such scenarios is a necessity.

The improvement in the cost of production is an essential activity that most firms' work at ensuring it takes place. The minimization of the costs ensures that firms earns profit from the economic activity that they participate in. The activity includes the identification of the cost together with the creation of appropriate strategies that would reduce the existing cost of production that the company would incur in the delivery of its products or services to the members of the public.

The minimization of the production cost leads to the creation of more profits for the existing companies. The application of information of accounting plays a relevant part in the improvement of the cost of production (Cannon, 2014). The accounting information shows the value of the costs that the company incurs during the production process. A look at the industrial firms in Jordan aids the activity.

The identification of the application levels of the accounting data systems and the impacts on the banking system of Jordan play a relevant part in the activity. The activity revolves around the creation of several strategies that aids the understanding of the accounting information. Apparently, the accounting information includes the basic financial transactions recorded by the finance department of the company. The understanding of its basic functioning plays a relevant part in the decision making process of the top management. Ideally, a detailed look at the identification of deviation costs and a proper look at the accounting systems aids in the creation of reliable data that could be understood by various stakeholders. The applicability of the technique in the creation of a reliable set of financial data would aid in the minimization of the production costs. Consequently, the understanding of the applicability of the accounting data systems is relevant.

5.2. Roles of external auditing

Based on the role the accounting information plays in the Jordan industrial industry. The same could be applied to the banking sector of the country. The banking sector of the country needs to develop a formidable structure in which it could operate for the benefit of the borrowers and the depositing. The understanding on AIS is that it aids in the creation of necessary decision that aids at increasing efficiency in the operations. Apparently, the banking systems aids in the running of the economic activities of the bank sectors. This comes in if the AIS of the Jordan banks are quite stable. The stability of the system ensures the creation of a reliable set of factors that facilitate the delivery of quality information in relation to the existing factors that may propel the banks to achieve their annual targets.

The creation of a stabilized accounting system needs the implementation of a perfect audit program. The internal audit systems of the bank need to work at identifying the potential errors that exists with the system. Apparently, the cost accounting function in the organizational structure realities to allocating, classifying and specifying the costs that emerges in the bank's operations. The internal audit functions needs to ensure the recording of the correct set of accounting information that relates to the emergent costs of the bank. The identification of deviations is also necessary for the internal audit function. The information given in the internal audit has relevance to the external auditor. The activity dictates the disclosure of the correct set of information to avoid cases of fraud.

The understanding of the AIS concept is a necessary activity that involves the active participation of various stakeholders. The AIS framework is a simple concept that enables the

bank to increase its rate of efficiency. The activity dictates the participation of various stakeholders in illustrating the basic functions of the accounting structure (Davidson et al, 2013). The achievement of specific goals makes up one of the concepts that an accountant needs to understand about the system. Apparently, the identification of scopes in the AIS systems adoption in the banking sector makes up one of the targets of the AIS. The activity leads to the reduction of the existing theories that relate to the potential ways of reducing existing costs in a company. In conclusion, the understanding of the framework needs the participation of various stakeholders in the related field.

The identification of the improvement scopes that exists in the upgrading of the cost of production that relates to the delivery of banking services is another objective. The AIC enables the management of the banks on Jordan to identify the improvements at an early stage and come up with effective ways of handling the issue for the benefit of various stakeholders in the related field. Ideally, this gives an illustration about the relevance of the external audits in the banking systems. The external audits would help identify the potential changes that the organization would expect one the improvement process has taken place. Ideally, the examination of the AIS by the external auditors looks at the potential areas that needs to be improved and the areas that needs to be eliminated (Ahmad & Alrjoub, 2014). This aids in the achievement of goals because it enables the organization to come up with a system that supports the occurrence of the changes.

The identification of the potential problems that are expected after the inclusion of the AIS to reduce the production costs is a factor that needs to be analyzed. Before the implementation of any accounting systems, the identification of the potential errors that come with the implementation of the problem is a basic activity that needs to be carried out by various stakeholders. The external auditors play an integral part in the identification of such errors. The activity revolves around the adoption of the AIS system that has not yielded productive results once it was applied in other industry. The external auditors review the potential setbacks by looking at the basic arrangement structure of the whole system. The understanding of the system would enable the identification of the errors by the Jordan banks.

