

# The Impact of the Independence of the Audit Committees on the Quality of External Audit Services (A Case Study on a Sample of External Audit Offices)

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**Abstract:** *The study examined the impact of the independence of the audit committees on the quality of the external audit services. The problem of the study was how the audit committees achieve the quality of the audit services through the independence, experience and powers of the members of the audit committees. The importance of the study lies in the important and vital role that the audit committees play in strengthening the independence of the external auditor and The study reached several results, the most important of which are: the necessity of granting full independence to members of the audit committees in order to achieve quality performance, and the use of advanced technology in reviewing the facility's activity contributes to improving the external audit. The study recommended that the audit committee be mandated to discuss all matters related to financial reports and lists and the review process The Ministry of Foreign Affairs and the development of companies in line with globalization, using information technology.*

**Keywords:** Audit committees, external audit, independence of the external auditor

## 1. The Methodological Framework

### 1.1 Preface

The idea of forming audit committees arose in the United States of America as a reaction to many instances of fraud and manipulation of financial statements and reports, and the external auditor came under pressure from management. Professional societies and organizations recommended that they be formed in joint-stock companies and accordingly they were recently established in many western and Arab countries, and attention came from The international organizations accept the quality of the external audit as necessary, through the auditor's commitment to apply recognized professional standards, and that external users of the financial statements expect the outputs of the audit process, represented in the auditor's report, to complete quality because they depend to make their decisions on those lists.

### 1.2 Problem of the Study

The research problem is represented in how the audit committees achieve the quality of external audit services through the independence and powers of their members. Thus, the research problem was formulated in the following question:

1. Is there a statistically significant relationship between the independence of the audit committees and the quality of external audit services?

### 1.3 Hypotheses Study

The study seeks to test the hypothesis which states that "there is a statistically significant relationship between the

independence of members of audit committees and the quality of external audit services."

### 1.4 The importance of studying

The importance of the study stems from the important and vital role that the audit committees play in supporting the independence of the external auditor and thus improving the quality of the external audit, by linking the relationship between the characteristics of the audit committees represented in the independence of the audit committees and the tasks and responsibilities of the audit committees and knowing the factors affecting the quality of the external audit services.

### 1.5 Objectives of the study

The objectives of the study can be explained in the following points:

- Shedding light on the nature of the audit committees in terms of formation, goals and responsibilities assigned to achieving the quality of external audit services.
- Clarify the characteristics enjoyed by members of audit committees and analyze the basic components of the concept of these committees.

## 2. Methodology

The researcher relied on the descriptive analytical method to study the relationship between the audit committees and the quality of the external audit services. Data was collected from the external auditors working in Khartoum State and analyzed by statistical methods.

**Study limits:** The study limits are:

**Spatial limits:** different samples from the external audit offices in Khartoum State.

**Time limits:** 2017.

**Second: Previous studies:**

There are many previous studies that dealt with the topic of the impact of the independence of the audit committees on the quality of the external audit services. The researcher deals with the most important studies represented in:

**Abdul Rahman's Study (2013 CE):** The study examined the role of audit committees in limiting profit management practices and its impact on the quality of financial reports. The study's problem was that some corporate management practices profit management practices through multiple methods of accounting practices used in that independent process of flexibility available in accounting standards and the study concluded that good formation The audit committees and their effectiveness to raise the efficiency of the internal control system and the supervision of financial reports limits the practices of profit management and that profit management practices negatively affect the quality of financial reports. The study recommended the need to form audit committees from members who have financial accounting experience, which helps the audit committees to discover accounting methods Various aspects of profit management and reduction and qualification and training of audit committees so that they have familiarity with and knowledge of fraudulent management practices and methods of disclosure.

