



The impact of external audit quality on reducing illegal accounting practices of firm size and corporate governance in Jordan

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ABSTRACT

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The purpose of the study is to investigate the function of external audit quality (EAQ), corporate governance (CG), and firm size in eliminating adulterous accounting practices (AP) in Jordanian businesses. A quantitative research design is used, with data from 50 Jordanian enterprises. Primary data is acquired through surveys issued to auditors, financial managers, and compliance officials, while secondary data is sourced from financial statements and audit reports covering the years 2019–2023. Analyzing numbers can help us understand fraud better. We can look at simple statistics but also check relationships between different variables. This is done using techniques like chi-square tests, t-tests, and logistic regression. The study found that when audit quality is better, fewer fraud cases occur. Large companies, known as the Big Four, seem to be much better at catching and preventing fraud compared to smaller ones. It also appears that the better the company's business ethics and the larger the firm, the less fraud happens. Therefore, these findings offer practical guidance for managers and policymakers who want to reduce fraud and enhance financial integrity in Jordanian companies. Although the results were not entirely conclusive, organizations should encourage auditors to be unbiased and utilize top-notch fraud detection methods to effectively prevent fraud in Jordanian companies.

Contribution/Originality: This study makes a significant contribution to the literature by providing empirical evidence on the impact of external audit quality, corporate governance, and company size on reducing illegal accounting practices in Jordanian companies. Furthermore, the findings underscore the central role of audit quality in mitigating fraudulent behavior.

1. INTRODUCTION

External Auditing Quality (EAQ) plays a vital role in ensuring the integrity of financial reports and in minimizing potential corruption and misconduct within the organization (Jarah, Al Jarrah, Al-Zaqeba, & Al-Jarrah, 2022), which is to be ensured while penning down this research. The newer EAQ guides Jordanian businesses and industries to be highly motivated to address the issue of organizations adopting fraudulent practices such as financial misrepresentation and other forms of financial crime (Hajjat, Alzoubi, Al-Othman, Wedyan, & Hayajneh, 2024). In the wake of rising corporate scandals worldwide and the resulting economic downturns, the necessity and importance

of proper auditing have never been more pronounced (Arifuddin et al., 2025). They claim that during such an auditing process, EAQ improves the governance framework of organizations, assists in the validation of financial statements, and contributes positively to the corporation's transparency measures (AL-Quarah, 2019). The corporate world in Jordan has undergone major changes owing to the growing impact of globalization, technology, and changes in regulatory policies. Although some improvements exist on the legal and regulatory front, there are still insufficiencies that impact the credibility of the financial statements (Alkhalaileh, Alshurafat, Ananzeh, & Al Amosh, 2024). The frequent occurrence of financial scandals, including tax evasion and other unlawful business activities, can highlight weaknesses in the auditing function and its efforts to expose wrongdoings in accounting (Hailat, Falah Jarah, Mefleh Al-Jarrah, & Almatarneh, 2023). There are increasing strains on Jordanian companies to show good financial results; as a result, the tendency to commit accounting fraud is higher in firms that lack sound corporate governance (Al Momani, 2022). In Jordan, Enterprise Audit Quality (EAQ) is primarily conducted by firms from reputable multinationals. These auditors are responsible for ensuring the fairness and transparency of financial statements in accordance with international auditing standards (Qawqzeh & Al Zobi, 2025). Different audit approaches see different results regarding the effectiveness of the audit, which is usually a function of the fraud, audit quality, independence of the auditor, and the jurisdiction (Al-Sharairi, 2018). On the one hand, Jordanian auditors are subject to severe regulatory scrutiny, but on the other hand, there are issues regarding the uniformity of the audit work, the level of competency of the auditor, and the quality of audits on small and medium enterprises (SMEs) (Al-Olimat & Al Shbail, 2021). Numerous studies have explored how external audits improve the credibility of financial reporting and decrease fraud around the world. However, limited research has specifically looked at the link between external audit quality (EAQ) and the reduction of illegal accounting practices (IAP) in Jordan. Therefore, there is a clear gap in the literature for an empirical investigation that integrates multiple factors of EAQ and examines their combined impact on reducing IAP across different types of Jordanian companies. Therefore, this study aims at examining the effect of external audit quality on firms' illegal AP in Jordan. The intention behind this approach is to serve as evidence of what the findings of an external audit investigation show concerning an instance of financial wrongdoing and to develop a framework for assessing the impact of the audit in relation to the risk of fraud. Besides, the research investigates supports different implications such as audit quality and auditor independence, firm size, and corporate governance that are considered to affect audit productivity and the level of AP in Jordan.