A look at the annual report of the bank of Jordan plays a key role in understanding the role of the AIC. According to the report of 2012, the banking sector of Jordan was under good management. The activity revolved around enjoying high levels of profits and liquidity. The bank has succeeding in providing finances to various economic activities across the country (Davidson et al, 2013). The balanced performance rate was made possible by the existing support that came from the central bank of the country. The number of depositor is increased during the year owing to the attractive interest rates that the banks gave to its customers. Lower risk reputation and the protection of clients took place through fair values and perfect business dealings with customers that used the services of the banks. The report is a perfect

illustration of what good AIS does to the banking sector.

Management accounting plays an integral part in the management of most organizations. The accounting function releases information that works best for the internal use of the company. The accounting system provides a detailed information that explains the necessity of coming up with specified decisions. In most cases, the management uses the information from the management account books to make decision in relation to large purchases and expenses. The accounting function plays a relevant part because it is a key determinant force for the rate of development that is expected to come from an organization. The organization has the duty of maintain accurate records because it helps determine the financial position of the bank. A look at the industrial companies in Jordan illustrates the point. The industrial companies in the country depend on management accounting to make internal decisions that relates to its daily operations.

Cost accounting makes up a branch of management accounting that most organization depends. The dependence on cost accounting explains the necessity of coming up proper managerial decisions. Cost accounting is part of the accounting system that creates a way of controlling cost through the calculation of the existing costs. The calculations of cost are a basic factor that most accountants carry out to ensure the creation of formidable ways of identifying potential risks that the Jordan companies face (Al-Shwiya et al, 2015). The involvement of accounting experts in the creation of the cost accounting reports play a relevant in the management of the entire organization considering the fact that most companies rely on the cost accounts to determine the existing and potential cost that needs to be covered and analyzed. In conclusion, cost accounting is a key part of managerial accounting that has positive impacts in the management of companies.

The similar case applies to Jordan banks. Management accounting plays a significant part in the banking industry. The information released from the accounting records helps the management of the banks to come up with decisions. The information released may be used in the creation of annual budgets that work at ensuring the banking sector in Jordan survives and serves the people accordingly (Ahmad, 2015). The central bank of Jordan sees the necessity of the management accounting function and uses it as part of its management process. The application of the function has enabled most Jordan banks to assess its past performances and come up with creative strategies of expanding their services in the future. Ideally, management accounting plays a significant role in the management of banks in the country. Therefore, the inclusion of the management accounting function in banks is a necessity.

The creation of cost reports is a vital activity that facilitates the management of risks. The bank can control its liquidity and interest risks through the management system. This is because the management accounting function shows the expenses to be used in a specified project (Al-Shwiya et al, 2015). The showing of the expenses enables the banks to makes the relevant assessments. The

matching of the revenue with the expense to determine the exact value of profits that the company would incur is a necessary activity carried out by banks to ensure its success in the banking industry. The activity enables the banks to make identifications in the areas that generate more profits and specialize at improving the specific regions. The analysis of the expenses is also necessary to determine the operational risks.

The need to conduct external audits on the management accounting function is a necessity. As previously stated, the success of the bank depends with the management accounting function (Ahmad, 2015). The internal auditors have the duty of ensuring that calculated the costs in the management accounting functions to detect the existing errors. Errors such as error of omission and commission are common in the accounting system. The detection of such errors is a relevant activity that the companies need to ensures that the work on to facilitate the delivery of the correct set of information to the external auditors. The external auditors ensure the delivery of the correct set of accounting information by looking at balancing of the expenses and revenue parts to determine the profit rates. The process entails a detailed review of all the financial records of the bank before coming up with the final decision.

A look at the financial report and the auditor's report of the Jordan commercial bank during the year 2015 illustrates the point. According to the report released by the independent auditor, the management has a key responsibility of ensuring the preparation of the financial statement fairly. The compliance should be in line with the international financial reporting standards (IFRS). The management should ensure that the documents presented for audit are actually free from existing misstatement of materials (Al-Shwiya et al, 2015). The activity explains the essentiality of creating a perfect management accounting system that is ready to support the financial position of the company at all times. The Jordan commercial bank management has to ensure that its auditor scrutinize the annual financial reports to identify potential underlying errors in the management accounting system. The activity ensures the minimization of errors in the present management structure of the bank.

