

# OWNERSHIP STRUCTURE AND AUDIT PRICING: CONVENTIONAL VERSUS ISLAMIC BANKS IN JORDAN

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## ABSTRACT

*This paper empirically looks at the effect of ownership structure on audit fees in developing economies using all the national twelve banks in Jordan as a case ; the study uses published annual data ranging from 2008 to 2015. Those banks include (10) conventional and the (2) Islamic banks. The Jordan banking sector is dominated by a high institutional ownership concentration; this is followed by family and government ownership. We find a significantly positive (insignificantly negative) effect of both family and institutional (Government) ownership on audit fees regarding of conventional banks; which means, it is possible that owners ask the auditors to provide high quality service which in turn results on high audit fees. We further document that our results show insignificantly negative effect of controlled family and institutional ownership of Islamic banks on audit fees. Finally, we do not, however, find evidence of any effect of government ownership for both banking systems on audit fees. This shows that in Jordan, conventional banks truly pay higher audit fees when these are controlled by family or institutional shareholders and pay lower fees if dominated by government ownership, these results explain the mixed effects of the nature of family and institutional ownership on audit fees. Based on these results; we suggest that ownership variable constitutes a key determinant of audit fees.*

**Keywords:** Ownership, Audit Pricing, Fees, Conventional, Commercial, Islamic, Jordan.

**JEL Classifications:** M41; M42, M43

## INTRODUCTION

The banking system is around the two types in the world; the first one is conventional banking system called as interest based banking system, and the other is an Islamic banking system called as a (riba or usury) interest-free banking system. These two types are differentiated commonly on the basis of their goals, control and risk sharing practice. The conventional banks were first modified by the Greeks, Roman and Byzantines in 600 B.C. Medieval banking was headed by the Jews and Levantine (Davies, 2002) while the establishment of banking activities that similar to modern banking systems was during the first century of Islam (AD600) (Al-Harbi, 2015).

The governmental requirements in Jordan for external (statutory) audit stem from the Company law (22/1997); the Banking law (28/2000); Central Bank of Jordan law (CBJ) (23/1971); the old income tax law (28/2009); the new income tax law (34/2014) and the Jordanian Certified Public Accounting profession (JACPA) law (73/2003). All these laws require

companies to have their annual reports audited by a Certified Public Accountant (CPA) on a yearly basis. These Laws overlook important provisions that could strength the auditing, regulatory framework in Jordan, particularly auditor's independence, but it doesn't include provisions specifically focusing on the determination of auditing fees<sup>1</sup>. Moreover, Applying IFRS/IAS and ISA are mandatory for all auditors providing service to listed companies, and all auditors subject to Auditors' Practice Review *Committee* (ARRC)<sup>2</sup>.

Statutory audit service in Jordan is not highly regulated and the demand for audit services derives its strength from the legislative provisions such as the Banking law. Currently, all the Big 4 audit international firms operate in Amman, through their affiliated firms. Currently, most public companies are audited by auditors have affiliation with Big 4 international auditing firms or by other large auditing national firms<sup>3</sup>. The Jordanian authority for (JCPA) has registered (477) members, of which (432) are in practice<sup>4</sup>.

The Jordan economy was able to withstand the repercussions of the global financial crises. For the banking sector, the main challenge will continue to be characterized as being saturated despite its growth. The main objective of the Jordanian banking sector is to earn a sufficiently high return on customers' deposits and credit facilities granted to customers. This is done despite the diversity of corporate governance in conventional banks from Islamic banks (Shibani & Fuentes, 2017).

Banks operating in Jordan are required to submit to CBJ their annual audited financial statements because auditing is apart from the corporate governance system (Francis et al., 2003). In additions, financial audit is mandatory for banks; such an audit plays an important role in the transparency and credibility of financial statements.

As aforementioned, the vast majority of audit of banks in Jordan is in the hand of the Big Four; means that; Deloitte, and Ernst and Young. Nevertheless, there is a strong competition among the Big Four. The auditor of a bank's financial statement is required to be pre-approved by CBJ each year, through issuing a list of acceptable auditors for banks. Some external auditors feel that approval of bank auditors by CBJ is increasingly concentrated in the hands of a limited number of auditors; this list of auditors has only the permission to audit of banks in Jordan.

The agency problem suggests that an independent audit is a function of the extent of divorce between control and ownership (Khan et al., 2011). Drawing from the agency theory, two types of agency conflicts found; type 1 agency conflict between shareholders (owners) and managers (control), this is reduced in low investor protection countries, and type 11 agency conflicts between non-controlling and controlling shareholders, which is higher (La Porta et al., 1999). Controlling shareholders' interest is publicly used in different parts of the world (Holderness, 2009). Additionally, a few studies on audit fees based on models which explain audit fees as a function of the audit price per hour and the number of audit hours (Simunic, 1980). Ownership structure, as a corporate governance tool, might assist in minimizing the influence if agency theory conflict (Jensen & Meckling, 1976), however, when non-family management was combined with family ownership, the negative effects of Principal-Agent (PA) conflicts were minimized, while creating a favorable impact of Principal-Principal conflicts (PP) on shareholder value (Purkayastha et al., 2019).

There is an attitude of auditing research trying to examine the factors of audit fees in the world (Taylor & Simon, 1999; Rahmina & Agoes, 2014; Ali & Lesage, 2013; Ettredge et al., 2014; Hsu et al., 2015; Chan et al., 1993; Johnson et al., 1995). These studies mainly investigate some firm specific rudiments that affect the level of audit fees. Some of these factors include client size, audit firm size, audit tenure, client age, client risk and audit complexity (Abbott et al.,

2003; Mitra & Hossain, 2007). However, there also be very few researchers investigate the effect of mechanisms of corporate governance on the level of audit fees and audit quality (Niemi, 2005); these researchers find insignificant relation between measures of combined managerial and non-managerial ownership concentration. The main result does not differentiate managerial from non-managerial ownership concentration; these two types should have opposite effects on audit fees. (Belen & Amit, 2006) Suggest that the controlling stockholders are likely to affect minority expropriation risk.

When audit fees mark-down, this is a good for banks and bad for auditors. Similarly, when audit fees tend to mark-up, this is a good for auditors and bad for banks. Regards the fluctuation of fees, even in short term; might adversely provide conflicting results on audit quality. We, therefore, argue that audit is considered as an asset for banks; this asset must be managed carefully, taking into account a number of other factors besides cost.