**Reinushini and Other Study (2013):** The study examined the impact of the independence, size and meetings of the audit committee on profit management practices. The study's problem was the extent of the characteristics of the audit committee on profit management practices. This study aimed to test the impact of audit committee meetings, the size of the audit committee, and the exploitation of the audit committee on profit management practices, and to achieve The study tested the following hypotheses:

- There is a relationship between audit committee meetings and profit management practices.
- There is a relationship between the size of the audit committee and profit management practices.
- There is a relationship between the independence of the audit committee and profit management practices.
- The study concluded several results, the most important of which are:
- The absence of a conclusive impact of the characteristics of the audit committee on profit management practices.
- The characteristics of the audit committee do not adversely affect profit management practices, so these characteristics were not a deterrent to profit management practices in Malaysian public companies.

**Study d. Muhammad (2013):** The study examined the role of audit quality and corporate governance in reducing investment risks in the stock markets. The study's problem was the uncertainty surrounding the results of future events in the investment in securities, which is the lack of certainty about the future cash flows of the expected return on these investments and reached The study indicates that the audit

committees helped to increase the credibility of the external audit reports, which positively affected the reduction of investment risks in the stock market, and that the quality of the audit represents a good indication of the effectiveness of corporate governance implementation to ensure a reduction in investment risks in the stock market, and the study recommended the necessity of activating the role of the Regulatory Council The accounting and auditing profession is concerned with the level of quality of professional performance to reduce the risks of investment decisions in the Khartoum Stock Exchange, and the auditors' commitment to increase the level of quality of their professional performance to reduce investment risks.

**Muzammil Study (2012):** The study examined the role of audit committees in activating corporate governance to ensure the quality of accounting disclosure. The study's problem was to define the role of audit committees in activating corporate governance to ensure the quality of accounting disclosure and its importance in ensuring the quality of accounting disclosure.

The study reached many results, the most important of which is the existence of effective audit committees in joint-stock companies that helps in adhering to the requirements of corporate governance implementation, the commitment of Sudanese joint-stock companies to form audit committees increases the quality of financial reporting disclosure, and the availability of all the necessary capabilities to ensure the independence of the audit committees in Sudanese joint-stock companies helps in improving Quality of accounting disclosure with financial reports. The study recommended the need for Sudanese joint-stock companies to form and establish audit committees as a mechanism for corporate governance in order to increase the quality of accounting disclosure.

**Mahdi and Other Study (2012):** The study examined the extent of the impact of the quality of the external audit on profit management practices. The problem of the study was the extent of the quality of the external audit on profit management practices. The study aimed to provide practical evidence on the impact of the quality of the audit on the assessment of receivables as a measure of profit management and to achieve the study's goals the study tested the following assumptions:

- There is a statistically significant relationship between the independence of the external auditor and profit management practices.
- There is a statistically significant relationship between the sectoral specialization of the external auditor and profit management practices and practices.
- The study concluded several results, the most important of which are the following:
- The auditor's sectoral specialization contributes to reducing profit management practices.
- The size of the audit office contributes to reducing profit management practices.
- The exploitation of the external auditor contributes to limiting profit management practices.

**The first topic****Theoretical framework for the study variables**

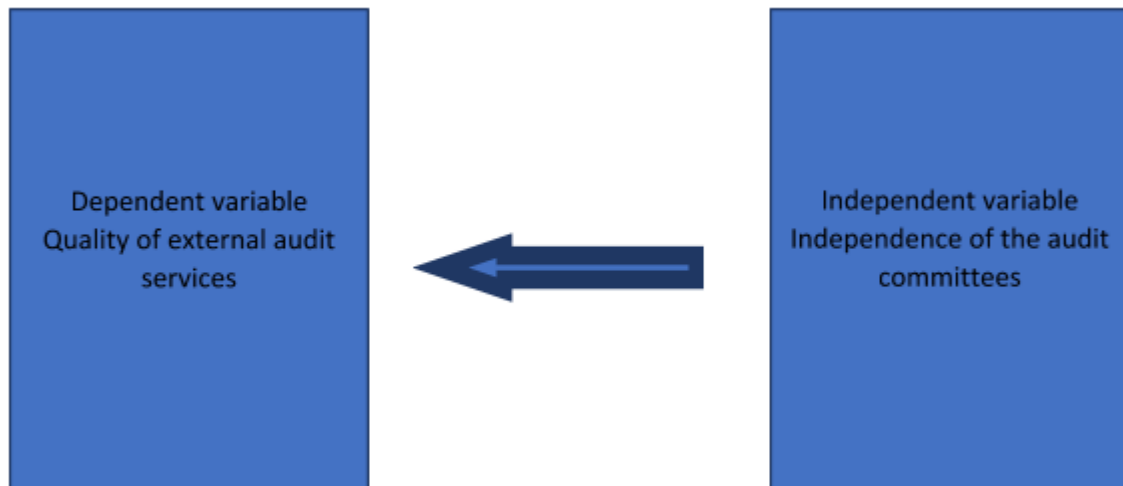
**Study variables:** The study variables include the following:

**First:** An independent variable represented in (the independence of the audit committees).

**Second:** A dependent variable represented in (the quality of the external audit services).

**Study hypothesis:** The study seeks to test the following hypothesis:

"There is a statistically significant relationship between the independence of members of audit committees and the quality of external audit services."



**Figure (1/ 1):** Study variables  
(Source: researcher's preparation)

**Establishment of the audit committees**

There is an increasing trend in many companies towards establishing what is called the audit committee. The audit committee is made up of non-executive board members, for the purpose of overseeing the internal audit function, which increases the chances of quality and efficiency in the performance of the internal and external audit department whenever the probability of independence and objectivity in the examination increases. The report and the audit committees are one of the important means from which an effective role is expected in achieving administrative and accounting commitment in the establishments in which they are located. It is one of the modern concepts that have recently received the attention of many developed and Arab countries.

**Second: The concept of audit committees**

The audit committees are defined as committees consisting of three to five managers who are not charged with the executive responsibilities of financial management and are a link between the auditors and the board of directors. It was also known to be one of the main committees of the Board of Directors, and its composition can be seen as a development in the broad sense of the audit process.

It was known as a subsidiary committee of the company's board of directors, and the idea of its existence to work as a link between the work of the auditors and management arose in a way that supports the exploitation of the auditors. Another writer said that it is a sub-committee of the company's board of directors, consisting mainly of members of the board of directors, and that it aims to supervise the follow-up of the external and internal auditor's work, and to

investigate the facts on matters assigned to it by the board of directors.

It was also known as an audit committee consisting of three non-executive members, and the names of the members of this committee should be disclosed in the annual report of the company or bank.

It was also known as a committee of non-executive company management members to increase the effectiveness of the board and support the development and organization of accounting in the effectiveness of the company's internal control system.

She was known as one of the main committees of the Board of Directors, which can support the objectivity and knowledge of preparing financial reports and the independence of an auditor, and assists the Board of Directors in monitoring the company's performance and conducting its activities.

**Reasons for the emergence of audit committees:**

Many writers agree that among the most important reasons that support the emergence of audit committees are the following:

- 1) The audit committee consisting of independent and non-executive members who have financial and accounting skills have the right time as it is considered in a better place than the entire board of directors in terms of overseeing the financial reporting process.
- 2) The heterogeneity between the members of the Board of Directors and the large number of them at times is not commensurate with carrying out difficult tasks such as the tasks entrusted to the members of the Audit Committee.

- 3) Sometimes differences may arise between the interests of the members of the Board of Directors and the interest of the quality of the financial statements in a manner that is not appropriate for the intervention of the members of the Board of Directors in the implementation of the reporting process, hence the importance of the presence of non-executive members within the audit committee.
- 4) Effective supervision of the reporting process, especially in large public companies, which requires a great deal of experience and practice in accounting and financial management, that experience that is not available to all members of the board of directors, but is available to members of the committee.

