Kurdish Studies
Dec 2022
Volume: 10, No: 2, pp. 321-331
ISSN: 2051-4883 (Print) | ISSN 2051-4891 (Online)
www.KurdishStudies.net

DOI: 10.53555/ks.v12i3.2864

The Enchantment of Board Features: A Captivating Exploration into Their Influence on Audit Quality

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Abstract
Purpose: This study aims to determine the effect of board features on the audit quality of companies listed on the Palestine Exchange.

Design/methodology/approach: The study sample included all companies listed on Palestine Stock Exchange during the period extending from 2016 to 2022, and a statistical analysis package (SPSS) was used to test the effects of independent variables, such as board (Size, Diversity, Meetings, and financial expertise) on audit quality.

Findings: The results show that Audit firm size is positively affected by firm size and financial expertise. Another significant positive association exists between some sectors and board financial expertise and audit firm specifications. In addition, there is a significant association between board meetings and audit firm turnover. An adverse statistical significance was found between a firm's age, sector, leverage, and audit firm size. Moreover, there is an adverse relationship between board meetings and audit firm specialization. Firm age, board financial expertise, and audit firm turnover.

Originality/value: The distinct socio-economic and cultural setting of Palestine makes this study very significant, differentiating it from research conducted in other areas. This study offers insights into the difficulties and peculiarities of the Palestinian business environment by focusing on the complexities of board structures and their effects on audit quality.

Keywords– Audit Quality, Board Size, Board Financial Expertise, Board Meetings, Board Diversity. **Paper type–** Article.

1. Introduction

The primary focus of every organization in the world is to turn profits and stay in operation. As most businesses are owned and managed independently, their financial reports are often inconsistent. Therefore, auditing is an essential component for any firm. In exchange for payments for their services, owners appoint managers to oversee the companies' daily operations of (Alawaqleh et al., 2021). Management's goal is to boost stockholders' worth and generate revenue. Additionally, there is usually a good chance that the administration will act against the interests of investors to guard their own interests. This is because of the disparity in information between managers and owners (Lin & Hwang, 2010). This raises the agency problem known as principal–agency theory. Because of the transfer of ownership from management, which may also lead to management's entrenchment and expropriation of investor value, agency theory sheds further light on the existence of agency issues between investors and management (Sultana et al., 2019). An independent audit has always been the control element that can lessen the majority of managers' theft has always been an independent audit (Khudhair et al., 2019).

Audit quality is an essential element for any prosperous and long-lasting company. However, maintaining good corporate governance practices—chief among them being board participation—is necessary to uphold high audit standards (Inaam and Khamoussi (2016). The present economic situation has seen important modifications to the board of directors' composition (BDC), a vital component of corporate governance, especially in financial reporting and auditing (Agyei-Mensah, 2019). As previous research indicates, high audit quality improves investors' faith in external auditors' disclosures (Oladejo et al., 2020). Habib et al. (2019) verify the confusion and lack of evidence regarding the link between audit quality and governance. The need for audit quality has increased because of the corporate scandals caused by audit service failures (Niskanen et al., 2011). In the 1990s, Russia, Latin America, and Western nations witnessed the collapse of economic and financial distress in numerous enterprises

