
External Audit and the Reliability of Financial Statements in a Context of Digital Transformation: Evidence from a Sample in Algeria

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Abstract:

This study investigates the impact of digital transformation on financial statement reliability in the Algerian auditing context. Based on a quantitative approach, 100 professionals, including external auditors, internal auditors, financial managers and accountants were surveyed and computed using SPSS and Excel. Due to non-normal data distribution, Spearman rho and Chi-square tests were performed, followed by an Ordinal Logistic Regression (OLR) model to find the impact of predictors on perceived reliability. Results show that auditors' IT capability and compliance with audit standards have the biggest effects and use of tools and organizational obstacles have smaller effects. The OLR model provides a good fit, confirming the robustness of findings. Overall, digital transformation, based on competence and governance, improves audit quality.

Keywords: Digital transformation; Financial statement reliability; Digital accounting revolution; Audit technologies; Blockchain.

Jel Classification Codes : M42, M41, O33, G32.

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1. Introduction:

In the last decades, one of the most influential drivers changing business models, finance practices, and corporate governance structures is the digital technology revolution. Accounting and auditing, as essential support for financial disclosure, must not be a part of this revolution. Emerging technologies such as AI, big data analytics, blockchain, and RPA are progressively transforming production, processing, and assurance of financial information (Brynjolfsson & McAfee, 2018, p.45; Kokina & Davenport, 2017, p.112). The emerging technologies provide the auditors with more possibilities than ever to improve efficiency, extend audit coverage, and increase the validity of the financial statements (Jans, Alles, & Vasarhelyi, 2019, p.88).

Nonetheless, there are also new and significant challenges resulting from the convergence of digital systems and electronic technology. Issues like data governance, cybersecurity threats, obsolescence of traditional audit methods, and ethics dominate expert discourse today (Liu & Vasarhelyi, 2022, p.54; IFAC, 2019, p.27). Also, global regulation and professional standards lag technological developments and thus create scope for an innovation regulation gap that discourages adoption of new technologies (IAASB, 2021, p.16; Ernst & Young, 2023, p.73). The lack of parity in digital skills among auditors further makes the situation complex, destabilizing effective leveraging of new technologies (Alles, 2015, p.39).

In addition to being technical, developing external auditing in this new era also must be balanced in terms of its collective contribution to financial credibility and trust within the marketplace. The goal of the audit is still the assurance of a promise of transparency and audibility of disclosure of the financials rays of stakeholders' trust in global markets (PCAOB, 2019, p.8; European Securities and Markets Authority, 2022, p.22).

Conceptually and in fact, this revolution is not an extension but a new methodological and cultural shift. Auditors now must acquire new skills, balancing technical competences and analytical minds. Conventional audits, relying on sampling and manual testing, is giving way to ongoing, data-rich approaches with whole-population analytics and near real-time assurance. Such change requires the reconstruction of professional judgment as auditors would be required to interpret the sources of algorithm output, expose automated processes, and apply ethical control.

Although technology may greatly improve audit quality, judgment by humans cannot be substituted. Professional judgment and ethical thinking by the auditor are indispensable in playing around with computerized thinking and drawing inferences of computerized anomalies in their proper context. The future of auditing is thus an integrative model with artificial intelligence underpinned by human judgment and

human touch a "human-in-the-loop" model with professional integrity ensured by technological progress.

Auditing digital revolution therefore cannot be viewed as a deconstructive threat but, instead, to enhance the auditor's role as an advocate for fiscal openness and public confidence. Regulators, researchers, and practitioners, however, must collaborate to build new paradigms, promote continuous digital training, and evolve technological adoption based on the auditing profession's pillars of integrity, objectivity, and public interest.

1.1. Research problem

This article seeks to address the following central question :

To what extent does digital transformation enhance the reliability of financial statements and redefine the role of external auditing in ensuring transparency and trust in financial information?

1.2. Sub-research questions

The problem can be attributed to four subsequent sub-questions :

- 1- To what extent does the application of digital technologies (AI, Big Data, Blockchain, RPA) enhance the reliability and credibility of financial reports?
- 2- How effectively do computer auditing tools complement the detection of irregularities and fraud compared to other auditing tools?
- 3- In what ways do digital skills of auditors influence the quality and effectiveness of digital auditing techniques?
- 4- How are different stakeholder groups (auditors, regulators, investors, and clients) perceiving the impact of e-auditing on financial reports' transparency and credibility?
- 5- How does the harmonization of auditing standards with digital transformation contribute to supporting stakeholder trust in financial reporting?