#### **The importance of audit committees:**

The importance of the audit committees is due to the achievement of great goals and tasks that can be summarized as follows:

- The audit committees contribute to developing and applying the practice of management authorities in managing and controlling the organization's activity, providing an effective framework to ensure the rights of all parties involved with the organization and who are affected by its activity and practice and to be able to achieve its goals.
- Contributes to helping legislative and executive bodies discover the reality of internal work, and interact with external parties.
- The audit committees help in creating a type of oversight by the shareholders on the management, and it can be considered a useful and helpful tool for the board of directors in monitoring the company's performance and running its activities.
- Review the financial statements and all reports submitted by the independent external auditor in relation to these lists.
- Consider any concrete changes regarding the principles and practices of auditing and accounting used when preparing the lists.

#### **Factors affecting the formation of audit committees:**

There are many factors that affect the formation of corporate audit committees, but the most important of these factors can be addressed as follows:

- 1) The availability of a large number of non-executive members that encourages the formation of audit committees, given their independence from management and their desire for control provisions for the company's business.
- 2) The greater the share of management members in owning shares in the company, the greater the demand from the shareholders on the necessity of forming audit committees in order to preserve their interests and investments.
- 3) The large size of the external audit office responsible for reviewing the company's business greatly affects the encouragement of its corporate clients to form the audit committee, because it is assumed that it enjoys independence and impartiality, and in order to achieve this, the formation of audit committees greatly supports external audit.

Another believes that the factors that affect the composition of the audit committee include the following:

- 1) Increasing the desire of companies and banks to support the process of monitoring their activities, and ensuring the proper application of accounting principles.
- 2) The inconsistency between the external auditors and the company's management, especially in the area of maintaining the independence of the external auditor to express a neutral technical opinion. Hence, the presence of the audit committee in any company represents protection for shareholders and ensures the independence of the auditor.

#### **Independence of audit committees:**

The success of the audit committee in carrying out its responsibilities and tasks requires the availability of a set of characteristics in its members that enable them to perform their work efficiently and effectively and then achieve the goals of the audit committee. The studies have highlighted the importance of independence in the committee members because of its role in increasing their ability to take decisions that are in the interest of shareholders and that independence ensures that the member is more keen and able to review the objectivity of management reports and it requires that members of the committee be non-executive board members.

In fact, the independence of the audit committee represents the cornerstone of its effectiveness, especially when it oversees the financial integrity of the company, and to ensure the appropriateness of internal controls and control systems within the company, and the logic behind supporting this call is that this is important in order to ensure that the committee is fulfilling Its objectives are to examine management behavior.

One of the studies developed examples of the independence of the audit committee members:

Not to be employees of the company or one of its subsidiaries.

- That he does not receive any financial reward from the company or one of its subsidiaries other than the reward he gets for service in the Board of Directors.
- That one of his relatives is not an executive within the company or one of its subsidiaries.
- Not to be an executive director in one of the companies that have commercial relations with the companies or one of the companies that have commercial relations with the subsidiary company.

#### **Quality concept:**

The profession of external and internal accounting and auditing witnessed a development that reflects the interest of professional organizations and scientific bodies in the quality of the professional performance of accounting and auditing offices, especially after the emergence of the concept of quality. Customer satisfaction, the quality of audit office performance is an important requirement for all parties and beneficiaries of the audit service, as the beneficiary looks at the quality of audit performance in light of its fulfilment of his desires and needs while professional institutions look at it in light of the auditor's commitment to

established professional standards and agreed rules, and there are many factors That affect the quality of the external audit.

The concept of quality was defined as making sure that the desired performance was achieved after measuring it. It was known to fulfil the needs and liabilities according to the clients' requirements.

The concept of an external audit: Through the duties of the external auditor, the external audit is defined as the legal obligation of the external auditor to report to stakeholders on the financial statements.

It was also known as the audit conducted by those interested in the accounting and auditing profession independently and in their own offices. The external auditor is independent of the management of the company.

Another author defined her as a job performed by independent professional persons or institutions aimed at reviewing the final statements and expressing a professional opinion about the fairness of that data.

#### **The concept of audit quality:**

The quality of the audit was defined as the set of qualitative technical characteristics in the mechanisms used that satisfy the needs of project stakeholders in providing a mechanism to monitor financial and economic performance.