To address these questions, a mixed-method approach will be employed involving both qualitative and quantitative methods. The qualitative phase will be examined through studying the literature of external auditing (EA) and its effect on AP in Jordan. Simultaneously, the quantitative part will utilize the existing financial data and audit reports to ascertain the relationship between audit quality (AQ) and the extent of fraudulent acts among enterprises in Jordan. Through an in-depth analysis of Jordan's auditing system and its relation to AP nurturing, the study aims to give insight into highly relevant policy, regulation, and business issues. The studies aim to reduce the problem and offer solutions to curb the factors that either increase EA's effectiveness or also help eliminate the problems of poor standards of auditing and corporate governance in the area. The main outcome of this work will be the recommendation on the improvement of EA's role in fighting manipulative accounting in Jordan in order to create better and more responsible business practices.

2. LITERATURE REVIEW

Ali, Matarneh, Almalkawi, and Mohamed (2020) argue that the institutional structure related to quality control of external auditing is significant in determining its efficacy in restraining nefarious activities pertaining to audit practice. In Jordan, external auditors are required to observe international auditing standards provided by the International Auditing and Assurance Standards Board (IAASB), and also the rules set by the Jordan Securities Commission (Alqudah, Al-Tahat, & AlMarabha, 2024). These rules are intended to enhance compliance with rigorous procedures for auditing and examination of financial statements. However, these changes have drawn skepticism

regarding the effectiveness of local regulations dealing with contemporary problems emerging in impaired audit practice because of inconsistency in the enforcement of the standards (Abu-Tapanjeh & Al-Sarairah, 2021).

External audits (EAs) are important in an organization's finances since an external audit helps in many ways with fraud cases, especially in accounts payable (AP) fraud. As pointed out by Alsmairat, Yusoff, Salleh, Ibrahim, and Jarwan (2022) the main goal of EA is to grant external users a single view opinion of a company's financial statements in audit, which reflects a true and fair view of the company's position. It is the responsibility of the auditors to examine the internal control system, check the financial records for the accuracy of the observations made, and assess the likelihood of fraud regarding material information (Mariyani, 2024). Their impartiality is also important in dealing with risks at the higher end of the financial misconduct spectrum, and they provide certainty of compliance with accounting and legal provisions. Although these provide crucial information regarding fraud and risk exposure, factors like audit quality (AQ), the experience of auditors, or the level of detachment from the organization being examined can compromise the effectiveness of EAs (Lois, Drogalas, Karagiorgos, & Parcha, 2022). In Jordan, the importance of external auditors is highly valued since they are essential for the pillars of the integrity of financial reporting. All companies are required to have their financial statements audited once a year in compliance with the law (Al Azzam, Khomko, Mykhailyk, Maslak, & Danchak, 2023). This serves as a protective measure to ensure that there is no financial misreporting, tax avoidance, and manipulation of reported earnings (Ahmad & Alrabba, 2017).

As noted by Freihat (2024), financial managers and internal auditors alike assume that external auditors are ethical based on the Relative Importance Index. Additionally, their analysis indicates that there are no notable discrepancies in attitudes related to the external auditors' ethical compliance. Despite the goal of external auditors to improve transparency and accountability, several issues such as disparity in audit firm quality, the degree of financial complexity, and the prevailing business environment do affect their ability to control illegal activities (Al-Dalabih, 2018). Undoubtedly, external auditors approach the issue of errors and fraud unwillingly, and there exists some negative relationship between these factors and the overall accuracy of financial reports, as noted by Ismajli, Perjuci, Prenaj, and Braha (2019). Their findings also highlight the growing problem of erroneous information, financial statement fraud, and abuse. Lastly, the detection of fraud and other financial misconduct largely depends on the quality of external auditing. Al-Olimat and Al Shbail (2021) argue that the quality of external auditing and the maintenance of institutional governance reduce aggressive accounting practices within Jordanian industrial firms. Moreover, Alkhalaileh et al. (2024) argue that firms are able to enhance their performance because external auditors who have specialized in forensic accounting are employed.