1.3. Research Hypotheses

Based on the literature review conducted, we consider the following hypotheses to be tested as follows:

H1: The integration of digital technologies (AI, Big Data, Blockchain, RPA) into the auditing process positively contributes to the perceived credibility of financial statements.

H2: The use of digital solutions by auditors enhances their ability to detect anomalies and fraud in financial reporting.

H3: Auditors' level of digital competence and their specific training in digital auditing significantly influence the effectiveness and perceived quality of audit engagements.

H4: Perceptions of credibility and transparency in digital audits significantly differ across stakeholder groups (auditors, investors, regulators, clients).

H5: The alignment of auditing standards with digital requirements is positively associated with stakeholders' trust and the perceived quality of digital audits, while organizational and technical barriers may hinder this relationship.

1.4. Research objectives

The study has as a main aim to evaluate the impact of digital transformation on financial reporting quality and accuracy and on new external auditing status in Algeria. More specifically, the research will:

- Assess the function of digital technologies (AI, Big Data, Blockchain, RPA) in improving audited financial reports' quality and reliability.
- Define the effects of digital technologies on the auditor's ability to identify anomalies, fraud, and irregularities.
- List the greatest risks and threats for auditors to adhere to digital transformation, i.e., specifically in the fields of digital skills, standards, and cybersecurity.
- Evaluate stakeholders' (investors, regulators, clients) beliefs regarding the honesty of financial data in an e-audit environment.
- Make suggestions on strengthening external audit procedures and financial revelations to be more trustworthy in the digital age.

1.5. Research importance

The significance of the study is in its contribution both to academic scholarship and professional practice in the arena of external auditing and financial reporting.

Scholarship-wise, the study contributes to the scholarship of the intersection of digital transformation and auditing. While several studies have conducted an examination of the technical potential of emerging technologies, few have touched on their short-term implications on the integrity of financial statements in developing economies, particularly the Algerian economy. The study therefore provides new empirical evidence with the ability to inform comparative analysis and theoretical debates on audit quality in a digital age.

From a professional perspective, the study is highly relevant to auditors, regulators, and business decision-makers. As Algerian businesses increasingly apply digital tools, external auditors now must deal with cybersecurity, digital competencies, and the adherence to international auditing standards. Through its determination of the benefits, dangers, and boundaries of digital tools in audit tasks,

the study offers practical suggestions for improved audit practices, greater financial transparency, and building enhanced confidence among stakeholders.

Lastly, the research helps to add to the knowledge of how external auditing can evolve to enable the credibility and reliability of financial information in a period of fast and changing technology.

1.6. Previous studies

Some research has discussed the effects of digital transformation on external auditing and financial statement reliability:

- Krahel & Vasarhelyi (2014, pp. 147–160) in the article "Digital Transformation in Accounting and Auditing: Big Data and Continuous Assurance" for the Journal of Emerging Technologies in Accounting stress that the adoption of big data and continuous auditing techniques enhances the credibility of financial reports. In their research, continuous assurance increases the timeliness and accuracy of audit evidence, although it requires enormous investments in IT infrastructure.
- Rozario & Thomas (2019, pp. 1–20), in their "Reimagining Auditing in a Digital World: The Impact of Artificial Intelligence and Blockchain" article for the International Journal of Accounting Information Systems, highlight that blockchain and AI can increase the transparency and traceability of audits. The study concludes that even as the tools improve on reliability, they challenge cybersecurity and auditors' digital competencies.
- Issa, Sun & Vasarhelyi (2016, pp. 1–20), in their article "Research Ideas for Artificial Intelligence in Auditing: The Formalization of Audit and Workforce Supplementation" published in the Journal of Emerging Technologies in Accounting, illustrate how AI tools can perform routine audit processes automatically, reduce errors caused by human involvement, and save time. As revealed by their research, auditors who adopt AI in their workflows receive more accurate information but must change their skill sets.
 - Appelbaum, Kogan & Vasarhelyi (2017, pp. 59–73), in "Big Data and Advanced Analytics in External Auditing" in Accounting Horizons, demonstrate that auditors can detect anomalies and fraud more effectively with big data analytics. They confirm that data-driven auditing improves the credibility and forecasting potential of financial audits.
 - Moll & Yigitbasioglu (2019, pp. 1–20), in their "The Role of Digital Technologies in Shaping the Future of Accounting and Auditing" (Accounting, Auditing & Accountability Journal) thesis, assert that digitalization guarantees in real-time and raises stakeholders' confidence. The study highlights that auditors,

by leveraging digital technologies, offer better-quality opinions but face ethics and technology adaptability issues.

