Examining Financial Performance Moderating Factor in the Relationship Between New Generation Auditing and Creative Accounting

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Abstract:

Currently, audit firms are searching digitalized tools to refine their internal procedures. Along with digital era, undesirable practices such as creative accounting has emerged from the market pressure to meet the shareholders expectations. This study aims at studying the impact of new generation auditing on creative accounting practices taking the effect of the moderator factor of firm financial performance. The new generation auditing is measured by audit digitalization and audit quality. Creative accounting is measured by non-discretionary accruals. The sample consists of 40 listed non-financial listed companies in the Egyptian stock market. The time period includes 4 years from 2018 to 2021. The results find that digital auditing increase the creative accounting practices although it is supposed to provide more accurate and reliable information through improving financial reporting quality. These results indicate that digital auditing is not fully applied in the Egyptian companies by the big four firms and accordingly results could not find any relationship between audit quality and creative accounting. Results find firm performance has no moderating effect; therefore, there is a direct relationship between creative accounting and new generation audit. It is recommended for the audit firms to fully adapt new generation auditing in the Egyptian market.

Keywords: New Generation Auditing, Audit Quality (AQ), Digital auditing (DA), Creative Accounting (CA), Egyptian stock market (EGX)

دراسة العامل الوسيط للأداء المالي في العلاقة بين الجيل الجديد من المراجعة والمحاسبة الإبداعية

تبحث شركات المراجعة حاليا عن أدوات رقمية لتحسين إجراءاتها الداخلية. لقد ادى العصر الرقمي الحالى الى زيادة توقعات المساهمين ومن ثم الى ضغط السوق لتلبية هذه التوقعات والى ظهور ممارسات غير مرغوب فيها مثل المحاسبة الإبداعية. تهدف هذه الدراسة إلى دراسة أثر الجيل الجديد من المراجعة على ممارسات المحاسبة الإبداعية مع تأثير العامل الوسيط لأداء الشركات. يتم قياس مراجعة الجيل الجديد من خلال رقمنة المراجعة وجودة المراجعة. يتم قياس المحاسبة الإبداعية على أساس الاستحقاقات غير الاختيارية. تتكون العينة من ٤٠ شركة غير مالية مدرجة في سوق الأوراق المالية المصرية. وتشمل الفترة الزمنية ٤ سنوات من ٢٠١٨ إلى ٢٠٢١. وقد توصلت

النتائج إلى أن المراجعة الرقمية تزيد من الممارسات المحاسبية الإبداعية على الرغم من أنه من المفترض أن المراجعة الرقمية توفر معلومات أكثر دقة وموثوقية من خلال تحسين جودة التقارير المالية. وتشير هذه النتائج إلى أن المراجعة الرقمية لا يتم تطبيقها بشكل كامل في الشركات المصرية من قبل الشركات الأربع الكبرى، وبالتالي لم تجد النتائج أي علاقة بين جودة المراجعة والمحاسبة الإبداعية. وتوصلت النتائج الى أن الأداء المالى للشركة ليس له تأثير وسيط بين المتغيرين؛ ولذلك فهناك علاقة مباشرة بين المحاسبة الإبداعية والجيل الجديد من المراجعة. توصى الدراسة بضرورة قيام شركات المراجعة بالتكيف الكامل مع الجيل الجديد من المراجعة في السوق المصرية.

INTRODUCTION:

Nowadays; Technology has a great impact on business and recently digital technology accounting profession is one of the oldest professions around the world and its principles have been adapted to global changes many times across many centuries. The accounting profession is facing pressures and challenges to highly reflect the recent technological transformations but in the same manner with keeping its rules and principles and not abandon them (Gulin et al., 2019).

Technology and digitalization are changing rapidly allowing a great jump in accounting profession to reflect the stakeholders' expectations and global market (Gulin et al., 2019). The business environment has gotten more digitized over the recent years in order to meet the rapid changing market and their client's expectations and needs. Digitalization and artificial intelligence (AI) have become essential for businesses to survive in the future and have affected the competitive advantage and strategic activities for the companies.

Technology is integrated into every aspectt over the past decade, thus; the audit processes are carried digitally nowadays and have experienced a considerable transformation. Digital auditing (DA) is well known as the new generation auditing. Several computer-based competencies are established by the Institute of Internal Auditors (IIA)'s Internal Audit Competency Framework as being necessary for planning and carrying out internal audit duties to advance audit processes and add value for clients.

Creative accounting (CA) practices were one of the reasons behind global financial crisis that hit the economies of several countries around the world.

These practices led to unreliable financial data, which in turn had a significant impact on the evaluations and decisions that were made by internal and external stakeholders. CA is practices emerged from the market pressure on companies to increase their profits and meet the shareholders expectations (Wahdana et al., 2022). Earning management is linked to CA and the manipulation practices that would affect financial statements quality negatively. Audit process must be able to identify basic flaws, reduce the information asymmetry between management and shareholders, and reduce other errors to protect the interests of shareholders. The audit quality (AQ) level is correlated with the integrity of the financial information.