The independent or external auditor has a duty of the delivery of general opinion about the financial statements. Apparently, the auditor also has a duty of ensuring that the auditing conducted complies with the international auditing standards to minimize the occurrence of existing errors in the current audit structures. The standards stipulate that the auditors need to work in accordance with the existing ethical needs. Planning and performance makes an essential part of the audit process. The activity takes place to create guarantee about the existing financial statements and to detect any existing errors (Ahmad, 2015). The role taken by the internal auditors in the creation of a reliable investigation unit determines the relevance of management accounting in the organization. The opinion given by the auditor in relation with the management accounting system of the Jordan commercial bank was positive.

The financial position of the bank as per the year 2015 was a profit. The bank managed to increase its profit margin because of the implementation of several strategies that attracted more customers to the financial institution. The interests rates charged were quite fair leading to an increase in number of depositors and borrowers. The management accounting system also played an integral role in the detection of potential operational risks. This led to the implementation of several structures that focused on the minimization of the risks that the bank faced in the country. The management also relied on the accounting function to make important management decision that propelled the company to make profits within Jordan. In conclusion, management accounting function plays a relevant part in the management process of a company.

As time progress, the accounting systems changes as they try to adapt to the contemporary changes. It is a relevant to acknowledge the current changes that take place in the accounting sector in this period. The factors would affect the operations of the company within its industrial domain. Apparently, accounting plays a relevant part in the detection of potential risks that an organization risks facing while carrying out its operations (Ahmad & Zawaideh, 2014). The activity creates the necessity of adopting current accounting systems that works for the benefit of companies operations. Accountants create easy time for supervisors that need to assess the performance of the company in the industry. The information given out plays an integral role. Ideally, the same applies to the implementation of the modern accounting system to Jordan banks. The activity would work for the benefit of the banks considering the fact that it would lead to the control of predominant risks facing the financial institutions.

Decision-making makes up a key relevance in the adoption of the accounting systems. The information given out by the financial system of the bank enables the management to make key decisions in relation to the control of the potential risks that faces the bank. The activity also facilitates the management of evaluate the performance of each department and implement specific measures to stabilize the operations. Monitoring of the departmental workers and managers is also an essential activity that leads to the elimination of fraud cases within the organization. The management needs to ensure the implementation of the modern accounting systems to facilitate the mentioned activities to take place within its domain. The banks in Jordan have taken the initiative of ensuring the implementation of the modern changes in the accounting sector for the benefit of the banking industry. Ideally, the activity leads to the generation of more profits that works for the benefit of Jordan citizens.

The changes in technology have played a relevant part in the creation of the modern accounting systems. The introduction of online services and data storage devices has computerized the whole accounting system leading to the creation of different accounting techniques. Apparently, technology has aided in the provision of quick services owing to the fact that the computer can make accurate calculations in regards to the

financial records and the reports. This has aided the fact delivery of services to the people of Jordan (Ahmad, 2015). However, the delivery of services is a complex process that an error in the technology section could result to the complete failure of the system. The understanding of the potential errors that may exist in the system is a vital activity that the management needs to place into considerations. The activity would lead to the eliminations to concurrent mistakes that may face the bank through the blind implementation of the modern systems.

The external auditors have to adapt to this current changes. The activity occurs to enable them to give an honest opinion in regards to the financial position of the company in the industry. The adoption to the changes facilitates the organization to come up with a reliable framework that it could rely on the information given by the external auditors. The auditors have to ensure that they understand the necessity of technology as time keep on changing (Ahmad & Zawaideh, 2014). The systems applied in the auditing processes need to be upgraded to suit the ones that the banking sector applies. Without such upgrades, the control of risks such as trade, liquidity and operational risks would become a difficult takes. The understanding of such factors plays a definitive role in the entire process. The banking sector needs to ensure that it implements the correct resources to ensure the delivery of correct opinions in regards to its financial status and opinion.

The implementation of the modern changes into the accounting system has worked for the benefit of the Jordan banks. The delivery of services has been quite quick owing to the piece of technology. The uses of computers have enabled the bank staff to have access to the quick profile of each customer that uses the services of the bank (Ahmad & Alrjoub, 2014). The activity has facilitated quick cash withdrawals from the banking sector. The understanding of the activity has played a relevant part in the creation of a quick adoption process that aids the quick issuing out of loans. The quick issuing out of loans takes place because the bank has the complete access to the customers past records. The activity eases the delivery of services to various individuals that seek its services. This has resulted to the creation of a positive perception towards the modern day banking sector on the country as people appreciate the role technology as played.