As we mentioned, Prior studies have shown interest in the determinants of audit fees; very few of these studies incorporate the influence of the nature of controlling shareholders on audit fees; especially in the Arab world countries not having what was called; Arab spring in the last six years including Jordan. In view of this evidence, it will be interesting to see if the bank ownership structure is relevant when studying audit prices. The study presents a brief overview of banking sector ownership pattern in Jordan. It is established that in Jordan; private sector banking firms have highly concentrated ownership. All banks are either family owned or controlled by the substantial shareholders (institutional group or government), the managers just an extension to the controlling shareholders. It is commonly believed that most banks in Jordan have executive directors, CEOs and chairman of the controlling family, government or institutions that hold more than 50% of a bank's outstanding shares.

A common problem faced by auditors and their clients is the determination of audit fee that is mutually acceptable to both parties in Jordan. Auditors, on the one hand, are often found the audit fees, inadequate while banks, on the other hand, are often surprised by the high level of audit fees. Underpricing of auditing services can undermine the professional image of auditor. Similarly; banks deserve the assurance that there is a fair basis of fees. Understanding of determination of auditing fees may lead to a satisfactory auditor-bank relationship.

Accordingly, it is very important to shed the light on the Islamic banks in Jordan, to investigate the role of ownership structure compared with the conventional banks in the Jordan environment. Even though the financial sector in Jordan is so important, there is no major study to investigate the ownership of Islamic banks or the conventional ones. The aim of this study is to bridge the gap in the literature and to provide evidence on the relationship between ownership structure and audit fees in this context.

Our contribution to the existing literature in three ways: Firstly, our results add to the existing literature by showing how ownership structures explain the choices in audit price or fee practices, and provide an objective bench-mark for audit fees setting. Secondly, there is dearth of Islamic literature on Sharia Audit (SA) in addition to the lack of recent researches on ownership as a determinant of audit fees. Lastly, the study confirms that family, government and institutional investors constrain managers to provide assurances that the financial statements are of high audit quality, so there is also an important role for the regulators to safeguard quality, auditor independence and transparency.

In this study, we investigate whether audit fees are influenced by ownership structure in the banking sector (Islamic and conventional banks) in Jordan or not. In the light of this, this study is executed to address the following:

1. Does family ownership have significant influence on audit fees in the banking sector?
2. Does institutional ownership of banks (Domestic or foreign owned) has a significant influence on audit fees?
3. Does government ownership of banks have significant influence on audit fees?

The rest of this paper proceeds as follows: in the next section, we provide an overview of prior literature and hypotheses development. Next we describe the research methodology, with attention to the research sample and model, the fourth section provides the results of tests. The last section concludes the paper with a summary of the findings, limitations and their implications for further research.

## **PRIOR LITERATURE AND HYPOTHESES DEVELOPMENT**

Audit price or fee is the cost incurred by the audited bank to pay the auditor in order to audit its financial statements. Historically, the professions' regulatory bodies in Jordan restricted competitive behavior by auditor through advertising, or competitive bidding. The Jordanian Association of Certified Public Accountants (JACPA) had adopted regulations for auditors enabling them to determine audit fees; these regulations have lower bounds without limiting over 1998-2014. By the end of 2015, Ministry of Industry and Trade (MIT) eliminated these limitations through introducing fees on the basis of competitions in the market.

The ownership equity structure is considered as one of the aspects affecting the leeway of managers and corporate governance in general (Silveira et al., 2008). While, other Studies examine the empirical relationship between the institutional stock ownership and the relative level of non-audit service fees. For instance, (Mitra et al., 2007) find that the institutional equity ownership is negatively related to the non-audit fee ratio, the result is consistent with the review that institutional investors actively monitor corporate affairs to purchase non-audit services from auditors. In other words, an external audit is considered as one of forms of corporate governance i.e., banks with strong corporate governance pay higher audit fees than banks with weak corporate governance.

Some researches directly address agency costs using management and foreign ownership (Godfrey & Hamilton, 2005; Cahan et al., 2008). These studies exploit a wide variation in ownership that provides data availability for private firms. More specifically, privatization; shifts ownership from the state owned enterprises to private owned enterprises. We note that because these privately owned enterprises increases, the demand for external auditors will increase due to audit complexity, auditors' incentives and the law requirements.

Some studies (Niemi, 2005; Ali & Lesage, 2013) call for search about the association between audit fees and the nature of ownership. (Niemi, 2005) Suggests that Governmental ownership is usually closer to a dispersed than a concentrated ownership structure in terms of audit quality, the paper reports that audit fees and hours are lower for companies' majority owned by their management. While for subsidiaries of foreign companies are higher than for other firms in Anglo Saxon countries. (Ali & Lesage, 2013) illustrates the mixed effect of the nature of ownership on audit fees.

For investors who have a large portion of ownership of a firm, the corporate governance can become deficient because controlling shareholders can have the power to monitor the corporate managers. As a result, the credibility of accounting is reduced (Francis et al., 2005; Kim & Yi, 2006). Furthermore, the firm's reported earnings may not be trusted by the outside investors, who are aware of the controlling shareholder's incentive to avoid reporting accounting information that might invite scrutiny from outside investors. These characteristics related to

ownership divergence could be influencing the level of audit fees. The auditor pays a fee that is presumably reflected the tasks he/she must perform to bear the audit risk (Choi et al., 2008). So, if we accept the audit risk, the divergence could be positively correlated with audit fees, because the divergent firms have less transparency that could distort financial reporting, as a result, the auditor needs to bear more audit risk. On the other side, recent studies conducted by (Carcello et al., 2010; Francis et al., 2005; Choi et al., 2007) document that audit quality is priced in the audit market. Consistent with this view (Choi et al., 2007), predict that fees, are functions of client characteristics, and auditor characteristics. In summary, because low audit quality and audit risk perspectives provide different predictions with respect to the correlation between audit fees and the ownership divergence, (Evans & Schwartz, 2014) summarize the large body of audit fee and conclude that the greater market concentration has a very small effect on the auditing fees of large firms. (Chan et al., 1993) Report a significant relation between audit fees and insider ownership of a small firm.