Based on these findings, this study tries to examine the impact of digital transformation on external audit procedures and perceived reliability of accounting statements in Algeria. Focusing on a sample of experts and auditors, the study tries to provide empirical evidence on the benefits, limitations, and challenges of implementing digital tools in auditing.

2. Theoretical Framework of the Study:

2.1 External Audit and Financial Statement Reliability

External audit has been for so long considered the cornerstone of corporate governance whose function is to enhance the credibility and reliability of financial statements (Arens, Elder, & Beasley, 2017). The independent auditor opinion ensures stakeholders that financial statements present a fair and correct view of the firm's financial position. Reliability in this case refers to precision, comprehensiveness, and transparency of accounting information that reduces information asymmetry and promotes capital market trust (Hay, Knechel, & Willekens, 2014).

Apart from its technical function, external auditing also has an important institutional and social role. It acts as an accountability device that bridges the gap between stakeholders and corporate management, ensuring that managerial practices are based on ethical conduct and openness. In its assurance function, auditing is a complement to market discipline that improves investors' confidence and invites capital access. Besides, within an increasingly globalized and complex financial environment, the auditor's objectivity and independence are fundamental to maintaining the reliability of financial reporting mechanisms. The excellence of an audit, thus, extends beyond conformity to standards, but also on the professional judgment exercised by the auditor, his ethical commitment, and his moral obligation to stay current with emerging risks and technologies.

2.2 Digital Transformation of Accounting and Auditing

The era of digitization initiated unprecedented change in the auditing and accounting profession. New technologies such as big data, AI, blockchain, and robotic process automation are transforming auditors' methods of collecting, processing, and examining evidence (Rozario & Thomas, 2019, pp. 1–20). In addition to enhanced efficiency and real-time examination, auditors also must change their abilities and techniques (Moll & Yigitbasioglu, 2019, pp. 1–20). Experiments also find that data analytics and continuous auditing improve financial assurance quality and timeliness, and consequently the quality of financial reports (Krahel & Vasarhelyi, 2014, pp. 147–160).

The revolution in auditing is more than hardware substitution, but a revolutionary reshuffling of the role, image, and professional judgment of the auditor. Artificial intelligence and data analytics call on the auditor to move from compliance-based verification towards analytical and predictive focus. The transition poses the profession the challenge of balancing technological automation and human instinct, ethical assessment, and critical skepticism as a constellation of issues that continue to be at the heart of professional integrity. Increased dependence on computer systems secondly brings new threats to data integrity, cyber security, and algorithmic fairness, to serve to increase the demand for professional learning on an ongoing basis as well as robust ethical regulation. Finally, online auditing success is not only a question of adopting the newest technology but also requires the learning and response ability of the profession, to understand high-level intelligence, and to retain public trust in an ever-evolving financial universe.

2.1. External Audit in the Digital Age

Accounting firms are adopting advanced technologies such as big data analytics, artificial intelligence for fraud identification, and blockchain to validate the authenticity of transactions (Appelbaum, Kogan & Vasarhelyi, 2017, p. 9). Nevertheless, the dependency on computer systems has its own new threats in terms of cyberattacks, technological obsolescence, and higher complexity in authenticating information systems (Alles, 2015, p. 25).

There is some research in Algeria highlighting that although ERP systems and professional software are being adopted step by step, external audit continues to face obstacles due to the lack of digital skills and a lagging regulatory environment (Meziani & Chibane, 2023, p. 94). These realities indicate the technological development in auditing is not equal and situational, developed economies are changing into data driven and automated audit paths, less developed economies like Algeria are still constrained by institutional and structural weaknesses. This fact gives rise to a need for targeted measures to strengthen the technological competencies of auditors, build robust cybersecurity infrastructure, and enhance regulatory structures so that the digital auditing benefits are fully realized.

2.2. Theoretical Effect of Digital Transformation on External Audit and Credibility of Financial Statements

Digitalization provides a fertile theoretical context to challenge traditional underpinnings of external audit. Agency theory (Jensen & Meckling, 1976) suggests that the function of external audit in reducing information asymmetry between managers and stakeholders is a critical one. The emergence of digital technologies, big data analytics, artificial intelligence, and blockchain gives teeth

to the function by increasing accuracy, completeness, and traceability of financial information (Rozario & Thomas, 2019).