due to audit failure (Annisa Anafiah et al., 2017). Additionally, we witnessed similar instances of financial crises in the USA, particularly in 2001 (Oladejo et al., 2020).
(Wan Abdullah et al., 2008) provide evidence to support this by pointing out the number of companies that failed due to audit errors in many international firms. Investors and experts are encouraging researchers and regulators to seek ways to address this issue due to audit failures and business catastrophes. In an attempt to enhance audit quality and increase customers' confidence in financial reports, a large number of them are focusing on corporate government
(Karaibrahimoglu, 2013). Furthermore, a variety of justifications have emerged for the decline in the corporate governance system and audit failure-related declines in the financial reporting quality system have emerged (Adeymi et al., 2015). Numerous empirical investigations have explored the variables that influence audit quality (DeAngelo, 1981). Other investigations, in the meantime, concentrated on attributes related to auditors, including their reputation, fees, and company size (Mitra et al., 2007). Audit quality has several objectives: DeAngelo (1981) states that audit quality is the likelihood of finding a crack or mistake in a customer's financial system to document a violation in the audit report once the audit procedure is complete. Similarly (Van Eck & Waltman, 2010) describe audit quality as a tool that may produce financial statements that contain significant errors or omissions. Consequently, by setting high standards for audit quality, accounting data made public following an audit may reduce agency costs significantly. Ensuring accurate and pertinent information, shareholder rights, and various parties, such as the public, government, bankers, and investors (Oladejo et al., 2020).
The early 1900s saw the emergence of accounting and audit quality in Palestine, particularly following the English Mandate for Palestine (Helles, 1992). Meanwhile, the audit profession was negatively affected by Israeli colonialism in Palestine (1918–1994). Thus, it becomes a straightforward tool for tax purposes, shifting the focus of auditor work to simply verify whether businesses pay taxes (Mitra et al., 2007). Furthermore, many Palestine Exchange (PEX) listed businesses are in an unstable financial situation. Despite this, auditors were paid for their work and these companies' audit reports were authorized with the required disclosure. However, auditors are not responsible for commercial business laws. As an illustration, as of December 31, 2014, the Arab Palestinian Shopping Center (Plaza), a Palestine-based financial market-listed company and a subsidiary of the Arab Palestine Investment Company (APIC), reported a net loss of JID 500,000 (Rabaya et al., 2017).
Among the factors most negatively or favorably linked to audit quality are the BDC characteristics, as reflected by board size (BDSZ), financial expertise (BFE), meetings (BM), and diversity (BD) (Alawaqleh et al., 2021). The low quality of auditing financial reports and the factors influencing it as a result of the recent financial crisis are the topics of this paper, Also The qualities of the board of directors which are represented by the audit quality, can both be significant factors in lowering the frequency of various corporate scandals. Therefore, this study attempted to achieve several objectives. First, we determine the effect of the BDSZ on audit quality. Second, we determine the impact of board members' financial experience on audit quality. Third, we determined the effect of the number of board member meetings on audit quality. Finally, we determined the effect of board diversity on audit quality.
The gap of this research is presented bythe conflicting results of the relationship between audit quality and board charactaristics. Additionally, Palestine is an area of underresearch , especially in the fields of board charachtaristics and audit quality. As Palestinian businesses grapple with issues such as data security and regulatory compliance, understanding the function of board diversity, meetings, size, and financial expertises becomes crucial for ensuring thorough and reliable audits. This research will contribute to the limited body of knowledge concerning board governance and audit quality in conflict-affected areas and emerging economies, providing valuable insights for local policymakers, regulators, investors , and financial institutions aiming to enhance financial credibility and stability.
The subsequent sections would cover literature review which will deliv into the theories that are encorporated and hypothesis development for the purpose of responding to the research questions and objectives. Followed by the methodology employed to reach to the results and finally to the discussion and conclusion.

2. Literature review

The foundation of this study is agency theory, which elucidates the connection between audit quality and board features (Ben-Hassoun et al., 2018) in addition to the roles of audit and corporate governance (Khudhair et al., 2019). The literature on corporate governance indicates that BDC has become an essential component of the system. These researchers advise effective board performance because directors' boards are important for managing and controlling decisionmaking (Levit & Malenko, 2016). To examine the influence of the independent variables on the dependent variable (audit quality), research hypotheses were created using agency theory and empirical information.(Khalil & Ozkan, 2016) maintain that the efficacy of BDC is favorably correlated with audit quality, suggesting that the board has succeeded in safeguarding shareholder interests.