It has also been known as the possibility of a requirement for a chartered accountant to discover errors and changes in a customer's accounting system and to record this in his report.

It was also known as the market estimate that the auditor will discover and report any errors or accounting violations.

The researcher believes that the concept of external audit quality is to implement the audit process efficiently and effectively in light of commitment to professional standards and legal requirements.

### **3. Field Study**

#### **Research Society and Sample:**

The study population consists of the external audit offices - Khartoum State, which numbered 114 individuals. The research sample vocabulary was chosen from the study community shown in the previous paragraph by random sample, where a sample consisting of (70) singles, or 61% of the study population, was taken. Kidney.

Statistical methods used in operating the applied study data for the proposed model:

Repetitive and percentage method was used in the analysis in the personal and basic data through the Statistical Packages Program (SPSS) to obtain the results, as well as descriptive statistics which is (the arithmetic mean) to know the directions of the phrases of each axis and to prove the axis's validity or invalidity or the extent of compatibility of phrases Assuming, in addition to using simple linear regression to know the effect of the independent variable on the dependent variables.

#### **Consistency and apparent honesty:**

The stability of the test is intended to give the scale the same results if it is used more than once under similar conditions, and the stability also means that if a test is applied to a group of individuals and the degrees of each of them are monitored and then the same test is re-applied to the same group the test is completely stable. Stability is also known as the accuracy and consistency of the measurements obtained, which the test measures. Among the most used methods for estimating the stability of the scale are:

Half-tone division method using the Spearman-Brown equation.

Alpha-Cronbach equation.

How to re-apply the test.

Gutman Equation.

And to make sure of the apparent sincerity of the study questionnaire and the validity of its terms in terms of formulation and clarity, the researcher presented the questionnaire to a number of (3) academic arbitrators and specialists in the field of study, who are (3) arbitrators and from various job sites and scientific disciplines.

**Table (1-2):** Statistical validity and statistical responses of respondents to the questionnaire

The hubs	Persistence	Honesty
—	0.757	0.870

Source: Prepared by the researcher from the field study, 2017.

It is clear from the above table that the stability (alpha-kronbach coefficient) for the first-axis expressions is 0.757 or 75%, and this means that the scale gives the same results if used more than once under similar conditions, and the validity of the first-axis phrases is 0.870 or 87%, and this means validity The measurement questionnaire.

#### **First: The respondents' answers to the study hypothesis:**

The hypothesis states that "there is a statistically significant relationship between the independence of members of audit committees and the quality of external audit services."

Table (2-2) shows the repetitive distribution of the responses of the sample members to the hypothesis:

**Table (2-2):** Frequency distribution and percentage of hypotheses

Phrase	Strongly Disagree		Disagree		Neutral		I agree		I totally agree	
	Percentage	Repetition	Percentage	Repetition	Percentage	Repetition	Percentage	Repetition	Percentage	Repetition
The audit committees work to support the independence of the external auditors	1.4	1	5.8	4	7.2	5	26.1	18	59.4	41
The audit committees act as a neutral party to adjudicate disputes that occur between the external auditor and the company's management	2.9	2	5.8	4	5.8	4	27.5	19	58	40
The oversight committees perform the internal and external audit work	0	0	5.8	4	10.1	7	23.2	16	60.9	42
The audit committees report directly to the board of directors without interference from the executive management	2.9	2	1.4	1	14.5	10	24.6	17	56.5	39
The audit committees work to ensure that there are no restrictions on the external auditors when carrying out their duties	1.4	1	1.4	1	10.1	7	29	20	58	40
There are no personal relationships between members of audit committees and executive management	2.9	2	7.2	5	15.9	11	21.7	15	52.2	36
The audit committees work to ensure compliance with the accounting policies	0	0	1.4	1	11.6	8	26.1	18	60.9	42
The audit committees examine and follow up matters that may affect the independence of the external auditor	2.9	2	4.3	3	5.8	4	34.8	24	52.2	36