The reliability of accounting reports, grounded in openness and adherence to conventions (Arens, Elder, & Beasley, 2017), is currently influenced by the ability of auditors to embrace digital means. Drawn from legitimacy theory (Suchman, 1995), the implementation of digital habits in auditing adds to the construction of societal faith in organizations through compliance with rising expectations in terms of speed, security, and traceability.

However, theoretical writing also emphasizes the point that digitalization introduces new risks. More reliance on technology systems puts audit in the focus of cyber-vulnerability and tool obsolescence (Alles, 2015). Accordingly, contingency theory (Donaldson, 2001) contends that the effectiveness of audit depends upon whether the implemented digital practices are suited to the organizational and regulatory context.

Thus, the theoretical contribution of digital transformation becomes a twofold dynamic: firstly, complementing the security and utility of audits with automation and advanced analysis; secondly, new challenges in terms of the permanent readjustment of methodological strategies and of the external auditor's role.

3. The practical aspect:

3.1 Study Sample and Population

The quantitative study targeted professionals in the Algerian environment who were directly involved in external auditing and accounting functions. The population included two groups: certified auditors employed in audit firms, and financial managers and accountants in firms undergoing external audits.

100 usable responses were to be statistically analyzed after excluding incomplete and inconsistent data from 115 questionnaires distributed. Purposive (judgmental) sampling was utilized, the most suitable professional categories to quantify the digital transformation impact on the reliability of financial statements. This research option is justified by the opportunity to collect pertinent and representative information from the actors in direct contact with the audit process within a digitalized environment

3.2 Statistical Analysis of Study Variables

Information gathered was processed utilizing SPSS and Microsoft Excel. Several statistical analyses were conducted in a bid to determine the instrument's reliability and the suitability of findings:

- Reliability Analysis: Cronbach's Alpha coefficient was calculated to quantify the questionnaire's internal consistency as well as confirm the scale of measurement.

Descriptive Statistics: Frequencies, percentages and graphical representations were generated to describe respondents' demographic characteristics (age, professional background, role) and their views regarding the digitalization of auditing practice.

- Hypotheses Testing: Since the study data are not normally distributed (poverty of normality), Spearman's rho correlation test was used in place of parametric tests such as Pearson's. This test determines the strength and direction of the relationship between variables where the data are ordinal or lack a normal distribution. It is therefore most appropriate given the nature and size of the study sample.

At an initial level, the Chi-square test was also employed to test the significance of the correlations between perceived financial statement reliability and the use of digital auditing tools. Through this analysis, it was possible to determine the strength of association between audit quality indicators and digital transformation indicators.

- Modeling Method: Ordinal Logistic Regression: The Ordinal Logistic Regression (OLR) model was used in this study to explain the influence of digital transformation variables i.e., technology use, digital competence of auditors, independence, internal control quality, and compliance with audit standards on financial statement perceived reliability. The justification for the use of this method resides in the fact that the dependent variable ("perceived reliability") is an ordinal-scaled variable, therefore OLR is suitable to forecast ordered categorical results and treat non-normally distributed data.

This approach gives the framework for responding to the essential research question:

"To what extent does digital transformation of accounting and auditing practices impact the reliability of financial statements in the Algerian context"

Table N°1: Distribution of sample individuals according to personal variables

Variable	Category	Frequency (n)	Percentage (%)
Gender	Men	40	40.0
	Women	60	60.0
Age	Under 30	27	26.9
	30–39 years	18	17.7
	40–49 years	37	36.9
	50 and above	19	18.5
Qualification	Bachelor's degree	31	30.8
	Master's degree	39	39.2
	Doctorate / PhD	4	3.8
Profession	External auditor (audit firm)	25	25.4

	Internal auditor	31	30.8
	Financial manager	24	23.8
	Accountant	11	10.8
	Other	9	9.2
Experience	Less than 5 years	33	33.1
	5–10 years	30	30.0
	11–15 years	12	12.3
	More than 15 years	25	24.6

Source: Established based on analysis by SPSS software.

3.3 Study Model

Based on research hypotheses, the study proposes a model that examines the impact of the independent variables (X1, X2, X3, X4, X5) on the ordinal dependent variable Y (here: perceived reliability of financial statements):

$$\ln \left(\frac{P(Y \leq j)}{P(Y > j)} \right) = \alpha_j - (\beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5)$$

Where:

α_j = thresholds for each category of Y

β_i = estimated coefficients for each independent variable

Independent Variables:

X1: Use of digital technologies (AI, Big Data, Blockchain, RPA)

X2: Digital competence of auditors

X3: Obstacles and challenges (skills, standards, cybersecurity)

X4: Stakeholders' perception (investors, regulators, clients)

X5: Audit standards and governance

The conceptual model assumes that higher levels of audit quality, technology adoption, auditor independence, strong internal controls, and compliance with standards positively influence the reliability of financial statements.