Agency theory, rooted in the financial and economic worlds, has emerged as a cornerstone in the field of corporate governance and its impact has emerged in studies, financial policies, and practices. Therefore, corporate governance rules, director training, and board procedures are affected by the principles of the theory (Adeymi et al., 2015). The principles of governance help to solve or reduce agency problems. Corporate governance mechanisms are also employed as policies, practices, and frameworks to lessen disputes among shareholders and agents, and as a result, lower agency fees to meet business goals and optimize stakeholder benefits (Khalil & Ozkan, 2016). Weak governance mechanisms also help foster escalating tensions between leadership and the main shareholder because ineffective systems of governance may encourage managers to prioritize achieving personal objectives over those of the company. Therefore, there is an urgent need to conduct follow-up monitoring to reduce agency expenses (Jensen, 1993).

Agency theory is a major economic theory essential for enhancing auditing, as it explains the importance of auditing and its role in addressing problems resulting from incorrect administrative behavior, such as manipulation and slackness (Hosseinniakani et al., 2014). This theory also explains that auditing contributes to increasing trust between owners and managers and achieving the public interest to strengthen accountability regarding financial reports, as it assists in resolving data imbalance opposition between the owner of the information and the agent (McCarthy & Puffer, 2008).

2.1 Board size and Audit quality

The BDSZ, which is determined by the total number of directors, is the primary business governance aspect that influences the effectiveness and efficacy of the board. It remains unclear whether greater or lesser boards are preferable for verifying that management operates efficiently and produces audited quality financial reports (Hassan, 2016). (Dwekat et al., 2018)investigate how corporate governance procedures affect the choice of auditor quality in Palestine by concentrating on board attributes. Their findings show that larger boards typically require auditors of higher caliber. (Soliman & Abdel Salam, 2013) observe that smaller boards tend to have more independent directors, potentially leading to more stringent oversight.

Furthermore, research conducted by (Bonn, 2004) demonstrates how a BDSZ affects business incentives, in addition to firm performance and audit quality. According to certain studies, effective director-to-staff communication makes boards with fewer members more effective (Basiruddin, 2011). According (Makni et al., 2012), proved that BDSZ has an advantageous effect on the requirement of better auditing, which is relevant to this study. Studies have also shown that, by concentrating more on information asymmetry or communication gaps, smaller boards can help auditors perform high-quality audits more effectively than larger boards. Additional investigations have shown an adverse relationship between BDSZ and AQ.

According to a study by (Mustafa & Che-Ahmad, 2017) the BDSZ lowers AQ. Additional studies have also demonstrated the effectiveness of larger boards. Other studies have indicated that a larger BDSZ is more effective (Dwekat et al., 2018) results an adverse relationship between CEO power and the BDSZ (Saidu & Aifuwa, 2020). examined how board features affect AQ for Nigerianlisted manufacturing firms and found a favorable relationship between midBDSZ and AQ. Referring to other studies, the BDSZ has a favorable influence on audit fees because auditors that produce higher-quality audits charge more for their services (Suryanto et al., 2017). After the conversation, the following hypotheses were tested.

H.1: *There is a statistically significant negative effect of the BS on the AQ in* companies listed on the PEX.

2.2 Board financial expertise and Audit quality

Board makeup has a significant influence on AQ (Amorelli & García-Sánchez, 2020), and regulators, professionals, and academics are becoming increasingly interested in directors' financial skills. To improve its monitoring capabilities, the bulk of codes or regulations released in industrialized nations stipulate that the board of directors must include financial specialists. Consequently, the number of studies on directors' financial abilities has dramatically increased in the current century. This type of expertise has been examined in most studies (Das et al., 2022).