A look at AJIB annual report exemplifies the relevance of technology in the Jordan banking sector. The operations of the company have increased over the past few years owing to the system of technology that the company used in the implementation of its basic services to the people. The bank has managed to increase its profit by 3.1%. Ideally, the increase in the level of profits have benefited the company has the bank has managed to open several branches country wide to enable accessibility to the people that within the rural parts of the country. The merging of the accounting data with the electronic systems has minimized operations risks. The bank management can now operate the banks without fear of being compromised by existing risks that may face the financial institutions. Ideally, the introduction of

modern accounting systems has worked for the benefit of the banks in the country.

Table 6. Technology relevance

Variable	Measurements	Expected sign
Performance	Net Income/total equity	+
E-banking	Dummy variable equal to one if the bank offer e-banking and zero otherwise	
Size	Logarithm of total assets	+
Capital	Equity capital/total assets	+
Credit risks	Non-performing loans/total assets	-
Expense management	Operating costs/total; assets	-
Liquidity	Total loans/total deposits	-
Inflation	Rate of change of CPI	+
Economic growth	GDP Growth	+

Technology has played a relevant part in the implementation of new technological systems in accounting. The action has worked for the benefit of most banks that operate within Jordan. With the incorporation of computer science, a new set of technology emerges that focuses in the creation of a reliable set of factors that work best under AIS. The AIS system functions at providing proper services to the banking sectors (Ahmad & Zawaideh, 2014). The activity results in the proper management of activities and minimization risks that most banks face in the industry. The inclusion of technology creates relevance in the adoption the AIS system that applies the use of artificial intelligence that aids in the collection of accounting information from various places. The use of the technology also plays a relevant part in the permanent storage of accounting information. Previously accounting information could be lot with unreliable technology that focused in the physical storage of data.

The analysis of the work life cycle of employees within the banking sector in Jordan is a vital activity. Employees are responsible for the general productivity of the firm. The production of quality depends with the life cycle. The management needs to ensure that the employees are not overworked. Then overworking of the employees may result in the creation a poor work results. Research indicates that errors such as commission, omission and original entry take place because of the overworking activities that the employees of the bank may face. It is the duty of the employers to ensure that the management of the organization does not treat the employees badly. Bad treatment may also result to poor work being conducted by the external auditors. This results to the recording of bad financial transactions that may expose the bank to risks.

Expert systems are a new technological aspect incorporated to ensure the installation of a proper accounting function. The operations of the technology works at ensuring that information found in the records is correct and accurate. The activity takes place through the integration of the database accounting and the artificial intelligence (Ahmad & Alrjoub, 2014). The integration process take place to create solutions to many preexisting problems that the accounting sector faces while the banks operates within its industrial domain. The activity also helps in the elimination of [pa

accounting practices that aimed at crated unreliable databases that could not be used by every financial expert. Ideally, the whole set of activity relies on the ability of the bank to merge up the technology and its daily operations to ensure that all financial records reflection the banks electronic system. The activity may guarantee the success of the system.

External auditors have the duty to adapt by the technological changes that most Jordan bank incur to improve their system. The activity works for the benefit of the external auditors. This is because of the high level of accuracy that is recorded after the implementation of the system. The auditors would have an easy time giving out their opinion about the performance of the bank and the potential risk that the bank faces after receiving accurate information from the internal auditors (Ahmad & Zawaideh, 2014). On the other hand, the auditors also need to receive adequate training in regards to the applied system. The activity dica6tes a training practice on the use of the system. The training may take one month to facilitate reliance of the information and the issuing of the correct opinion in regards to the topic of discussion. The activity enables the management to release the correct set of information for surveillance.

A look at the annual report for the housing bank for finance and trade illustrates the point. The bank has managed to operate under stiff competition and survive the rivalry. The activity led to the bank adopting technological systems that enabled it to boost its position and gain a competitive advantage over other banks in the industry. The HBTf has increased its profit margin by a significant 9.2%. The profi6 proves that the bank managed to eliminate its competition and come up with a formidable way of tackling the existing rivalry that exists in the banking industry (Ahmad & Alrjoub, 2014). The inclusion of technology has played a relevant part in the adoption of electronic systems that created a superior position for the company in the Jordan banking industry. Ideally, management of the bank ensured the installation of the perfect AIS that ensured no errors existing in the current system leading to the creation of a stable administrative structure.