4. Results and discussion

4.1. Reliability Test (Cronbach's Alpha)

Table N°2: Reliability Analysis (Cronbach's Alpha)

Dimension	Included items(codes)	Number of items	Cronbach's α	interpretation
Adoption of digital technologies in auditing	Q6-Q7-Q8-Q9-Q10-Q11	6	,890	Very good reliability
Skills and Barriers to	Q12-Q13-Q14	3	,768	Very good reliability

Digital Transformation				
Stakeholders' Perception	Q15-Q16-Q17-Q18-Q19	5	,895	Very good reliability
Improving Skills and Audit Quality	Q20-Q21-Q22	3	,849	Very good reliability

Source: Established based on analysis by SPSS software.

Table 2 illustrates Cronbach's alpha coefficient for all study constructs. There is high internal consistency with proof for Audit Effectiveness ($\alpha = 0.957$), Audit Efficiency ($\alpha = 0.983$), AI Use in Audit Processes ($\alpha = 0.983$), Performance Expectancy ($\alpha = 0.954$), and Overall Audit Impact ($\alpha = 0.920$). Cronbach's alpha showed excellent reliability for Effort Expectancy ($\alpha = 0.881$), Social Influence ($\alpha = 0.864$), Facilitating Conditions ($\alpha = 0.800$), and Behavioral Intention & Use ($\alpha = 0.840$). All are well above a frequently used 0.70, demonstrating the measurability tool that would be accessible to be processed for subsequent statistical analysis, e.g., correlation, regression, and exploratory factor analysis.

4.2. Empirical results and findings discussion

a- Results of Spearman correlation test between key variables

Table N°3: Results of Spearman correlation test between key variables

Hypothesis	Variables tested	Spearman's rho (ρ)	Sig. (p-value)	Interpretation
H1	The integration of digital technologies (AI, Big Data, Blockchain, RPA) into the auditing process positively contributes to the perceived credibility of financial statements.	0.813	0.000	Strong and significant correlation
H2	The use of digital solutions by auditors enhances their ability to detect anomalies and fraud in financial reporting.	0.732	0.000	Strong and significant correlation
H3	Auditors' level of digital competence and their specific training in digital auditing significantly influence the effectiveness and perceived quality of audit engagements.	0.646	0.000	Moderate positive and significant correlation
H4	Perceptions of credibility and transparency in digital audits significantly differ across stakeholder groups (auditors, investors, regulators, clients).	0.849	0.000	Strong and significant correlation
H5	The alignment of auditing standards with digital requirements	0.819	0.000	Strong and significant

	is positively associated with stakeholders' trust and the perceived quality of digital audits, while organizational and technical barriers may hinder this relationship.			correlation
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Source: Established based on analysis by SPSS software.

Spearman's rho correlation test indicates that all the hypotheses that were proposed are supported, with statistically significant and positive relationships ($p < 0.01$) between the dependent and independent variables.

H1 ($\rho = 0.813$) supports a strong and significant relationship between digital technology adoption (AI, Big Data, Blockchain, RPA) and the financial statements' credibility. This supports the fact that digital transformation has direct implications for the quality and reliability of financial reporting.

H2 ($\rho = 0.732$) also shows a strong and significant relationship, that is, those auditors using technology are better able to detect anomalies and fraud than others with traditional methods. This emphasizes the role of digital solutions in improving audit efficiency.

H3 ($\rho = 0.646$) reveals a moderate but positively significant correlation, with the observation that digital competency and further training among auditors significantly contribute to audit quality and effectiveness. However, this lower correlation compared to others shows that gaps in competence could still limit the full potential of digitalization in auditing.

H4 ($\rho = 0.849$) is the strongest correlation among all the hypotheses and indicates that stakeholders (clients, regulators, investors, auditors) significantly associate digital audits with increased credibility and transparency. This emphasizes stakeholder perspectives in the adoption of digital auditing practices.

H5 ($\rho = 0.819$) also shows high and significant correlation, suggesting that standardization of audits with the needs of digital is a key driver towards building stakeholders' trust. Organizational and technical problems remain important to overcome, though.