A person must possess certain qualities, credentials, or experience in accounting or finance before joining a company's board of directors. Previous studies attest to the relationship between audit quality and accounting expertise. According to Christensen et al. (2016), members require financial acumen to reduce their managers' propensity to adopt such tactics. Furthermore, accounting knowledge and audit quality are positively correlated (Mohammed & Bello, 2019). Consequently, having more people with financial knowledge lowers the incidence of fraud and fortifies internal control procedures. Additionally, it has been shown by (Hoitash et al., 2009) show that firms with a high percentage of financial expertise are less inclined to reveal softness in their internal control over financial reporting to accounting specialists. Similarly, a manager's habit of concealing dishonest activities from monitors to avoid fines for willful GAAP violations makes it extremely difficult to control anomalies extremely difficult (Schrand & Zechman, 2012). Several studies indicate that financial knowledge of DFE significantly

enhances audit quality (Suryanto et al., 2017). However, (Hashim & Amrah, 2016) investigation was unable find no statistically significant correlation between AQ and BFE. After the previous conversation, the following hypothesis was examined:

H.2*: There is a statistically significant positive effect of the BFE on the AQ in companies listed on the PEX.*

2.3 Board meetings and Audit quality

Research has shown that board meetings (BM) are a crucial component of BDC, considerably improving the board's efficacy in the BM (Anderson et al., 2004). Alternatively, an effective BM can enhance the internal control and oversee operations more successfully. This can decrease agency conflicts between managers and shareholders because managers are highly motivated to maximize their interests instead of shareholders' interests in the presence of a subpar internal monitoring role (Fama & Jensen, 1983). Additionally, the BM can strengthen the board's capacity to fulfill its obligations to shareholders. Therefore, active BM is likely to require a high AQ.

Meeting frequency is thought to be a crucial sign of BDC commitment to executing duties (Vafeas, 1999). Furthermore, the frequency of BM indicates how well the BDC performs its duties. (Khudhair et al., 2019) indicated a favorable association between BM frequency and AQ regarding auditors' brand names. However, Shan (2014) revealed that the BM has no bearing on AQ. This is because of the significant impact of state ownership on firms' strategic choices. After the previous conversation, the following hypothesis was examined:

H.3: *There is a statistically significant positive effect of the BM on the AQ in companies listed on the PEX.*

2.4 Board diversity and Audit quality

The proportion of women in BDC and executive positions has become a hotly debated topic and a new field of international research. This is particularly noticeable in nations with a low percentage of female board members and top executives. The feminist conflict theory acknowledges that men have systematically oppressed women throughout society. This is from the standpoint of the essential assets that women bring to businesses (Khudhair et al., 2019). In both industrialized and developing nations, men dominate many organizations' boards, with little or no representation from women (Oladejo et al., 2020).

According to (Schrand & Zechman, 2012), female boards are governed by a system of interconnected guidelines used by the management, shareholders, and businesses to control their conduct. Every nation has various legislative frameworks that define several common governance principles and codes established by businesses. Okike (2007) stated that there is a disparity among women with BDC worldwide. According to research by (Exchange, 2010) women are naturally inclined to specialize in particular fields of work. This has led to debates and counterarguments concerning the critical components required for women to exhibit competent governance (Du, 2019) tested the effects of women on AQ and boards. A group regression based on arbitrary accruals was conducted on a sample of 20 businesses representing various divisions of Nigeria's stock markets. The explanatory variables included in the gender mix were chosen to determine gender mix. The results offer compelling evidence that, instead of specifically raising the caliber of audited firm reports, the number of women on the BDC increased the caliber of audit findings. Changes in auditors and the acceptance of risk have been connected to board diversity (Saidu & Aifuwa, 2020). This investigation disproves the idea that having more female members on an audit committee lowers audit costs by reducing the selection of audit work.

However, female representation on Chinese corporate boards is related to an increase in requests for higher AQ, which increases audit fees (Kang, 2014). According to (Suryanto et al., 2017), a female member frequently serves as a token on the board or may be able to insist on a higher-caliber audit. However, research has demonstrated a strong link between BD and AQ; for this reason, audit fees have increased (FCMA & Afroze, 2019). After the previous conversation, the following hypothesis was examined:

H.4: There is a statistically significant positive effect of the BD on the AQ in companies listed on the PEX.

The following section with cover the methodolody however the dependent variable of audit fees was not considered for the purpose of this paper since it is an outcome of both demand and supply of audity (DeFond & Zhang, 2014) .