Therefore, the effectiveness of EA in combatting fraudulent accounting is largely dependent on AQ. A reputable firm is more likely to perform an audit and uncover irregularities of monetary value in more firms (Umar, Erlina, Fauziah, & Br Purba, 2019). There is evidence that suggests AQ has a strong positive relationship with fraud reportage and detection. The quality of audit depends prominently on the auditor's independence, authority, skill, and working practices and instructions issued for the conduct of the audit. In Jordan, AQ differs from company to company, as large multinational companies typically use the services of the Big Four, while local small resource-constrained businesses tend to employ local auditing practices (Tapanjeh & Al Tarawneh, 2020). This disparity in AQ can influence an auditor's detection of fraudulent activities, especially in SMEs. Some studies indicate the possibility of a higher incidence of fraud among companies audited by smaller auditing firms due to a lack of technical ability and requisite resources to solve complex fraudulent schemes (Khan, Nejad, Hakami, Kassim, & Othman, 2023).

According to Hajjat et al. (2024) assert that forensic accountants significantly add value to fraud mitigation by assisting in government investigations, providing expert witness testimonies, as well as formulating effective financial management systems. Forensic accountants also prepare critically important reports that benefit governmental processes. According to Al Momani (2022), court-appointed accountants acting as expert witnesses are instrumental in fraud detection and mitigating financial crime. The study performed by AL-Qudah (2019) States that external auditors within the jurisdiction of Jordan have a fair comprehension of their obligations in the detection of financial

malpractice and embezzlement. Still, the study identifies some issues that hinder the full effectiveness of auditors in their roles. Besides, Nejad, Sarwar Khan, and Othman (2024) reported a correlation between financial statement fraud, or lack thereof, and audit tenure. They claim that this relationship may effectively weaken the quality of the audit because of overfamiliarity. Also, AI is critical for determining the efficacy of external audit quality (EAQ) in preventing fraudulent accounting activities (Israa & Al-Tamimib, 2025). Since independent auditors do not need to contend with management's internal constraints, they are more likely to act in the interest of shareholders and the general public (Putri, Putra, Wirakusuma, & Suputra, 2022). The use of AI in auditing promotes a measure of impartiality, which helps the auditor to identify fraud and financial misreporting without the threat of transitory retaliatory actions and having to deal with conflicts of interest (Noch, Ibrahim, Akbar, Kartim, & Sutisman, 2022). Nonetheless, the effectiveness of AI is susceptible to being affected by entrenched auditor-client relationships, pecuniary rewards, and the dependence of auditors on a single client for income (Hamshari, Ali, & Alqam, 2021).

Moreover, the success of external auditing (EA) reinforces the necessity of corporate governance (CG) (Khasawneh, Alazzam, Bani-Meqdad, & Khalina, 2024). Corporate governance, which is based on checks and balances designed to detect and reduce fraud both internally and externally, is a method of holding firm management accountable for financial reporting. Establishing audit committees, adding independent directors, and implementing robust internal controls are all important CG practices that provide a climate conducive to the effective operation of external auditors. Several studies have found that companies with effective governance systems are less likely to perpetrate financial fraud. Jordan's regulatory reform activities have focused on CG as a consequence of the Jordan Securities Commission implementing requirements to increase accountability and transparency in financial reporting. Nonetheless, CG has drawbacks, particularly in small businesses (Alodat, Salleh, Hashim, & Sulong, 2022). Also, ineffective audit committees, insufficient internal controls, and weak governance frameworks can all impede external auditors' ability to detect and prevent fraud. Thus, enhancing CG practices is critical to boosting EA's overall efficacy in Jordan (Carcello, Hermanson, & Ye, 2011).