Source: Prepared by the researcher, field study, 2017

**From the above table data, it is clear that:**

- 1) The majority of individuals in the sample strongly agree with the first statement, where their percentage reached (59.4%), and those agreeing with (26.1%), while the neutrals accounted for (7.2)%, while the members of the sample who do not agree have reached (5.8)%, while the respondents Those who strongly disagree, reached (1.4)%.
- 2) The majority of respondents strongly agree with the second statement, where they reached (58)%, those who agreed (27.5%), and neutrals (5.8)%, while those who did not agree, their rate reached (5.8)%, while those who did not strongly agree reached their percentage (2.9)%.
- 3) The majority of respondents strongly agree with the third statement, where their percentage reached (60.9%). Either the respondents in the corresponding sample reached (23.2)%, while those who were neutral reached (10.1)%, while those who did not agree reached (5.8)%.
- 4) The majority of respondents strongly agree with the fourth statement, where their percentage reached (56.5)%, and those agreeing with (24.6)%, while the neutral sample respondents reached (14.5)%, while those who do not agree, their ratio reached (1.4)%, while those who do not Strongly agree, reaching 2.9%
- 5) The majority of respondents strongly agree with the seventh statement, where they reached (58)% and those who agreed with (29)%. Either the respondents were neutral (10.1)%, while those who disagree and those who disagree strongly with it reached (1.4) %.
- 6) The majority of respondents strongly agree with the sixth statement, where they reached (52.2%), and those who agreed with (21.7%), either the respondents who were neutral (15.9)%, while individuals in the sample who did not agree (7.2)%, while individuals The sample, who do not agree strongly, was (2.9)%.
- 7) The majority of respondents strongly agree with the seventh statement, where they accounted for (60.9)% and those who agreed with (26.1)%, either for the neutral

sample, whose percentage reached (11.6)%, while those who did not agree reached their ratio (1.4)%.

- 8) The majority of respondents strongly agree with the eighth term, where they reached (52.2%), and those who agreed with (34.8)%, either the respondents who were neutral, they reached (5.8)%, and those who did not agree reached (4.3)%, while the respondents Those who disagree strongly with the rate of (2.9)%.

**Second: Test the study hypotheses:**

**1 / Presentation and discussion of the results of the hypothesis:**

**The first of the study hypotheses states the following:**

"There is a statistically significant relationship between the independence of members of audit committees and the quality of external audit services."

**Through the following table, descriptive statistics are shown as follows:**

**Table (2-3):** Descriptive statistics for hypotheses

Phrase	Arithmetic mean	Standard deviation
The audit committees work to support the independence of the external auditors	4.3	.95
The audit committees work to support the independence of the external auditors	4.3	1
The audit committees act as a neutral party to adjudicate disputes that occur between the external auditor and the company's management	4.3	1
The oversight committees perform the internal and external audit work	4.3	.89
The audit committees report directly to the board of directors without interference from the executive management	4.3	.97
The audit committees work to ensure that there are no restrictions on the external auditors when carrying out their duties	4.4	.84
There are no personal relationships between	4.1	1.1

members of audit committees and executive management		
The audit committees work to ensure compliance with the accounting policies	4.4	.75
The audit committees examine and follow up matters that may affect the independence of the external auditor	4.2	.97

Source: Prepared by the researcher, field study, 2017

**The above table shows the following:**

- 1) The average value of the individuals for the study sample for the first phrase (4.3) reached a standard deviation (.95) and this value indicates that most of the individuals in the sample agree strongly with the first statement.
- 2) The average value of the study sample individuals for the second phrase (4.3) reached a standard deviation (1), and this value indicates that most individuals in the sample agree strongly with the second statement.
- 3) The average value of the study sample individuals for the third term (4.3) was with a standard deviation (.89) and this value indicates that most of the sample individuals strongly agree with the third statement.
- 4) The average value of the individuals for the study sample for the fourth phrase (4.3) was with a standard deviation (.97), and this value indicates that most individuals in the sample agree strongly with the fourth statement.
- 5) The average value of the individuals for the study sample for the seventh term (4.4) was with a standard deviation (.84), and this value indicates that most of the sample members strongly agree with the fifth statement.
- 6) The average value of the study sample individuals for the sixth term (4.1) reached a standard deviation (1.1), and this value indicates that most of the sample members agree with the sixth statement.
- 7) The average value of the members of the study sample for the seventh phrase (4.4) was with a standard deviation (.75), and this value indicates that most of the sample members strongly agree with the seventh statement.
- 8) The average value of the study sample individuals for the eighth term (4.2) was with a standard deviation (.97), and this value indicates that most of the sample members strongly agree with the eighth statement.