3. Methodology

3.1 Firms selection

The study sample included all companies listed on the Palestine Exchange during the period extending from 2016 to 2022, and the total number of companies listed on the Palestine Stock Exchange was (10) investment, (9) service, (11) industry, (7) banks, and (7) insurance companies. After counting the number of observations over the years and excluding missing data, the final number of observations was reached (220) during the seven years of the study. In addition, a statistical analysis package (SPSS) was used to test the effects of independent variables, such as (BS), (BFE), (BM), (BD) on the dependent variable audit quality.

3.2 Data collection

A statistical analysis package (SPSS) was used to test the effects of independent variables such as (BS), (BFE), (BM), (BD) on the dependent variable audit quality. Appropriate statistical techniques were employed to respond to the research's inquiries and assess its hypotheses, including descriptive statistics, normality tests, multicollinearity tests, VIF and Tolerance tests, and multiple regression analyses. To accomplish the goals of the study and test the hypotheses.

3.2.1 Dependent variable

The Audit quality process was measured through three measurement tools:

- **Auditing firm specialization:** The Auditing firm specialization was measured using a dummy variable that takes the value (1) if the audit firm specializes in auditing the sector of the company under study and (0) if it is the opposite, as in the study of(Abu Raya, 2022).
- **Audit firm Size:** The size of the audit firm was measured in this study through a dummy variable that takes the number (1) if the audited company is one of the Big 4 companies and takes the number (0) otherwise, as in the study of(Saidu, 2020).
- **Auditing firm turnover:** Auditing firm turnover was measured using a dummy variable that takes the value of (1) if the audit firm is changed within five years and (0) if it is the opposite(Abu Raya, 2022).

3.2.2 Independent variable

The independent variables in this paper are as follows:

- **Board size:** This variable was measured by the number of board members disclosed in financial statements.
- **Board financial expertise:** This variable was measured by experience and qualifications related to accounting or finance, and measured as the percentage of company board members classified as financial experts.
- **Board Meetings:** It measured by the number of meetings disclosed in financial statements.
- **Board diversity:** It was calculated by percentage of female on the board.

3.2.3 Control variable

- **Industry type:** Type of industry to which the firm belongs**.**
- **Firm Size:** Natural logarithm of firm's total assets.
- **Leverage:** Total debt / total assets.
- **Firm age:** The number of years since the firm's establishment

3.2.4 Regression model

To determine the board features that affect the audit quality process in the financial reports of companies listed on the stock exchange, the following model was examined using a multiple regression analysis:

$$AQit = B0 + \beta1\ BDSZit + \beta2\ BFEit + \beta3\ BMit + \beta4\ BDit + B5\ Controlsit$$

From the above-mentioned regression equation three models were developed as follows:

Model 1- $AFSPECit = B0 + \beta1\ BDSZit + \beta2\ BFEit + \beta3\ BMit + \beta4\ BDit + B5\ Controls_{it}$

Model 2- $AFSIZEit = B0 + \beta1\ BDSZit + \beta2\ BFEit + \beta3\ BMit + \beta4\ BDit + B5\ Controls_{it}$

Model 3- $AFTit = B0 + \beta1\ BDSZit + \beta2\ BFEit + \beta3\ BMit + \beta4\ BDit + B5\ Controls_{it}$

Where:

AQ = Audit quality

AFSPEC = Auditing firm specialization

AFSIZE = Auditing firm size ***AFT*** = Auditing firm turnover β0 = Regression equation constant BDSZ = Board size

BFE = Board financial expertise

BM = Board Meetings

BD = Board Diversity

Controls = (Industry type, Firm size, Leverage, Firm age)

4. Results

4.1 Summary of descriptive statistics

Table I presents the descriptive statistics. The data were characterized using standard descriptive statistics, which included the minimum and maximum values as well as the mean and standard deviation for the numerical variables.