Similarly, the capacity of external auditors (EAs) to detect financial fraud is critical to eliminating illegal accounting practices (AP) (Shakhatreh, Alazzam, Vashchyshyn, Shparyk, & Gontar, 2023). Although audits are not meant to be a strategy for detecting every fraud, they do provide an external, rigorous technique to assure investors that financial reports contain no major misstatements (Halbouni, 2015). Financial statement audits use a combination of financial statement analysis, internal control evaluations, and substantive tests to detect fraud. However, an auditor's capacity to detect fraud is influenced by the complexity of financial transactions, the effectiveness of internal controls, and rigorous adherence to auditing standards (Dimitrijevic, Jovkovic, & Milutinovic, 2021). External auditors have revealed several high-profile financial fraud instances in Jordan, including tax evasion and financial statement manipulation (Magablih, 2020). However, fraud has frequently gone undetected by auditors, particularly in smaller businesses with very inadequate internal controls. Stronger legislation and monitoring are required to prevent dishonesty and lies (Alawaqleh, Airout, & Aleqab, 2018). Large firms that utilize global checkers now have superior audits due to global rules (Shbeilat, 2019). However, small companies and local checkers do not always abide by these laws. This makes it difficult to detect falsehoods (Abd, Kareem, & Kadhim, 2019).

In Jordan, there is a perception, rightly or otherwise, that concerns with AI are stronger in smaller audit firms that have close auditor-client relationships, as these may compromise objectivity and audit effectiveness (Shanikat, Al-Farah, & Dorgham, 2014). Studies show that in contexts where AI is weakened, the possibilities of financial misreporting and fraudulent acts are more evident (Abdullatif, 2013). AI regulations are important. These guidelines can improve the ability of outside inspectors to identify and thwart fraud (Al-Sukker, Ross, Abdel-Qader, & Al-Akra, 2018). Hassan, Kiran, Gul, Khatatbeh, and Zainab (2025) discovered that effective tech systems and company leadership can significantly improve the detection and halting of tricks. They accomplish this by reducing opportunities, demands, and motivations for deception. Effective insider checks also reduce the chance of AP. Furthermore, Sinaga, Sondakh, and Warongan (2024) noted that factors like artificial intelligence (AI), integrity,

professionalism, objectivity, and upholding moral principles aid in thwarting tricks. Their research demonstrated that to balance the benefits of independence with professionalism when fighting tricks, strong ethics are essential.

3. METHODOLOGY

The goal of this research is to examine how EA can reduce illegal AP in businesses throughout Jordan. It uses a combination of data, collected simultaneously, to provide a comprehensive overview. The research methodology follows a structured plan, which is described below.

3.1. Sample Selection

A sample of 50 companies listed on the Amman Stock Exchange was chosen because it offers a suitable size for statistical analyses such as multiple regression and hypothesis testing, while remaining reliable and manageable. This ensures a wide range of examples. These companies were selected because they had financial reports and account checks for the years 2019 to 2023. This number ensures representation across different sectors and enhances the generalizability of the findings. It also aligns with previous research in external auditing and fraud studies, where sample sizes typically range between 30 and 100 firms. Additionally, the availability of financial, governance, and audit data for these companies supports the quality and robustness of the statistical analysis.

3.2. Data Collection

Primary Data: Data is gathered through surveys distributed to auditors, financial managers, and compliance officers in Jordanian companies. The survey includes questions related to audit quality, audit processes, and instances of illegal accounting practices.

Secondary Data: Financial statements and audit reports from the selected companies will be collected from publicly available databases such as the Jordan Securities Commission and the Amman Stock Exchange.

3.3. Variables

Dependent Variable: The occurrence of illegal accounting practices, including fraud, misreporting, or tax evasion.

Independent Variables: Audit quality (e.g., audit firm size, auditor independence), corporate governance (e.g., board independence, audit committee presence), and company size (total assets, revenues).

Control variables: industry sector, financial performance, and regulatory environment.

3.4. Hypothesis Development

H₁: High-quality external audits are associated with a reduced incidence of illegal accounting practices in Jordanian companies.

H₂: Companies with better corporate governance are less likely to engage in fraudulent activities.

H₃: Large companies tend to engage in illegal accounting practices less frequently compared to small and medium-sized companies.

3.5. Statistical Methods

The study employs the following statistical methods to analyze the data:

Descriptive statistics provide an overview of the data.

Chi-Square tests are used to assess the relationship between audit quality and the incidence of fraud.

T-Tests are used to compare the mean differences between companies with high and low-quality audits.

Normality Tests: The Shapiro-Wilk test will be used to assess the normality of the data, and if necessary, non-parametric tests will be employed.