This study aims to depict the relationship between new generation auditing and creative accounting practices. The study clarifies the creative accounting concepts and helps in understanding the multiple theories and contents associated with it. The next section is the research conceptual framework and the background. The third section depicts the literature review and the motivation to study this topic including research problem, research objectives and hypotheses. The fourth section is the practical part. Finally, the fifth section includes the results, conclusion, and discussion of the results.

CONCEPTUAL FRAMEWORK:

Theoretical framework:

Costly contracting theory explains most of the literature that discusses earning management incentives (Rusmin, 2011). Costly contracting theory assumes that through the contractual obligations between the principle and his agent; shareholders can monitor managers through good corporate reporting. Compiling with costly contracting theory; agency theory postulates principle and agent relationship. Agency theory is the result of information asymmetry or unequal distribution of information between the agent and principal (Akpanuko and Umoren, 2018;). CA practices can be explained by the agency theory due to the conflict arises between shareholders i.e. principles and managers i.e. agents (Wahdana et al., 2022). Agency cost result from management incentives to benefit from the contracting process through managing earning figures; Positive accounting theory explains CA from the economic perspective within agency theory context through three hypotheses; political cost motivation, bonus motivation, and debt contract motivation (Wahdana et al., 2022). thus, the agency theory enhances the auditor's role in reducing earning management and agency cost (Rusmin, 2011) through increases the constrains on earning

management (Wahdana, et al., 2022) and verifying the financial figures validity.

Theory of disruptive innovation is the theory that explains the digitalization and technological transformation that most businesses are passing through today. This theory assumes that technology would interrupt the normal industry stream through incremental improvements for new or existing products and would cause economy and market distortion (Fijabi and Lasisi, 2023).

New Generation Auditing and Digital Auditing (DA)

The use of digital and technological innovations such as mobility, smart embedded devices. analytics, and social media to significantly increase performance is known as digitization. It is the transformation of an electrical process into a digital version without causing any differences of kind to the process itself for value creation and income generation purposes (Babayeva and Manousaridis, 2020). A few examples of digital technologies are Robotic process automation (RPA), AI, block chain, big data and analytics.

Many accountants fear digitalization and they think it might replace their jobs; Gulin et al. (2019) declared that results show that digitalization is a tool to help accountants in routine tasks such as managing financial transactions and intricate computations but not to replace them in critical thinking and decision-making activities. A German study by KPMG concluded that digitalization in accounting can solve the problems with data quality, automation process, and paperless accounting (KPMG, 2022). Fijabi and Lasisi (2023) declared the value of digitalized accounting practices has increased in the areas of data comparison, working procedures flexibility, and streamlining processes.

Automation has already reached many routine accounting tasks such as bookkeeping, invoicing, and payroll, and has reached auditing in planning, material assessment, analytical review practices, risk assessment and internal control (Gulin et al. 2019).

Because of digitization and rapid advancements in information technology (IT), software developers have been inspired to create tools that will help auditors with examination, testing, evidence gathering, analytical testing, internal control evaluation, data sampling, documentation of the audit, scheduling of the audit, printing of exception reports, and preparation of audit reports (Ramesh, 2019). Currently, audit firms focus on current data rather than only historical information and are willing to evaluate all data and to recognize all the errors of the reviewed organization and avoid

utilizing the sample method. AQ is a measurement for auditor capability to detect errors in the financial accounts, raises the financial information standard, encourages greater managerial control, and aids investors in making better decisions.

Audit firms are searching digitalized tools to refine their internal procedures and increase AQ such as Computer-Assisted Audit Tools and Techniques (CAATTs), On spring a user-friendly platform for "process automation", audit board a cloud-based audit software which performs Sarbanes Oxley Act (SOX), I-Auditor software which is created by safety culture to allow users to digitally gather a range of data from various files, E-Data an online audit management tool to organize and schedule inquiries into complaints (Ramesh, 2019) .

Digital Transformation and Financial Performance (FP)

Digitalization is most often started with the goal of increasing a company's worth in order to optimize earnings. For the past 20 years, the impact of digital transformation has grown and improved engagement with stakeholders in addition to productivity. Jardak and Hamad (2022) examined empirically the impact of digital maturity on the company's financial performance (FP). In this study, 9 SMEs were chosen, and 7 companies provided replies for questionnaires from June 6, 2021, to October 30, 2021. The results show that performance is positively impacted by digital maturity. Yasin et al. (2022) explored the effects of digitization on business performance, with smart technology serving as a mediator. The sample was collected from 150 respondents from 7 SMEs in Pakistan using a questionnaire. The results find that performance is significantly affected by digitization. Guo and Xu (2021) found similar results when they examine the final operating results of businesses reflected in their FP.

Adiloglu and Gungor (2019) aimed to better comprehend the impact of digitization on the equipment and procedures used by the audit profession. A sample of 235 audit firms' websites approved by Public Oversight, Accounting and Auditing Standards Authority were studied as a sample, and 64 firms' transparency reports of 64 firms were examined. Results declared that audit firms practically offer independent audit and tax audit services but still face some problems with financial services and IA. The big Four are the only companies that solved these problems through investing in people resources and the required infrastructure as they have managed digitalized information technologies.