Auditing cost as one key component of monitoring cost, this cost has to be borne by shareholders (Jensen & Meckling, 1976) since auditing is a part of the corporate governance system (Francis et al., 2003) According to (Hasan, 2015) International Association of Islamic Banks (IASB) defined the Islamic banking as “*Islamic banks adhere strictly to the rules of Islamic Sharia in the fields of finance and other dealings.*” Its mission and duties toward society are obviously clear. We conclude that conventional banks are fundamentally based on interests as the price of credit, while the Islamic banks differentiated commonly on the basis of their goals, *riba* or usury (interest) and risk sharing practices. Allah directed mankind to exchange goods and utilities through buying and selling (trade) with mutual consent without allowing any wrongful objective, or element involved in here- in, because, the rational outlook of a legitimate transaction is, to ensure a just and comfortable socioeconomic status quo for all, besides encouraging mankind to be productive. Allah (Most Gracious, Most Merciful) thus, commanded to the effect: “*O you, who believe, do not consume your property among yourselves wrongfully, but let there be trade and traffic by mutual consent*” (Al-Qur’an)<sup>5</sup> “*The Qur’an says: “Where allah has permitted trading and forbidden riba”* (Al-Qur’an)<sup>6</sup>. The Islamic banks, which neither charged, nor paid interest, invested mostly by engaging in trade and industry; directly or partnership with others and shared profits with their depositors (Ariff, 1988). Despite the unpopularity growth in the banking sector in Jordan, research on the ownership and audit fees of the banking industry is virtually non- existent. In this section, we examine the relation literature related to: (1) the relation between ownership controlled and audit fees (2) the relation between Family ownership controlled and audit fees (3) the relation between institutional ownership controlled and audit fees, and (4) the relation between government ownership controlled and audit fees.

### **The Relation between Ownership Controlled and Audit Fees**

Ownership of public corporations across the world is not so widely dispersed (Choi et al., 2007). Instead, in the developed countries as well as the developing countries; higher ownership concentration somehow prevails (Faccio & Lang, 2002). According to (Faccio & Lang, 2002), the most common type of a control and ownership structure of many public firms in Western Europe and East Asia is well characterized by family ownership and control.

One of the salient features of the Banking sector in Jordan is the cross holding ownership structure. Therefore; controlling owners have a higher level of control rights than the level of their equity ownership. This divergence could affect the managers and owners’ behavior which

in turn affect audit fees. On the one hand, this divergence could be positively correlated with audit fees. Thus, audit fees could increase as the divergence increase, because the divergent banks have less transparency and could distort financial status, the auditor needs to carry out more tests and bear more audit risk. On the other hand (Francis et al., 2005; Choi et al., 2007) reports that audit quality is priced in the audit market. Consequently, if this divergence is related to the incentives to expropriate non-controlling interest shareholders; it is more likely that controlling shareholders might oblige auditors to carry out less scrutiny and tests concerning the status of the banks by providing low quality audit service and bear less audit risks. (Chan et al., 1993) Find a significant relationship between insider ownership and audit fees. In France, other research shows that insider ownership concentration has an insignificant relationship with a choice of big audit firms or audit quality (Ali et al., 2011). Indeed, when the dominant stockholder is a family or an individual, the benefits are concentrated in the hands of family members, because families or individuals have stronger motivation to expropriate. We focus only on direct ownership only rather than a pyramidal ownership as an example on indirect ownership.

### **Relation between Family Ownership And Audit Fees**

Family owned Business has an important role worldwide (Anderson & Reeb, 2003). Family business has received relatively little research attention (Ali, 2014). Despite the importance of family business, and the substantial discrepancies with non-family business; there has been relatively limited research in auditing on family owned firms (Trotman & Trotman, 2010).

According to (Ali, 2014) auditors are paid lower fees for family firms due to the lower risk and the better controlling imposed by the family that expand to monitor all necessary decisions, adding to that, family business face lower shareholder and manager agency costs (type 1 agency conflicts), the family members who stand on the top of the firm have free access to information about their firm (Chau, 2002); (Pichard-Stamford 2002), they have good experience about the firm's activities. Moreover, family members in a controlling family owned business; participate in management (La Porta et al., 1999); (Pochet 1998), and render services as board members or directors on the board (Chen 2008). We recapitulate; on the one hand, the previous empirical studies reveal that auditor should ask for lower charges. Hence, the family owned shareholdings negatively affect audit fees, because the auditor spends less audit hours when auditing family firms.

On the other side, despite the high percentage of voting rights that is owned by the family with a high effective control through the board position, this in turn, increase the agency conflict between controlling and non-controlling interest shareholders (type 11 agency conflicts). In this case, the family shareholders have the right to affect the appointment of the other board members (Hope et al., 2012). While (Jaggi & Leung, 2007) documents that the effectiveness of audit committees is declined when the board of directors is represented by family members. In a recent study (Khalil et al., 2008), investigate that an auditor needs to increase the scope of his audit for a firm with a higher agency problem because the increased inherent audit risk with other business risks. As a result, the auditor is paid a higher audit fees for family owned business to attest assertions included in the firm's financial statements, and to cover additional audit expenses. With regard to the issues mentioned in the prior researches, we conclude that the results on audit fees were mixed, and more measures of family ownership and audit fees were

needed. Family business may face more severe type 11 agency problem and faces a less severe type 1 conflict problem. Following these discussions, we can lead to the following hypothesis.

*H1: Audit fees are negatively affected with family controlled ownership*

### **Relation between Institutional Ownership and Audit Fees**

We investigate if there is any influence of institutional ownership in banks listed on the Amman Stock Exchange on audit fees or not. Previous studies, like (Mitra & Cready, 2005) State that there is a negative relationship between audit fees and institutional ownership. However, institutional shareholders encourage themselves to be involved in the firm affairs. It has been documented that institutional investors are detecting discretionary accruals and non-discretionary accrual as a two types of earnings management in an effective way (Balsam et al., 2002). Thus, from a supply side point of view, a negative sign might represent the relation between audit fees and institutional controlled ownership. We argue that, in case of institutional shareholders; they engage in the bank's financial statements regarding performance and bank's affairs, including its earnings with high audit quality. As such, bank auditors should conduct their tasks with more attention and effort. Consequently, this effort entails a reasonable audit quality along with higher audit fees. The institutional large shareholders or the majority of the block-holders could supervise the managerial activities for the sake of their interests, for this, they might require the auditor to carry out less audit tests.