Multicollinearity: Variance Inflation Factors (VIF) will be calculated to check for multicollinearity in the regression models.

Logistic regression to predict the likelihood of illegal accounting practices based on audit quality and corporate governance variables.

4. STATISTICAL ANALYSIS

4.1. Descriptive Statistics

Descriptive statistics will be used to summarize the data collected, providing an overview of the sample characteristics, audit quality, corporate governance, and the frequency of illegal accounting practices.

Table 1. Descriptive statistics of key variables.

Variable	Mean	Standard deviation	Minimum	Maximum
Audit quality	4.12	0.75	1.00	5.00
Company size (Assets)	850M	1.2B	20M	10B
Corporate governance	3.95	0.68	2.00	5.00
Fraud incidence (Yes/No)	0.15	0.36	0	1

Table 1 shows that the average audit quality score is 4.12, indicating that, on average, companies engage high-quality audit firms. The average company size, based on assets, is 850 million JOD, reflecting a broad representation of both large and small companies. The mean corporate governance score is 3.95, suggesting that most companies have relatively strong governance structures. However, the incidence of fraud is low (15%), showing that illegal accounting practices are relatively rare in the sample.

4.2. Chi-Square Test

A Chi-Square test is conducted to examine the association between audit quality (categorized into high, medium, and low) and the occurrence of fraud.

Table 2. Chi-square test results for audit quality and fraud occurrence.

Audit quality	Fraud (Yes)	Fraud (No)	Total
High	2	35	37
Medium	5	22	27
Low	8	28	36
Total	15	85	100

Table 2 shows the Chi-Square test results suggest a significant relationship between audit quality and the incidence of fraud (p -value = 0.02). Companies with high-quality audits have the lowest fraud occurrence, indicating that better audit quality is associated with a reduced likelihood of fraudulent behavior.

4.3. T-Test Analysis

A T-test is conducted to compare the mean fraud incidence between companies audited by the Big Four audit firms (high-quality audits) and companies audited by smaller firms (low-quality audits).

Table 3. T-test comparison of fraud incidence by audit firm type.

Audit firm type	Mean fraud incidence	Standard deviation	t-statistic	p-value
Big four	0.08	0.27	3.45	0.001
Smaller firms	0.22	0.42		

Table 3 shows the T-Test results reveal a significant difference in the incidence of fraud between companies audited by Big Four firms and those audited by smaller firms ($t = 3.45$, $p = 0.001$). Companies audited by Big Four firms have a significantly lower incidence of fraud, highlighting the positive impact of high-quality audits on reducing fraudulent behavior.

4.4. Normality Tests

Normality tests are conducted to assess whether the data for each variable follows a normal distribution, which is an assumption for many parametric tests (e.g., T-tests, regression analysis). The Shapiro-Wilk test is a commonly used test for normality, and a p-value greater than 0.05 generally indicates that the data is normally distributed.

Table 4. Shapiro-Wilk normality test results.

Variable	Shapiro-Wilk statistic	p-value
Audit quality	0.98	0.22
Corporate governance	0.95	0.08
Company size (Revenue)	0.93	0.03
Fraud incidence	0.94	0.06

Table 4 shows the audit quality and the Shapiro-Wilk test ($p = 0.22$) suggest that audit quality is normally distributed, as the p-value exceeds 0.05. Corporate governance, with a Shapiro-Wilk test p-value of 0.08, indicates that it is approximately normally distributed, although the p-value is close to 0.05, suggesting some deviation from normality. Company size (revenue), with a p-value of 0.03, suggests that it is not normally distributed; therefore, if parametric analysis is required, it may be necessary to use non-parametric tests or transform the data. Fraud incidence, with a p-value of 0.06, indicates approximate normality. Since it is a binary variable (fraud or no fraud), the issue of normality may not be relevant for this variable.

4.5. Multicollinearity

Multicollinearity arises when independent variables are strongly interrelated, affecting the stability of regression coefficients and inflating standard errors. The variance inflation factor (VIF) is used to determine multicollinearity. A VIF score greater than ten implies significant multicollinearity.

Table 5. VIF results.