Table I: Descriptive statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Firm Size	220	5.88	9.92	7.821	.793
Firm Age	220	7.00	78.00	30.772	14.994
Service	220	0.00	1.00	0.204	0.404
Investment	220	0.00	1.00	0.227	0.420
Industry	220	0.0.	1.00	0.251	0.434
Banks	220	0.00	1.00	0.159	0.366
Insurance	220	0.00	1.00	0.159	0.3665
BDSZ	220	4.00	15.00	8.500	2.308
BD	220	0.00	5.00	0.158	0.578
AFSIZE	220	0.00	1.00	0.700	0.459
BFE	220	0.00	9.00	3.163	1.845
BM	220	1.00	12.00	5.663	1.791
Firm Lev	220	0.00	12.43	2.163	2.898
AFSPEC	220	0.00	1.00	0.863	0.343
AFT	220	0.00	1.00	0.204	0.404

Table I shows the findings of the descriptive analysis of the study's dependent, independents, and control variables. Therefore, based on table I, all variables consist of (220) observations. And the variable firm age exhibits higher standard deviations compared to other variables.

4.2 Normality test and multicollinearity

A requirement for the validity of a linear regression model is that the data have a normal distribution. When the absolute z-values of kurtosis and skewness were less than or equal to 3.29, the null hypothesis was accepted and the data were assumed to follow a normal distribution(Kim, 2013). The test results indicated that the variables did not match the requirements of a normal distribution, because their z-values were greater than 3.29. However, the central limit theorem suggests that if the sample size is large (n>30), the sampling distribution of the sample's arithmetic mean will be distributed in a manner similar to the normal distribution if the population distribution is not normally distributed.

After conducting multicollinearity tests, the results showed that all VIF values were less than (10), and all tolerance values were greater than (10%), which means that there was no multicollinearity among the independent variables.

4.3 Multiple regression analysis for the three models

Table II: Multiple regression analysis for the three models

	Model 1			Model 2			Model 3		
	B	**T**	**Sig.**	**B**	**T**	**Sig.**	**B**	**T**	**Sig.**
(Constant)	0.756	2.818	0.005	-0.750	-2.184	0.030	0.158	0.587	0.558
Firm Size	0.032	0.764	0.446	0.274	5.037	0.000	0.052	1.219	0.224
Firm Age	-0.002	-1.425	0.156	-0.010	-4.825	0.000	0-.008	-4.726	0.000
Service	0.181	2.830	0.005	-0.170	-2.082	0.039	0.091	1.424	0.156
Investment	0.295	4.369	0.000	-.0429	-4.964	0.000	0.051	0.759	0.449
Banks	0.245	2.372	0.019	-0.130	-0.986	0.325	0.352	3.409	0.001
Insurance	0.158	2.137	0.034	-0.595	-6.304	0.000	0.681	9.232	0.000
BDSZ	-0.019	-1.775	0.077	-0.006	-0.439-	0.661	-0.017	-1.576	0.117
BD	0.058	1.307	0.193	0.096	1.691	0.092	-0.018	-.414	0.680
BFE	0.056	4.019	0.000	0.047	2.630	0.009	-0.083	-5.927	0.000
BM	-0.046	-3.758	0.000	-0.028	-1.770	0.078	0.026	2.153	0.033
Firm Lev	-0.005-	-0.395-	0.693	-0.040	-2.339	0.020	-0.026	-1.949	0.053
	R-Squared = 0.314, Adjusted R^2 = 0.278, F = 8.667, and Sig. = 0.00			R-Squared = 0.370, Adjusted R^2 = 0.336, F = 11.091, and Sig. = 0.00			R-Squared = 0.503, Adjusted R^2 = 0.477, F = 19.156, and Sig. = 0.00		

The effect of board features on audit quality of companies listed on the PEX, as assessed by AFSPEC – model 1, was examined using a multiple regression equation and the least squares approach, as indicated in Table (II).