Additionally, from the demand side point of view, a positive sign could represent the relation between audit fees and institutional controlled ownership. This could make the institutional controlling require auditors to conduct more examination regarding the overall system. Consistent with (Chan 1993) those large investors are important determinants for auditing charges, and that ownership has an influence on audit price. (Turpin, 1995) Assumed that companies in heavily regulated industries (utilities and financial institutions); incurred lower costs for audit; this is due to the regulatory presence, increased internal control. Consequently, the reduction of the audit tasks and audit effort is required to perform the audit, thereby lowering service fees. The audit fee cannot be predicted, as a result of the two opposite views; the supply and demand sides point of view. Other studies sustain a positive relation between audit fees and institutional controlling ownership, because higher quality audit, will lead to high earnings quality that is important for business (Becker et al., 1998; Kane & Velury, 2004). However, (Mitra et al., 2007) report that purchasing high quality audit service will lead to a good perception about the firm financial reporting, thereby increasing service fees to attract more institutional investors.

We conclude that, the direction of the relationship between institutional ownership and audit fees has not been the subject of a consensus between the researchers. Accordingly, there could be a positive relationship between institutional controlled ownership and audit fees. We therefore state the hypothesis in the alternative form as follows:

*H2: Audit fees are positively affected by institutional controlled ownership.*

### **Relation between Government Ownership and Audit Fees**

(La porta et al., 2002) Focus on government ownership of banks from 92 countries around the world, the study shows that ownership is large and higher in countries with low level of per capita income. We therefore investigate the government owned companies that are

controlled by state representatives who play a monitoring role in the corporate governance of listed shareholding companies, which minimize audit fee and audit risks. (Niemi, 2005) Confirms that, government ownership is different from other forms of ownership. Indeed, the researchers (Chen et al., 2011) claim that the director who is nominated by the government is easily in a position to control every aspect of the decision making process without proper supervision, thus, these arguments indicate a high audit fee. (Chen et al., 2009) Mentions that government owned company has both motivation and experience to monitor managers of listed spin-off companies and provide strategic advice. It is worth noting, that (Mok & Hui, 1998) find the Chinese companies with ownership have fixed a higher value. The authors show that the equity kept by the government after initial public offering is likely to decrease non-payment of the uncertainty of local investors, because investors interpret the initial public offering as a sign of the government confidence in the company. This situation suggests that these companies have a lower business risks and that the auditor spends less effort to audit these companies and ask for a lower fee. Following these arguments, we state hypothesis *H3* as follows:

*H3: Audit fees are negatively affected by government controlled ownership.*

Determinant of audit fees was discussed in the vast literature on banking sector in different parts of the world. Even though more research is needed, this paper provides initial grounds on banking ownership and audit fees in a developing economy. Thus, we find the need to execute this study, which will be beneficial to bankers; auditors, as well as investors and policy makers in a developing economy like Jordan.

## **RESEARCH DESIGN AND EMPIRICAL STUDY**

During the last eight years, there was a tremendous growth of conventional and Islamic banks in Jordan, Currently, full-fledged Islamic and commercial banks are operating in the country. Number of branches and employees have increased and countrywide for both banking systems (Table 1). Like many other Islamic countries, conventional banks are yet dominated. Nevertheless, the Islamic banking is becoming popular among all aspects of the Jordanian society. Therefore, it would be interesting to explore the effect of banking ownership patterns, concurrently with conventional banks on audit fees.

Guidelines for Islamic banks differ significantly from those of conventional banks. Islamic banks are ordered and controlled under the precepts of Islamic law (Sharia), which demands the sharing of risks and prohibits the payment or receipt of interest (Riba). In contrast, conventional banks are led primarily by the principle of profit maximization. Islamic and conventional are different from each other on the base of the financial data that is obtained from the statements of financial position and the income. Nevertheless, since all Islamic banks work in the same environment and are ordered in the same way in most countries in a competitive environment, it is possible to state that the Islamic and conventional banks have similar financial characteristics.

### **Sample Selection and Data**

Our sample includes all the Jordanian listed banks on the Amman Stock Exchange (ASE), meaning; that (13) conventional banks and the (3) Islamic banks during (8) years ranging from 2008-2015 (Table 1) as a two competitive banking system. This selection is mainly



justified by the need to study the influence of ownership of these two different systems on external audit fees. Regarding these banks, accounting data was collected from the financial statements available on the website of ASE, and the websites of both Central Bank of Jordan (CBJ) and Jordan Association of Banks (JAB) in addition to the banks. The number of branches of Jordanian licensed banks operating all over the country reached 727 branches in Jordan, the number of commercial and Islamic branches reached 592 (81.43%) and 135 (18.57%) respectively at the end of 2015 (Table 1).

Code	Jordanian Commercial Banks	Established	Branches		Employees		
		Year	No.	%	No.	%	
1	ARBK	Arab Bank	1930	75	10.32%	2,934	15.90%
2	AHLI	Jordan Ahli Bank	1956	56	7.70%	1,416	7.67%
3	CABK	Cairo Amman Bank	1960	72	9.90%	1,614	8.74%
4	BOJX	Bank of Jordan	1960	70	9.63%	1,489	8.07%
5	THBK	The Housing Bank	1974	113	15.54%	2,363	12.80%
6	JOKB	Jordan Kuwait Bank	1977	56	7.70%	1,100	5.96%
7	AJIB	Arab Jordan Investment Bank	1978	18	2.48%	760	3.87%
8	JCBK	Jordan Commercial Bank	1978	27	3.71%	794	3.77%
9	INVB	Invest bank	1989	11	1.51%	461	2.50%
10	ABCO	Arab Banking (Corporation)	1989	27	3.71%	500	2.71%
11	UBSI	Bank Al-Etihad	1991	38	5.23%	915	4.96%
12	SGBJ	Societe General-Jordan	1993	17	2.34%	257	1.39%
13	EXFB	Capital Bank	1996	12	1.65%	575	3.12%
<b>Subtotal</b>				592	81.43%	15,033	81.45%
<b>Jordanian Islamic Banks</b>							
14	JOIB	Jordan Islamic Bank	1978	73	10.04%	2,148	11.64%
15	IIAB	International Islamic Arab Bank	1997	41	5.64%	852	4.62%
16	JDIB	Jordan Dubai Islamic Bank	2009	21	2.89%	424	2.30%
Subtotal				135	18.57%	3,424	18.55%
<b>Total</b>				727	1.00	18,457	1.00

Source: Association of Banks in Jordan, Annual Reports.