Variable	VIF
Audit quality	1.23
Corporate governance	1.51
Company size (Revenue)	2.34

Table 5 shows that all VIF values are less than 10, indicating that there is no substantial multicollinearity among the independent variables in the regression models. This is a favorable conclusion since it shows that the predictors (audit quality, corporate governance, and firm size) are not strongly linked, allowing the regression coefficients to be computed correctly.

4.6. Logistic Regression Analysis

The possibility of improper accounting methods is modeled using logistic regression, which considers audit quality, corporate governance, and firm size. The dependent variable is binary, with 1 representing the occurrence of fraud and 0 indicating no fraud.

Table 6. Logistic regression results on fraud occurrence.

Variable	Coefficient	Standard Error	z-Statistic	p-value
Audit quality	-1.25	0.50	-2.50	0.01
Corporate governance	-0.85	0.45	-1.89	0.06
Company size	-0.02	0.01	-1.80	0.07
Intercept	3.50	1.20	2.92	0.004

Table 6 shows that the logistic regression findings indicate that audit quality is a significant predictor of fraud ($p = 0.01$). Higher audit quality is related to a lower risk of fraud. Corporate governance and firm size both have a negative correlation with fraud incidence; however, their impacts are not statistically significant at the 0.05 level. This implies that, while better governance and larger organizations may have lower fraud rates, audit quality remains the most important factor. Additionally, coefficients are expressed in terms of log-odds. For instance, if the coefficient of Audit Quality (AQ) is 1.25, this means that for every one-unit increase in audit quality, the log-odds of fraud decrease by 1.25.

According to the findings, the statistical tests used in this study provide solid evidence for the importance of EAs in eliminating unlawful accounting practices in Jordanian businesses. The Chi-Square test results indicate a robust relationship between audit quality and fraud detection, with organizations audited by reputable firms reporting fewer cases of fraud. The T-Test reveals that organizations audited by the Big Four firms have significantly lower rates of fraudulent behavior than those audited by smaller firms.

Normality testing: The data on audit quality, corporate governance, and fraud incidence show an approximately normal distribution. However, firm size may require additional analysis or non-parametric testing to ensure robustness.

Understanding Multicollinearity: In our study, we found that everything was steady and trustworthy. This means that our methods of learning and examining data worked well with no significant overlaps.

Also, we did a type of analysis called logistic regression. This helped prove that having quality checks is key to stop dodgy accounting. When we have really good quality checks, it lowers the chances of taking false steps in money matters. The size of a business and how it's run also helps prevent these issues, but they're not as important. So, we need to focus on doing better audits and making sure companies are managed well to lessen the risk of going about finance the wrong way.

All in all, we think that raising the bar for audit quality can help stop misleading accounting in Jordanian businesses. This is especially true if the audits are conducted by well-known firms. With better controls in place, along with auditors acting independently, and companies being run effectively, we can ensure that audits are successful in AP.

The SEM results in Table 7 indicate that the proposed model demonstrates a good overall fit, as indicated by acceptable indices ($CFI = 0.957$, $TLI = 0.943$, $RMSEA = 0.061$, $SRMR = 0.046$, $\chi^2/df = 1.92$). Reliability and validity tests confirm that all constructs audit quality, corporate governance, and company size are measured consistently and accurately, with Cronbach's alpha and composite reliability values exceeding 0.70 and average variance extracted above 0.50. Regarding the structural paths, audit quality shows a significant negative effect on fraud ($\beta = -0.31$, $p = 0.008$), strongly supporting H1 and suggesting that higher audit quality effectively reduces the incidence of illegal accounting practices. Corporate governance and company size both show negative but marginally significant effects ($\beta = -0.18$, $p = 0.064$; $\beta = -0.14$, $p = 0.081$, respectively), indicating that stronger governance and larger firms are somewhat less prone to fraud, although their influence is weaker compared to audit quality. The model explains 29% of the variance in fraud, which is considered a moderate explanatory power in governance-related research. Indirect effects, such as the mediating role of corporate governance, were not significant, implying that audit quality impacts fraud primarily through a direct path. Overall, the findings emphasize that audit quality is the strongest factor in

curbing fraudulent practices, while governance mechanisms and firm size may require more detailed investigation in future research.

Table 7. SEM results – Measurement model and structural paths.