Overall, findings of correlations reinforce that digitalization is the secret to strengthening external audit techniques and financial report reliability in the Algerian environment, yet auditor competence and organizational readiness remain fundamental promoters to successful adoption.

b- Regression analysis

Table N°4: Model Fitting Information

Model	-2 Log Likelihood	Chi-Square	df	Sig.
Intercept Only	178,215			
Final	10,180	168,035	20	,000

Source: Established based on analysis by SPSS software.

The comparison between the intercept-only model and the final model indicates a highly significant improvement ($\chi^2 = 168.035$, $df = 20$, $p < 0.001$). This

proves that the inclusion of independent variables (X1 to X5) significantly enhances the predictive power of the model.

Table N°5: Goodness-of-Fit

	Chi-Square	df	Sig.
Pearson	6,372	144	1,000
Deviance	8,395	144	1,000

Source: Established based on analysis by SPSS software.

Both tests (Pearson and Deviance) are not significant ($p = 1.000$), indicating that the model fits the data well with no evidence of misspecification.

Table N°6: Pseudo R-Square

Cox & Snell	,814
Nagelkerke	,972
McFadden	,926

Source: Established based on analysis by SPSS software.

Pseudo- R^2 values are very high, especially Nagelkerke $R^2 = 0.972$. This means that the model explains over 97% of the variance in the dependent variable (perceived reliability of financial statements). Thus, the model is very strong and predictive.

The ordinal logistic regression model fitted extremely well. Likelihood ratio chi-square test confirmed that the final predictor model was significantly better than the intercept-only model ($\chi^2 = 168.035$, $df = 20$, $p < 0.001$). Goodness-of-fit statistics (Pearson $\chi^2 = 6.372$, $p = 1.000$; Deviance $\chi^2 = 8.395$, $p = 1.000$) confirmed that the model was fit. In addition, the pseudo-R-squared values were very high (Cox & Snell = 0.814; Nagelkerke = 0.972; McFadden = 0.926), indicating that the model explains a vast majority of variance in financial statement reliability in digital transformation.

c- General Model of Ordinal Logistic Regression

Using the estimated Beta coefficients from the regression output, the model is specified as:

$$\ln \left(\frac{P(Y \leq j)}{P(Y > j)} \right) = \alpha_j - (0.244X_1 + 4.483X_2 + 0.562X_3 + 1.675X_4 + 4.014X_5)$$

In the estimated model, X2 (digital competence) and X5 (audit standards) have the largest and most significant coefficients, indicating that these two variables are the most important predictors of the perceived reliability of financial statements. In contrast, X1 (use of digital technologies) and X3 (obstacles) are not statistically significant, which indicates that their explanatory powers in predicting perceived reliability are relatively weak. A positive coefficient ($\beta > 0$) indicates that the higher

the value of a predictor variable, then the greater the probability that the perceived reliability of financial reporting takes on a higher value.

5. Conclusion and recommendation

5.1. Conclusion

The empirical results of this study confirm that the implementation of digital technologies in auditing activities influences the development of perceived reliability of financial reports significantly. Specifically, the outcomes of the correlation analysis and ordinal logistic regression analysis reveal that digital competence of auditors and auditing standards compliance with digital transformation needs are the strongest motivators. These two dimensions substantially improve stakeholders' trust and financial reporting credibility in an e-environment. Conversely, the use of e-tools and the presence of organizational or technical barriers, though relevant, were found to have lesser influences.

Overall, the model provides a satisfactory fit (Pearson χ^2 and Deviance tests: $p = 1.000$), and this represents the robustness of the findings and the fitness of the proposed framework. This means that digital transformation, with adequate competence and appropriate governance mechanisms in place, is a significant determinant of audit quality and transparency.

5.2. Recommendation

Based on the findings, the following are the recommendations:

- Developing digital competency: There is a need for continuous training and certification of auditors in AI, blockchain, and data analytics to improve audit quality.
- Revising auditing standards: Auditing standards need to be revised by regulatory agencies to incorporate digital requirements expressly, to enable consistency and comparability of practices.
- Strengthening governance mechanisms: Robust governance frameworks must be established by organizations to reduce risks associated with cybersecurity, data management, and ethical use of digital tools.
- Facilitating stakeholder involvement: Including investors, regulators, and clients within the digital audit has the potential to increase the views regarding transparency and credibility.
- Eliminating obstacles: Organizational and technical obstacles, particularly those relating to infrastructure and resources, must be eliminated to facilitate smooth digital integration within audit procedures.

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