5.3. Benefits of external audits

An external audit has a privilege to the firms that decides to conduct the activity. The banking sector in Jordan has the advantage of coming up with a reliable system of governance after conducting a careful assessments about the benefits that comes with the application of the external audits. The acceptance of such systems is a privilege to banking systems considering the financial benefits and the evaluation of potential risks. The paper takes a detailed discussion oof the potential advantages that the banks in Jordan may get from the incorporation of the banking technology. The assessment of the potential benefits is a relevant activity that financial analysts carry out to decide effective strategies to implement. The process needs the combined effort of the management to facilitate the delivery of a detailed report. In conclusion, the decision to carry out the external audit requires the

evaluation of the potential benefits accrued from the activity.

Error identification makes up one of the key benefits that the banking sectors may gain from the external audits. The employment of financial analysts in the bank may not determine the expected high level of accuracy. In most circumstances, financial errors do occur that may be quite difficult to make the correct decisions. Errors such as error of omission and commission are common mistakes that most financial analysts make. The activity may lead to the mismanagement of the bank's financial record leading to financial crisis (Ahmad & Alrjoub, 2014). The identification of such errors is a relevant activity that the management needs to ensure it tackles before it matures. Ideally, the employment of certified accountants to come and conducts the audits facilitates the firm to come up with a reliable audit program that identifies the errors at an early stage.

The early identification of the errors facilitates the organization to come up with progressive steps that may facilitate the organization to come up with a reliable set of solution. Firstly, the external auditors would undertake the task of evaluating the financial records of the banks. The process takes place to ensure that the fiancé department presents the organization with the correct of documents before the assessment begins. After, the auditors go through the documents and the financial records, an effective report investigation takes place to identify the cause of the errors. This facilitates the organization to come up with detailed solutions that addresses the course of the errors committed by the financial team. Ideally, the action presents an early solution to the existing problem.

The implementation of the external audits on the banking sector of the country has its relevance because it educates the banks top management. Apparently, some managers may lack adequate knowledge about the management of the corporate systems because of the insufficient knowledge about specific banking systems. The employment of the eternal audit practice facilitates the manager to have a detailed knowledge about the financial truncation. Some manage may have limited knowledge in relation to the issuance of loans and the lending rates. The activity may encourage illegal activities from the team of employees. External auditors provide overview knowledge on such system together with detailed explanations that covers such activities. The factor enables the management to be aware of such practices and come up with effective ways of combating them. In conclusion, the external audit provides financial and accounting education to the management of the bank.

The banking systems survive through the issuance of interests and loans. In case the bank may need a loan the financial statements, it provides to the central bank of Jordan plays a relevant part. Apparently, the Jordan banking sector activities are controlled by the central bank of the country. This explains that the banking sector of the country provides loans and other forms of deposits to the commercial banks. The employment of the external auditors plays a relevant t part because they offer solutions to the banking sector through the issuance of the audited statements. The audited

statements provides a solution to the central bank of the country in case a bank needs an urgent loan to finance its banking activities (Ahmad, 2015). The audited statement gives a clear reflection of the financial position of the banking sectors. Therefore, the external audits provide accepted statements that have already been audited for use.

The effectiveness of internal control makes up one of the privileges that the banking systems expect. The rate of the effectiveness facilitates the banking sector in Jordan to run its daily operations successfully. A mistake in the one of the control sections may paralyze the activities carried out by the banks. This calls out for an effective audit from external auditors. The external auditors ensure that they evaluate all the transaction process. This includes both the analogue and digital transactions. The activity facilitates the banks to place their technological tools such as computers and electronics systems in check. After the evaluation process, the auditors point out the potential weaknesses that the organizations have and the areas that needs to be worked on. In conclusion, the external audits work for the benefit of the country is banking sector.

Transparency makes up one important aspect of the banking sector. Transparency eliminates cases of embezzlement of funds and other factors. Lack of transparency has seen the failure of most banks in several parts of the world. The employment of annual eternal audits plays a relevant in the regulation of such activities. The activity revolves around the creation of reliable systems work at encouraging the auditors to conduct the audit. The entire departments are expected to collaborate and provide all the financial records. After the external audits, the managements of the banks realize the inaccuracies of various departments and come up with effective measures of correcting such errors. Such activities facilitate the survival of the bank in the Jordan banking sector. In conclusion, the existence of the external audits works at improving the level of accuracy in the banking sector of the country.