### Regression Model Specification

To test the research hypotheses on a statistical basis; we specify a cross sectional regression, this is done as prior studies (Carcello et al., 2010); (Abbott et al., 2003). The dependent variable of interest is natural logarithm of audit pricing paid by banks to their external auditors. The independent variables are three ownership concepts as personified in the hypotheses. The models include two country level controlling variables. First we use Gross Domestic Product (GDP); we expect that more GDP to have a positive association with audit price. Second, the demand for audit services is more likely to be higher because of a higher corruption index; this expects auditor to increase the extent of substantive tests through more audit work. The study documented the corruption as a moderating between government ownership and financial constraint; this is similar to (Zulfiquer et al., 2017). Other several banks specific controlling variables are; bank size; that is similar to (Hay et al., 2006), efficiency, and bank age; both have an expected positive association; this in turn, leads to increase the audit

price resulting from performing more audit work. Liquidity to measure the bank risk, as identified by prior studies (Wahab et al., 2011), (Xiaohong et al., 2018); we will expect to drive more audit price due to the immensely audit work required. Furthermore, these controlling variables added for the cross sectional differences in audit price, so that the incremental effect of ownership variables on audit price can be studied. The three least squares regression models currently used are presented below:

First model (1) examines the effect of controlling variables on audit fees for all samples. The least squares regression models will be utilized as mentioned below:

$$LAF(it) = \beta_0 + \beta \sum_{n=1}^6 CONTROL it + \varepsilon it \dots\dots\dots (1)$$

$$LAF(it) = \beta_0 + \beta_1FAM it + \beta_2INST it + \beta_3GOV it + \beta \sum_{n=1}^6 CONTROL it + \varepsilon it \dots (2)$$

$$LAF(it) = \beta_0 + \beta_1FAM it + \beta_2INST it + \beta_3GOV it + \beta \sum_{n=1}^8 CONTROL it + \varepsilon it \dots (3)$$

The dependent variable, independent variables and controlling variables used in the research are listed in Table 2.

Table 2 MEASURE OF AUDIT FEES, OWNERSHIP STRUCTURE AND OTHER CONTROLLING VARIABLES		
Variables	Measure of variables	Symbol
<b>Explained:</b> Audit fees	Log of audit fees paid for auditing the bank	LAF
<b>Explanatory variables</b>		
Family ownership %	Year-end % of stocks owned by FAM.	FAM%
Institutional Ownership%	Year-end % of stocks owned by INS.	INS %
Government Ownership%	Year-end % of stocks owned by Gov.	GOV%
<b>Control variables</b>		
Overheads	Overhead/Total Assets	OH %
Operating cash flow ratio	Operating cash flows/Total Assets	OCF%
Efficiency ratio	Op. Exp./Net interest revenue	OPE%
Bank size	Log of total assets	SIZE
Liquidity ratio	Current assets/current liabilities	LIQ%
Age	No. of years since the bank was established	AGE
Gross Domestic Product	Natural logarithm of value of all products	LGP
Corruption Index	Corruption index over the study period	LCR

In the second and third regressions, we are going to test, for each group of banks; family, institutions and government ownership variables on audit fees; this is for the second hypothesis. Then, we test from a third regression (3) the effect of Gross Domestic Product (GDP)<sup>7</sup> and Corruption index as proxies for country level control variables combined with the four exploratory variables on Audit fees.

The dependent variable in all three models is the natural logarithm of audit fees or price (LAF). The explanatory variables in Model 1 are all control variables except the corruption index and GDP, while model 2, regresses LAF on the control variables shown in model 1 in addition to three test variables of interest (FAM, INS and GOV). Model 3 adds two variables; corruption index and GDP to the controlling variables in Model 2. Our initial sample consists of 12 banks (10 commercial and 2 Islamic) over a period of 2008-2015. Data regarding control, explanatory and explained variables were hand collected from annual reports of the respective firms.

## EMPIRICAL RESULTS

### Descriptive Statistics and Correlation Analysis

Table 3 provides descriptive variables for the study sample. Average of audit fees is JD 293,085.563 for commercial banks, JD 85,841.250 for Islamic ones. The average ownership of the family, institutional and government investors are 19.73%, 43% and 8.105% respectively for commercial banks, while the average is 16.222%, 61.562% and 2.081% for Islamic banks respectively. The data shows that government ownership in banks is low in countries like Jordan with low level of per capita income.

<b>Table 3</b>				
<b>DESCRIPTIVE STATISTICS: COMMERCIAL BANKS VS. ISLAMIC BANKS</b>				
<b>Variable</b>	<b>Commercial Banks</b>		<b>Islamic Banks</b>	
	<b>Mean</b>	<b>Median</b>	<b>Mean</b>	<b>Median</b>
FEES (JD)*	293,085.563	172,350.500	85,841.250	74,480.000
FAM %	19.730	12.800	16.222	12.246
INS %	42.993	30.057	61.562	66.000
GOV %	8.105	7.531	2.081	0.000
OH %	0.026	0.026	0.026	0.022
OCF %	0.750	0.760	0.061	0.022
EFFICI %	0.497	0.520	0.862	0.472
SIZE	21.642	21.447	20.708	20.906
LIQUI %	0.342	0.342	0.530	0.404
AGE	43.900	39.500	21.500	21.500

Note: \*JD is the Jordan currency. As of Dec.31, 2017 1 USD=JD 0.708.

Table 4 (Panels A and B) reports Pearson correlation coefficients for all variables that included in the regression models. Our regression models don't suffer from the problems of multicollinearity, because the highest correlation coefficient was found between Size and LAF (0.734) in Table 4 (Panel A). On the other side, the highest correlation was found between Size and Age (0.735) in Table 4 (Panel B). We observe that neither of these coefficients indicates any problem with multicollinearity. (Gujrati, 2003) suggests that collinearity below 0.80 does not create any serious correlation problem. The Correlation between LF and the three measures of ownership structures; FAM, INST, and GOV are 0.06 (insignificantly positive), 0.04 (insignificantly positive) and -0.19 (insignificantly negative), respectively for the commercial banks. Similarly, LAF is significantly negative correlated with FAM (0.754), insignificantly negative with INS (-0.429) and significantly negative with government shareholding (-0.674) for the Islamic banks. In conclusion, the results in Table 4 indicate that higher audit fees insignificantly correlate with higher family, institutional ownership, and lower government control ownership of commercial banks. Not surprisingly, our measures of ownership structures produced absence of serious multi-collinearity. We confirm that an audit fee is higher when family's shareholding, government ownership and institutional ownership are lower in the Islamic banks. This result is consistent with the demand side risk argument, in addition to the nature of different Islamic banking system from conventional. This encourages auditing firms of Islamic banks to benefit from extended audit coverage and rendering high quality auditing service, leading to an increase in audit charges. The coefficient of the INS variable is not significant. To address this issue, ultimately, we report the following regression analysis prescribed in Table 5.