The value of R Square is 0.314 and is statistically significant at 0.00, which is less than 0.01, indicating the importance of independent variables in explaining the change in the dependent variable. The rate of the Adjusted R^2 of the model is 0.278, which explains 28% of the change in AQ of firms listed on PEX, which means that there are additional influences that affect the (AQ) that do not address the current study. It is clear from the table above that:

- There is a statistically significant negative association at the level 1% between BM and AFSPEC, yet a positive correlation with the service and investment sectors in addition to BFE.
- There is a favorable significant association at the 5% level (banks and insurance sectors) with the AFSPEC.
- There is a negative statistically significant effect between BDSZ and AFSPEC.
- There is no statistically significant effect among (firm size, firm age, board divers, and firm LEV) and AFSPEC.

The effect of board features on the audit quality of companies listed on the PEX, as assessed by AFSIZE (Model 2), was examined using a multiple regression equation and least-squares approach, as indicated in Table II.
The value of R Square is 0.370 and statistically significant at 0.00, which is less than (1%), indicating the importance of the independent variables in explaining the change in the dependent variable. The rate of the Adjusted R^2 of the model is 0.336, which explains 33% of the change in audit quality of companies listed on the PEX. Therefore, other factors affecting AQ were not addressed in the current study. It is clear from the table above that:

- There is a statistically significant negative association at level (1%) between Firm Age and the sector's investment and insurance and AFSIZE at the 1% level. By contrast, a favorable statistically significant association exists at the same level as firm size and BFE with AFSIZE.
- There is a negative association between AFSIZE and Service and Firm leverage at the 5% level.
- There is a negative association between AFSIZE and BM, yet a positive association between AFSIZE and board diversions at the 5% level.
- There was no statistically significant effect between the bank, BM, and AFSIZE sectors.

The effect of board features on the audit quality of companies listed on the PEX, as assessed by (AFT) – model 3, was examined using a multiple regression equation and the least squares approach, as indicated in Table II.
The value of R Square is 0.503 and is statistically significant at 0.00, which is less than 1%, indicating the importance of independent variables in explaining the change in the dependent variable. The rate of the Adjusted R^2 of the model is 0.477, which explains 48% of the change in audit quality of companies listed on the PEX. Therefore, other factors affecting the (AQ) that were not addressed in the current study. It is clear from the table above that:

- There is a statistically significant adverse association at the level 1% between (firm age and financial expertise) (AFT). On the other hand, there is a favorable statistically significant association at the level 1% between (the sector (banks, insurance) and (AFT).
- A significant positive association was observed between the AFT and BM at the 5% level.
- A significant negative association was observed between AFT and Lev levels at the 10% level.
- There is no statistically significant impact among the (firm size, sector (service, investment, BDSZ, board divers), and the (AFT).

5. Discussion

This study examines how BDS characteristics affect the AQ of firms listed on PEX. A multiple regression model was used to examine the effect of BDS features on AQ for forty-four listed firms in Palestine between 2016 and 2022. The variable (auditing firm size) explained the study hypotheses (33%), the variable (auditing firm specialization) described the magnitude of this effect (28%), and the variable (Auditing firm turnover) explained the study hypotheses (48%). The analysis revealed that there is a statistically significant negative association at the level (1%) among Firm Age and the service, investment, insurance, and Lev sectors with AFSIZE. There is a positive and statistically significant relationship at the (1%) level between the (firm size and BFE with AFSIZE. There was also no statistically significant effect between the bank, BM, BD, and AFSIZE sectors. The analysis revealed that there is a statistically significant negative relationship at the (1%) level between BM and AFS. Moreover, there is a favorable statistically significant association at level (1% level among (the sectors (service, investment, banks, insurance, and BFE with AFS). In addition, there is no statistically significant effect between (firm size, firm age, BDSZ, board diversity, Lev, and AFS. Finally, the results of the third model analysis showed a statistically significant negative association at level (1%) between Firm Age and BFE with AFT. Moreover, there is a statistically significant association with AFT at level (1%) among the sectors, Banks, Insurance and BM with AFT. In addition, there was no statistically significant effect between the (Firm Size, Service, Investment, BDS, BD, BM, and Lev, and AFT.