The misstatement of takes place because of fraud or error that results to the commitment of risk could be defined as risk control. This is a relevant activity carried out by the management of most firms to ensure the effective control of the activities. The occurrence of a risk may place the bank at difficult financial positions. The positions may event result to the closure of the financial institutions (Ahmad, 2015). The expression of the inappropriate opinion that the auditor expresses on the existing financial statements is audit risks. The understanding of the audit risk is a relevant activity that the management needs to ensure that it observe to facilitate the delivery of the correct services to the various depositors that have deposits on the Jordan banks. The paper holds a detailed discussion about the role external auditors plays in the control of the existing bank risks.

5.4. Risk assessment process

The understanding of the activities done by the auditors in the control of the existing risks is effectual. Apparently, the auditors conduct a series of procedures before coming up with an effective

evaluation process that dictates the delivery of effective duties to the employees. The activity involves the use of interviews on the employees of the banks to make determinations on the effective duties. Observation also plays a relevant part because it facilitates the company to come up with an effective way of controlling the existing risks (Cannon, 2014). The external auditors need to work within a desire framework to enable the delivery of effective results that reflect on the company's level of success. Ideally, the understanding of such activities is relevant because it dictates perfect and effectual assessment techniques that reflect the success and failures of the bank under audit.

The understanding of the control activities taken by the organization is important to the operations of the external auditors. Duty segregation makes up one of the activities carried out by the management of the company. The segregation of duty applies various techniques that reflect of the management structure of the Jordan bank. Authorization makes up one of the activity. The understanding on the line of authority in the banking system reflects on activities such as duty delegation and promotion activities. Record keeping makes up one of the segregation of duties. The understanding of the book keeping structure of each department facilitates the audit team to carry out an effective control activity throughout the audit process. Ideally, the duty segregation activity plays a relevant part in understanding the assessment of control risks carried out by the audit teams. In conclusion, the audit team plays a relevant part in the success of the Jordan banks (Jarrar, 2916).

The maintenance of the adequate records and documents makes up another relevant control activity that the external audit team carries out. The assessment of the risk control factors needs the involvement of various departments of the bank management's structures. The audit company needs to have access to all the financial documents in relation to the financial transactions carried out by the banks. The documentation of the records in a proper filing system is relevant in the creation of a better risk assessment process. The bank has the obligation to cooperate with the audit company to ensure the delivery of quality and reliable results about the potential risks and the financial position of the company. In conclusion, the delivery of the correct set of financial records facilitates a good risk assessment program.

6. CONCLUSION AND RECOMMENDATION

6.1. Conclusion

The evaluation and examination objection of an organization's financial records is an audit. The control of risk is an effectual activity that needs to be carried out by the management of every firm. The financial and social performances of the Jordan banking sector have received a positive critical acclaim based on the development records. As a financial institution, the banking sector is expected to have several risk factors threat needs to manage. The risk that takes place when the borrower fails or lacks the ability to pay a loan is a credit default risk. Interests make up the key source of profit for the

banks all over the globe. The interest made from the loans issued out by the banks comes as a profit for the financial institution. The higher the risk the greater the reward is a basic terminology that could be used to describe the occurrence of the risk. The Jordan financial law limits the advantage ratio of its commercial banks. External audit has a privilege to the firms that decides to conduct the activity. Error identification makes up one of the key benefits that the banking sectors may gain from the external audits. The implementation of the external audits on the banking sector of the country has its relevance because it educates the banks top management. The banking systems survive through the issuance of interests and loans. In case the bank may need a loan the financial statements, it provides to the central bank of Jordan plays a relevant part. Transparency makes up one important aspect of the banking sector. Transparency eliminates cases of embezzlement of funds and other factors. The misstatement of takes place because of fraud or error that results to the commitment of risk could be defined as risk control.

The understanding of the activities done by the auditors in the control of the existing risks is effectual. The maintenance of the adequate records and documents makes up another relevant control activity that the external audit team carries out. The inclusion of models when analyzing risk is a relevant activity that the external audits put in place. The application of a regression model in the analyzing the role of external auditing in the management of bank risk is relevant. The outsourcing of the work of internal audit is a relevant activity that comes with several benefits. The decision made by the auditor in regards to the financial position of the company also depends on the IA function. The errors on the internal audits and the internal control deficiencies play a relevant part in the reliance of the external auditors.

6.2. Recommendations

Jordan bank should keep effective financial records in order to adequately control their risks. This can be achieved if proper tools are utilized. It is against this background that this paper recommends the adoption of technology in external systems in order to ensure proper accounting functions by the bank. Additionally, it is important that all sectors of the audit program are involved in decision making programs. This will reduce instances of conflict.

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