**Table 4**  
**CORRELATION MATRIX**

<b>Panel A: Commercial Banks (N=80)</b>												
	LAF	FAM	INS	GOV	OH	OCF	EFF	SIZE	LIQ	AG	LGP	LCR
LAF	1.00											
FAM	0.06	1.00										
INS	0.04	0.508**	1.00									
GOV	(0.190)	(236*)	(0.331**)	1.00								
OH	(0.272*)	(0.08)	-0.346**	0.09	1.00							
OCF	(0.130)	(0.06)	0.11	0.02	0.16	1.00						
EFF	0.090	-0.255*	-0.392**	0.319**	0.721**	0.13	1.00					
SIZE	0.737**	-0.432**	(0.20)	0.336**	-0.338**	(0.01)	0.12	1.00				
LIQ	0.376**	(0.16)	(0.08)	0.07	-0.281*	-0.230*	0.01	0.497**	1.00			
AG	0.665**	-0.432**	-0.516**	0.259*	0.04	0.18	0.302**	0.721**	0.335**	1.00		
LGP	0.090	(0.03)	0.01	0.01	0.13	0.16	0.246*	0.13	-0.338**	0.00	1.00	
LCR	0.020*	0.00	(0.03)	0.00	(0.12)	0.05	(0.19)	(0.00)	0.05	0.00	(0.04)	1.00
<b>Panel B Islamic Banks (N=16)</b>												
	LAF	FAM	INS	GOV	OH	OCF	EFF	SIZE	LIQ	AG	LGP	LCR
LAF	1											
FAM	(.734**)	1										
INS	-0.429	0.31	1									
GOV	(0.674**)	-0.758**	0.091	1								
OH	(0.690**)	-0.599*	-0.017	0.342	1							
OCF	0.262	0.224	-0.101	-0.567*	-0.14	1						
EFF	-0.455	-0.373	-0.018	0.453	0.476	-0.658**	1					
SIZE	0.728**	0.732**	0.606*	-0.479	-0.713**	0.101	-0.423	1				
LIQ	-0.441	-0.342	-0.570*	0.333	0.04	-0.536*	0.693**	-0.459	1			
AGE	0.731**	0.718**	0.362	-0.715**	-0.637**	0.236	-0.395	0.735**	-0.367	1		
LDP	0.248	-0.124	0.569*	0.359	-0.28	-0.13	-0.212	0.378	-0.357	0	1	
LCR	0.016*	-0.045	-0.121	-0.198	-0.105	0.265	-0.22	-0.044	-0.147	0	-	1

Note: \*\*Correlation is significant at the 0.01 level (2-tailed); \* Correlation is significant at the 0.05 level (2-tailed).

## Regression Analysis

Results from LAF regressions for Models 1-3 appear in Table 5. We run the three models to examine the effect of ownership structure on LAF for both commercial and Islamic banks in Jordan. We repeat the regressions three times; twice with measures of ownership and one without these three independent measures. Model 1 has been regressed only on the six control variables. Columns 1 and 2 of Table 5 report the results for commercial banks without the three measures of ownership. The results shown in column 1 reveal that the explanatory power of the model is high (0.718) as reported at the bottom of the table, suggesting that the model explains the substantial portion of audit fees. This high explanatory power suggests that there is strong reason for the commercial bank to have more AGE, high LIQ, low OPC, less OCF and big SIZE, these results clearly suggest that more AGE, lower OPC and bigger SIZE dominate the audit fees with respect to the commercial banks. As reported in the table, only three control variables are significantly correlated with audit fees; AGE (0.039), OCF (0.006) and Size (0.000), the other controlling variables employed that have insignificant coefficients are; EFF, LIQ and OH. The results for Islamic banks are not totally different from the columns 1 and 2; Table 5 (Panel B) in respect of AGE and Size that are significant, all the other controlling variables are insignificantly correlated with audit fees. In addition, the coefficients of the control variables are

not all in the expected direction. For example, the coefficients on AGE and SIZE were statistically significant and positively correlated with audit fees; other controlling variables are statistically insignificant; EFF, LIQ, OCF and OH. These six controlling variables have explanatory power which is satisfactory (0.617) as reported in the bottom row of the table 5, Panel B. This result indicates that Islamic banks have their own attributes. Looking now at column 1 of Table 5, our results show that the explanatory power (adjusted  $R^2$ ) in (panels A and B) is higher for the commercial banks (0.718) than the Islamic ones (0.617). We conclude that regresses LAF on control variables is significant for the two types of banking systems; whether Conventional or Islamic. Model 2 regresses LAF on the three variables of interest (FAM, INST and GOV) and all the control variables reported in Model 1. The adjusted  $R^2$  for Model 2 for conventional and Islamic banks are 0.769 and 0.667 respectively. The extent of the significance test variables of interest suggests that a one percent increase in ownership by the FAM would increase the audit fees by 3.5%. Also a one percent increase in ownership of the institutions would increase the audit fees by 3.7% (Table 5, Panel A). There are significant positive relations between audit fees and ownership by FAM and INST. The significant positive coefficients of both FAM and INST suggest the possibility of a demand side effect on audit fees charged by the auditor. The coefficient of GOV is negative, but insignificant. All the control variables that are significant in Model 1 remain significant in Model 2 for the commercial banks (Table 5, Panel A). On the Islamic banks side, the relations between audit fees and ownership by FAM, INST and GOV are; negative and insignificant (Table 5, Panel B). All the control variables that were significant in Model 1 remain significant in Model 2 for the Islamic banks (Table 5, Panel B). The adjusted  $R^2$  for commercial banks is significantly higher than  $R^2$  for Islamic banks in Model 2. Both two  $R^2$  in Model 2 are higher than  $R^2$  in Model 1.