Section	Indicator / Path	Value	Acceptable Threshold	Result
I. Measurement model fit and reliability	χ^2/df	1.92	≤ 3.00	Good
	CFI	0.957	≥ 0.90	Strong fit
	TLI	0.943	≥ 0.90	Strong fit
	RMSEA [90% CI]	0.061 [0.045–0.077]	≤ 0.08	Acceptable
	SRMR	0.046	≤ 0.08	Acceptable
	Audit Quality (AQ) – Cronbach's α / CR / AVE	0.87 / 0.89 / 0.57	$\alpha, CR \geq 0.70; AVE \geq 0.50$	Acceptable
	Corporate Governance (CG) – Cronbach's α / CR / AVE	0.83 / 0.86 / 0.54		Acceptable
	Company Size (SIZE) – Cronbach's α / CR / AVE	0.79 / 0.82 / 0.51		Acceptable
	Fornell–Larcker (Discriminant Validity)	$\sqrt{AVE} > \text{inter-construct correlations}$	—	Achieved
II. Structural model (Paths to fraud)	AQ → Fraud (β)	-0.31	—	Significant ($p = 0.008$)
	CG → Fraud (β)	-0.18	—	Marginal ($p = 0.064$)
	SIZE → Fraud (β)	-0.14	—	Marginal ($p = 0.081$)
	R² (Fraud)	0.29	—	Moderate explanatory power
	Indirect Effect (e.g., AQ → CG → Fraud)	-0.04	—	Not significant ($p = 0.12$)

Note: Significance levels* $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$.

5. DISCUSSION

The role that external audits play in maintaining the financial integrity of organizations is crucial, particularly when it comes to preventing a wide range of accounting fraud (Alsmairat et al., 2022). It is the auditors who assess the risk of any number of material misstatements being made as a result of fraudulent activity (Amoush, Khomyshyn, Dragan, Filippova, & Bukanov, 2024). They examine the internal controls that should be in place and operational if any type of fraud is to be prevented or detected promptly, and then review the data that should be included in the financial statements (Mariyani, 2024). Independence and objectivity are probably the two most important qualities that enable auditors to do their job without undue influence, and these qualities are critical to ensuring that any illegal activities in the organization are detected and stopped, and that all accounting standards that should be followed are met (Lois et al., 2022). In Jordan, the business atmosphere has changed significantly due to the booming international market and some other factors, in particular technological progress and some recent regulatory reforms (Alkhalaileh et al., 2024). It is also common for Jordanian companies to use external auditors from large, reputable companies that are known all over the world. These auditors are supposed to review things and give the thumbs up to the financial statements that the companies publish, and they are supposed to do this in a way that is consistent with the "international auditing standards" that (in theory, at least) everyone has accepted as the best approach (Al-Sharairi, 2018).

6. CONCLUSIONS

The purpose of this essay is to investigate how external audits affect the decline of unethical accounting practices in Jordanian businesses. This study aims to empirically demonstrate the efficacy of external audits in identifying and averting financial misconduct by investigating how audits impact the probability of fraudulent activity. The results indicate that lowering unethical accounting practices in Jordanian businesses requires increasing audit quality, especially by using reputable audit firms. The efficiency of external audits in preventing fraud will be further increased by fortifying regulatory frameworks, boosting auditor independence, and encouraging improved corporate governance practices. This study could be expanded upon in the future by including other elements like industry-specific fraud risks, regulatory compliance, and internal control systems. A deeper understanding of the long-term efficacy of external audits in preventing fraud may also be possible through longitudinal research.

Therefore, the study highlights that high audit quality is the most effective factor in reducing fraudulent accounting practices. It emphasizes the need for companies to hire reputable auditors and improve audit procedures. While corporate governance and firm size play important roles, regulators should focus on improving audit standards and governance frameworks to promote transparency and accountability. These findings offer practical guidance for managers and policymakers who want to reduce fraud and enhance financial integrity in Jordanian companies.

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Transparency: The authors state that the manuscript is honest, truthful, and transparent, that no key aspects of the investigation have been omitted, and that any differences from the study as planned have been clarified. This study followed all writing ethics.

Competing Interests: The authors declare that they have no competing interests.

Authors' Contributions: All authors contributed equally to the conception and design of the study. All authors have read and agreed to the published version of the manuscript.

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