A simple, multiple linear regression method was used to test the hypothesis to find out the significance of the differences in the responses of the study sample individuals on their phrases, and the extent of the effect of the independent variable on the dependent variable:

**Independent variable:**

(x): independence of the audit committees  
Dependent variable:

(y): quality of the external audit

The hypothesis stated that: "There is a statistically significant relationship between the independence of the audit committees and the quality of external audit services."

**Table (2/4): Simple linear regression model of hypothesis**

Sample	Correlation coefficient	The coefficient of determination	Adjusted coefficient of determination
1	.752	.565	.558

Source: Researcher's preparation from the field study, 2017

It is clear from the above table that the correlation coefficient value reached. 752, which means that there is a weak direct correlation between the dependent variable (external audit quality) and the independent variable (the independence of the audit committees). The function (quality of audit committees) is the effect of the independent variable (independence of audit committees) while 44% is due to other factors not included in the model.

**Table (2/5): Contrast analysis of hypothesis**

The source of the difference	Sum of squares	Degrees of freedom	Average squares	Value (F)	Moral level
Regression	9.157	1	9.157	86.958	.000
Errors	7.055	67	.105		
Total	11.212	68			

Source: Prepared by the researcher from the field study, 2017.

It is clear from Table (2/5) that the level of significance .000 is less than (5%) and this leads us to accept the alternative hypothesis and the significance of the regression model, which means that there are significant differences between the independent variable (independence of the audit committees) between the dependent variable (external audit quality).

**Table (2/6): Regression coefficients of the hypothesis**

Regression coefficients	Transaction value	Value (T)	Moral level
B <sub>0</sub>	1.754	6.003	.000
B <sub>1</sub>	.626	9.325	.000

Source: Researcher's preparation from the field study, 2017

It is clear from the above table that the value of the fixed limit of the model was (1.754) which is the value of the dependent variable (external audit quality) estimated when the values of the independent variable are equal to zero, and we find that the slope of the independent variable (the independence of the audit committees) is 0.626, which means increasing the independent variable (independence Audit committees) lead to an increase in the dependent variable (the quality of the external audit) by 0.626, and we note that the level of significance is less than 0.05 and high attribution accepts the alternative assumption, meaning that this value has a significant effect and means that (the independence of the audit committees) has an impact on (the quality of the external audit).

From the above we conclude that the study hypothesis, which states that "there is a statistically significant relationship between the independence of the audit committees and the quality of external audit services" has been achieved.

**4. Results**

After studying the theoretical framework and the applied side, the researcher reached the following results:

- 1) That the audit committees submit their reports directly to the board of directors without interference from the executive management enhances the quality of the external audit.

- 2) Ensuring that there are no restrictions on the external auditors when carrying out their tasks contributes to the quality of the external audit.
- 3) That the audit committees supervise the work of internal and external audit leads to the quality of the external audit.
- 4) Informing the members of the audit committees of the accounting and auditing standards and their knowledge of the necessity of enjoying complete independence when appointing them would achieve the quality of the external audit.

## 5. Recommendations

Based on the previous results, the researcher recommends the following:

- 1) That the audit committees have a role in directing the appointment of an external auditor, determining his fees and the mechanisms to dispense with his services.
- 2) Issuing legislation that requires all public shareholding companies to form a review committee, in view of the benefits that can accrue to them as a result of their introduction.
- 3) The necessity for the audit committee to be empowered to discuss all matters related to reports and financial statements and the external audit process and give it full independence to perform its tasks.

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