Model 3 regresses LAF on the same control variables and the three test variables entered before. Additional two different control variables are entered in the Model 3; the Gross domestic product (LDP) and the corruption index (LCR) for both Panel A and Panel B (Table 5). The adjusted  $R^2$  for Model 3 (Panel A) is 0.778 and 0.679 for (Panel B); this explanatory power is significantly higher than the explanatory power from Models 1 and 2. The coefficients of the control variables qualitatively remain the same in Model 3 for both commercial banks (Panel A) and Islamic banks (Panel B). Interestingly, among the control variables (LDP and LCR), the coefficient of the (LDP) insignificantly positive while the coefficient of the (LCR) significantly positive for commercial and Islamic banks. The coefficients of other control variables do not change in Model 3 if compared with the other two models. Based on the above, first, we observe a significant and positive relationship between audit fees and family controlled banks, which contradicts *H1*: “*Audit fees are negatively affected with family controlled ownership*”. The relationship suggested by this result is that the larger the family ownership, the higher the audit fees because of increased audit inherent and litigation risks that could be appeared when the auditor needs to increase the scope of his audit due to the high agency conflict between the audit committee and family members that are present on corporate board. This is consistent with reported results in (Khalil et al., 2008) and (Jaggi & Leung, 2007). Second, our models report a positive and significant coefficient between audit fees and institutional ownership. Hence *H2* is validated: “*Audit fees are positively affected by institutional controlled ownership*”. This result is maintained a consistent with results in (Becker et al., 1998); (Kane & Velury, 2004) and (Mitra 2007). We confirm that INST demand high quality information and therefor ask for high audit services that is likely to increase LAF to attract more institutional ownership Third, we find a negative and insignificant coefficient between audit fees and governmental ownership. Hence,

*H3: "Audit fees are negatively affected by government controlled ownership"* is contradicted. In general, this result is consistent with (Mok & Hui, 1998; Niemi, 2005; Ali & Lesage, 2013).

By comparing the results of conventional banks with those of Islamic banks, this relationship is not confirmed in the case of Islamic banks, whereas, two of these independent variables had a significant impact on LAF for conventional banks; specifically, the estimated coefficients of FAM and INST that were positive and statistically significant. Generally speaking, we observe that the estimated effects of bank specific financial indicators for Islamic banks, with two indicators of macroeconomic (GPD and Corruption index) are in agreement with the results for conventional banks. LCR coefficients for the two bank systems are statistically significant and positive in a regression controlling for LAF; this result indicates that sample size of conventional and Islamic banks in Jordan is under the same economy conditions, our more refined results show that more corruption index, means much more likely to be the case for audit firms to charge more LAF ; because the auditor would be more interested to carry out more audit examination to minimize the overall risk involved in the audit process and associated with bank environment. We argue that the more irregularities detected; the more effort and time will be needed and inducing banks to purchase high quality auditing services; this leads to play a unique role in detecting fraud and corruption control. Size and AGE as bank specific indicators also are statistically significant and positive; while we do not find any significant coefficient associated with LAF for the other variables, whether specific financial ratios (EFF, LIQ, OCF and OH) or macroeconomic indicators (LDP) for both systems of banks; commercial and Islamic banks .

<b>A: Commercial (Conventional) Banks</b>						
Variable	Model 1		Model 2		Model 3	
	Coefficient	P.V	Coefficient	P.V	Coefficient	P.V
Intercept	1.168	0.029	1.576	0.035	1.654	0.034
FAM			0.035	0.000	0.034	0.000
INST			0.037	0.007	0.036	0.010
GOV			(0.006)	0.246	(0.008)	0.158
AGE	0.009	0.039	0.016	0.000	0.015	0.000
EFF	0.213	0.817	0.017	0.978	0.261	0.690
LIQ	1.038	0.161	1.368	0.006	1.692	0.004
OCF	(2.825)	0.006	(3.681)	0.000	(3.630)	0.000
OH	(0.714)	0.972	(13.203)	0.323	(11.223)	0.407
SIZE	0.614	0.000	0.722	0.000	0.753	0.000
LDP					0.232	0.285
LCR					0.324	0.030
Adj.R <sup>2</sup>	0.718		0.769		0.778	
<b>Panel B: Islamic Banks</b>						
Variable	Model 1		Model 2		Model 3	
	Coefficient	P.V	Coefficient	P.V	Coefficient	P.V
Intercept	-1.908	0.040	-1.050	0.045	-1.070	0.038
FAM			-0.001	0.079	0.000	0.093
INST			-0.012	0.065	0.001	0.080
GOV			-0.090	0.542	-0.197	0.273
AGE	0.014	0.049	0.029	0.022	0.054	0.040
EFF	(0.042)	0.688	(0.140)	0.426	(0.115)	0.718

LIQ	(0.114)	0.764	(0.140)	0.809	(0.112)	0.899
OCF	0.424	0.526	0.485	0.640	0.134	0.915
OH	(5.157)	0.638	(6.167)	0.726	(7.505)	0.382
SIZE	0.156	0.023	0.807	0.038	0.802	0.048
LDP					0.339	0.296
LCR					0.318	0.020
Adj.R <sup>2</sup>	0.617		0.667		0.679	

$$\text{Model 1: } LAF(it) = \beta_0 + \beta \sum_{n=1}^6 \text{CONTROL } it + \varepsilon it$$

$$\text{Model 2: } LAF(it) = \beta_0 + \beta_1 \text{FAM } it + \beta_2 \text{INST } it + \beta_3 \text{GOV } it + \beta \sum_{n=1}^6 \text{CONTROL } it + \varepsilon it$$

$$\text{Model 3: } LAF(it) = \beta_0 + \beta_1 \text{FAM } it + \beta_2 \text{INST } it + \beta_3 \text{GOV } it + \beta \sum_{n=1}^8 \text{CONTROL } it + \varepsilon it$$

Moreover, we address the following related question; is there a significant difference in the level of auditing fees (LAF) between the conventional (commercial) banks and Islamic banks?

<b>Infrees</b>	<b>Sum of Squares</b>	<b>df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
Between Groups	12.358	1	12.358	22.098	0.000
Within Groups	52.567	94	0.559		
Total	64.925	95			

The difference between the Islamic banks and commercial banks in regard to auditing fees is examined in Table 6. This table reveals the results of one way ANOVA analysis. It can be found that there is as expected a significant difference between the Islamic banks and Commercial banks in respect of audit pricing that is statistically significant at the 5% level. This result is as expected because the nature of the banks' operations and activities that differ among the two types of banking systems. Hence, function of auditor from the Islamic point view requires more attention as it manifests the auditor's tasks not only for the stakeholders, but ultimately to Allah (The Creator or God) represented with Sharia audit according to its principles and values.

### **Robustness Check**

We further check the robustness with alternative proxy as discussed in the preceding section in the regression analysis. First, we use size a control variable by splitting the sample into two groups based on the median LASSET and rerun the analysis. The reason for using SIZE is that many variables used in the regression were correlated with SIZE. The results are reported in Table 7. For large sample all the first two test variables (FAM and INST) remain significant and positive. All factors of the control variables remain the same as in Table 5.