Studies have inspected the influence of BDS characteristics on AQ, such as the study (Opoku et al., 2022) prove the positive association between audit quality and BDSZ, independence, and gender diversity. while the study of (Jizi & Nehme, 2018) discovered that BDSZ has a beneficial impact on audit quality, without reaching statistical significance. However, the research (Alawaqleh et al., 2021) indicated a statistically significant effect of BDSZ on AQ and an adverse, but not statistically significant, relationship between independent directors and AQ. Additionally, the results show that firm leverage has a positive impact on audit quality based on the coefficient estimates of the controlling variables. The results of (Abdelhaq, 2019) verify that there is no connection between the BM on AQ and the board's financial knowledge. While the research of (Mustafa et al., 2018) demonstrated an adverse correlation between the BD and audit caliber. The study (Suryanto et al., 2017) suggested a significant correlation between the board's financial knowledge and the caliber of the audit, while the study (Saidu & Aifuwa, 2020) verified that the size of the audit firms, a measure of AQ, and BS have favorable correlations. The results of (Makni et al., 2012), prove a statistically unimportant but favorable relationship between BD and AQ. However, research (FCMA & Afroze, 2019) has hypothesized that a female director may ask for a higher-caliber audit. The study (AlQadasi & Abidin, 2018) show a favorable correlation between audit quality and financial knowledge.

6. Conclusion

These results suggest that board features are a significant factor in increasing audit standards. The findings also demonstrate the significance of corporate governance, exemplified by a variety of board characteristics, as a mechanism for increasing the caliber of the auditing process.

Several contributions can be drawn from this study's findings; however, in this section, we cover the practical, social, and theoretical contributions.

The practical contributions by the negative association between Firm Age and AFSIZE, suggesting that older firms may have smaller auditing firms, which could indicate potential challenges or limitations in terms of resources or market positioning . Additionally, the positive association between Firm Size and AFSIZE indicates that larger audit firms tend to have a larger market share possibly because they can handle more clients and offer a broader range of services. Furthermore, the negative association between AFSIZE and sectors such as services, in addition to Firm Leverage, implies that AFSIZE may be influenced by industry dynamics and the financial structure.

For AFSEPEC, the negative association with BM suggests that specialized audit firms may require fewer BM, possibly because of their expertise and efficient decision-making processes. However, the positive correlation with sectors such as services and investment indicates that specialized audit firms may have a competitive advantage in these industries, possibly because of their tailored services or deep industry knowledge.

The AFT has an adverse association with Firm Age, implying that older audit firms may face challenges or resistance when it comes to implementing new audit terms, possibly because of established practices or organizational inertia. However, the positive association with sectors, such as Banks and Insurance, suggests that certain industries may be more receptive to new audit terms, possibly because of regulatory requirements or industry-specific factors.

The social implications of this type of research indicate that specialized audit firms may play a crucial role in delivering industry-specific expertise and enhancing audit quality, which can contribute to financial market transparency and investor confidence.

The theoretical contribution of this study is that it tackles both Resource Dependency Theory and Agency theory, and the negative association between AFSIZE and sector-specific factors, such as firm age, investment, and insurance, suggests that larger audit firms may rely less on specific sectors for resources, as they have diversified clients. The positive association between AFSIZE and firm size, BFE, and board diversity implies that larger audit firms may have better governance mechanisms, thereby reducing agency costs. The findings also challenges agency theory represented by the negative association between AFSIZE and BM , in addition to negative association between AFT and BFE. This challenge put emerging markets, especially with socio-political challenges into the deviation from agency theory. Which open doors for further and future research challenging the agency theory in these markets.

This study had some limitations. There was not enough data for this study to make predictions. This is due to the fact that certain companies in Palestine do not report corporate governance issues, and it is challenging to obtain information from their annual report and portal. To support investor decision making, additional research on the same study should be conducted using a qualitative approach. In addition, this study uses quantitative methodology to examine the impact of board features on audit quality. applied this research to different fields and eras compared with those covered in the current study.

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