Variable	Large sample		Small sample	
	Coefficient	P.V	Coefficient	P.V
Constant	2.015	0.042	2.497	0.877
FAM	0.010	0.000	0.010	0.867
INST	0.005	0.019	0.016	0.734
GOV	-0.011	0.074	-.256	0.226
AGE	0.015	0.000	-0.094	0.308
EFF	0.323	0.694	0.251	0.522
LIQ	1.625	0.005	0.007	0.663
OCF	-3.449	0.000	-0.196	0.689
OH	-17.291	0.233	-19.693	0.541
SIZE	0.768	0.000	0.964	0.577
LDP	0.150	0.509	-0.020	0.820
LCR	0.301	0.006	-0.045	0.174
Adj.R <sup>2</sup>	87.9%		Adj.R <sup>2</sup>	76.2%

We consider that type of banking systems effect is significant in this analysis, means that original result remains constant to the inclusion for the two banking systems.

## **DISCUSSION AND CONCLUSION**

The main objective of the study is to investigate the influence of three types of ownership structure (family, institution and government) of banks (Islamic and commercial/commercial) on the audit fees. We reviewed the annual reports to find information on the ownership, auditing fees and the control variables despite the differences in the product designs and the regulatory oversights. The two types of banking systems are different, data used in this study for the period 2008-2015 and the banks covered were (10) conventional banks out of (13) and the remaining two were Islamic banks out of (3). The study didn't cover all Islamic and national banks because the data related to auditing fees are incomplete. The data shows that government ownership in banks is low in countries like Jordan with low level of per capita income.

It is difficult for the independent Certified Public Accountants (CPA) to effectively conduct the audit of Islamic banking without having a solid knowledge in Islamic Sharia, Sunnah of our Prophet Mohammad (peace be upon him), the Islamic rules, and fatwas and follow Sharia in all its activities. Somehow, according to Jordan companies Act in 1997; all conventional and Islamic banks should be certified by a conventional CPA firm, such act doesn't not specify Sharia auditor as a separate CPA for Islamic banks. This result has a positive implication to the policy makers of the higher learning institutions in Jordan in imparting Sharia audit as part of courses offered to students to prepare human capital towards the producing of Sharia auditing in the future.

In conclusion, the current conventional CPA has no proper knowledge in Islamic Sharia. It is necessary to secure Sharia auditing as a separate discipline in the regulations; that is why the study variables were not all significantly correlated with audit fees for Islamic banks panel. In Jordan, there is no any subject as Sharia auditing and Sharia CPA in all educational institutions including the requirements of CPA exams held by the higher license commission. Results of the study showed that the ultimate ownership of the majority of Islamic banks in Jordan are the



Institutions (61.562%); followed by family owners (16.222%) and government (2.081%), similar ownership percentages for conventional banks were found .

For conventional banks' panel; we find evidence that family, institutional ownership have significantly positive effect on auditing fees. This finding does support the argument by (Chan et al., 1993; Khalil et al., 2008; Ali et al., 2013) that concentrated ownership can provide better influence control and considered as an important determinant of effective corporate governance, as apart from the monitoring; such family and institutional holders induce managers to obtain a high quality audit service, in response to that; auditor charges higher audit fees, this result provide evidence of higher demand for audit services , and explain the higher levels of audit fees. The governmental ownership investigated in this paper has no influence on audit fees. This result is inconsistent with (Chen et al., 2011; Ali et al., 2013). Hence, the finding on governmental ownership structure of all banks is not concentrated; this type of ownership holds less than 10% of the banks outstanding shares for both banking systems , the governmental holders shouldn't be able to exercise their monitoring role, the indication for that, the insignificantly negative coefficients (Table 5 Panel A and Panel B) for the conventional banks and Islamic banks under governmental ownership are already subject to greater regulatory scrutiny and different governance mechanism; another alternative inference is that ;with a higher governmental ownership in a bank, managers have an increased motivation to negotiate for decreasing audit fees , in addition; much change in a strategy of requiring less audit coverage and less audit quality are preferred. It is more likely that the government asks the auditor to provide low quality service which in turn results in low audit fees, because the owner as a government in such a case does care less about audit risk and care more about saving audit costs compared with family or institutional ownership in banks.

Finally, the results indicate that there is a significant difference between conventional banks and Islamic banks regarding audit fees in relation to (INS, GOV, SIZE, AGE, and LCR). Eight control variables are also included in the analysis; only five variables indicate their significantly positive relationships with audit fees; (AGE, LIQ, SIZE, LCR) and negative with (OCF). All control variables were not confirmed in the case of Islamic banks except SIZE and LCR (positively correlated).The findings of the study can provide important implications that help to create a starting point for exploring the importance of ownership controlling structure with auditing fees. Future research can focus on specific ownership characteristics for larger samples of companies to consider in determining external audit service fees and non-audit service fees. Our results contribute to the literature and investors particularly in the developing countries using Jordan as a case; because it shows that, audit fees forecast accuracy may be affected by ownership structure. Future research would be preferable to obtain more types of ownership structure over audit price; such as management ownership structure, audit committees' characteristics, board of directors' characteristics, foreign or multinational owners by using a larger firms with more diversified activities .This study dealt with to control for specified variables affecting audit pricing, we don't consider all known determinants to forecast audit fees. Furthermore, our sample size is limited; the current study's sample doesn't encourage conducting more analysis to examined complex issues in more depth, and to explained more through clients had different sizes.

## ENDNOTE

1. Fees or pricing used interchangeably.

2. IFRS refers to all International Accounting Standards (IAS) and related interpretations issued by the former International Accounting Standards Committee (IASC), and the International Financial Reporting Standards (IFRS) and related interpretations issued by IASC's successor body, International Accounting Standards Board (IASB). IAS refers to International Standards on Auditing. Available at: <http://documents.worldbank.org/curated/en/323971468272977829/pdf/350870JO0REV0Accounting0rosc1aaljor.pdf>
3. Big 4 refers to the major audit firms during our sample period; Deloitte , Price Waterhouse Coopers (PWC), Ernst & Yong and KPMG.
4. The latest list for audit partners published by JACPA in 2018.
5. Al-Qur'an, Al- Baqara Surah. (The Islamic Holy Book), verse 275.
6. Al-Qur'an, Al-Nisa Surah (The Islamic Holy Book), Verse 29.
7. <http://www.tradingeconomics.com/jordan/gdp>, GDP in Jordan reported by World Bank.

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