Sun and Vasarhelyi (2018) studied the impact of textual data analytics in auditing and deep learning. They found that deep learning enhances audit decision making in all phases through effective and efficient text extraction. Li and Vasarhelyi (2018) developed cogitative assistant which revealed that AI-big audit firms have improved their different audit services. Li and Vasarhelyi (2018) and Ogaluzor (2019) agreed that big 4 have adopted AI in their audit processes such as; KPMG agreement with IBM Watson, and AI adoption in Deloitte, Ernst & Young (EY), and PriceWaterhouseCooper (PWC). Rozario and Vasarhelyi (2018) is another study on smart contract auditing which found that blockchain-based smart contracts had improved AQ and reduced timing of service delivery.

The Concept of Creative Accounting (CA)

CA is the practice that show the desired image by the stakeholders and deviate from real one through following or not following accounting practices and standards (Wahdana, et al., 2022). CA concept is not mentioned in accounting standards nor regulations(Akpanuko and Umoren, 2018). CA is commonly known for low financial reporting quality and practices for unethical acts to satisfy the company's financial reporting goals. CA is not usually an illegal act for financial reporting manipulation. CA is considered undesirable practices which focus on exploiting accounting rules gabs "loopholes" without violating accounting standards to mislead stakeholders and to show false economic performance (Jarah et al., 2022). In some cases; CA is known as aggressive accounting for its manipulation, distortion, and deception.

In most situations; accountants modify data recorded in a business's accounts using their understanding of accounting regulations. CA can be defined as practices of revenue recognition as well as manipulations in expenses in order to make the company looks better in the financial statements without violating Accounting Principles. Also, CA is responsible for many financial crises and accounting profession challenges due to misleading information for shareholders.

CA has many techniques such as getting creative with the income statement; which deals with communication practice of income statement presentation rather than how it is recorded. A non-recurring gain which labels recurring revenue or expenses and non-recurring. Higher apparent levels of recurrent profits will result without affecting overall net income. Another technique is inventory manipulation; where companies can manipulate inventory by changing its quantity or its value (Okoye and James, 2020)

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT:

New Generation Audit and Audit quality (AQ)

AQ is a value added sustainable forward-looking assessment through enhancing risk assessment and judgments integrity and aims to benefit clients and shareholders. There are a plenty of literature that link AQ to DA. Dai and Varsalhelyi (2017) examined a new audit paradigm using blockchain based accounting and assurance which consisted of physical and virtual models. They revealed that the connection of both models will enhance transaction processing. Bonyuet (2020) studied the impact of blockchain technology on auditing revealing that blockchain is an appropriate tool for auditor assurance services.

Ramesh (2019) is another study that aimed at understanding how digitization has affected the audit profession in India using a five-scale questionnaire; the results find that digitization has a favorable impact on the audit profession in productivity, efficiency, transparency, transactions real-time execution, and cross-border connections facilitating between audit professionals and stakeholders.

Almaleeh (2021) explored the impact of digitalization on AQ using survey on auditing profession. Almaleeh found a positive relationship between digitalization and AQ. Another study is Babayeva and Manousaridis (2021) who achieved a more thorough understanding of the advantages and difficulties associated with the changes in the auditing industry brought by digitalization using interviews with the Big Four. Betti et al. (2021) examined the IA function (IAF) in USA for organization's digitalization using a survey of 82 chief audit executives and members of the IIA. Results indicated a correlation between internal auditors' usage of data analytics throughout their duties and the organization's level of digitalization.

Lohapan (2021) investigated the impact of implementing digital accounting on the tax audit performance in Thailand using a questionnaire to 349 tax auditors; the results showed that implementing DA has a significant impact on the audit report, audit performance, and audit expertise.

Lugli and Bertacchini (2022) investigated digitalization's effects on audit businesses in Italy using semi-structured interviews for distinguishing between big and non-big audit companies. The results show that there is a quality gap between them due to big companies' higher investment capacity in new digital technology. Melin and Toezay (2022) studied how digitalization had affected auditing using semi-structured interviews for

distinguishing between developed and developing countries; four Swedish and five Liberian audit professionals. They found that auditors in both countries had undergone major changes in audit practices and that digitalization affected AQ and efficiency in both countries.

Batchai and Batchai (2022) examined the impact of adopting DA on improving performance quality and its impact on auditing costs in Iraq in 2000. Batchai and Batchai found that DA increases profitability, reduces costs and saves time. Batchai and Batchai concluded that implementing DA has improved audit engagements quality.

Mohamed (2022) examined the relationship between IA quality, digital transformation, and how it affects financial reporting quality using a structured questionnaire; the study demonstrated that IA quality and financial reporting quality are positively correlated with digital transformation and the reports credibility and both organizational efficiency and effectiveness are improved by having a strong IA department. Accordingly, there a clear relationship between DA or new generation auditing and AQ.

The Relationship of both Digital Auditing (DA) and Audit Quality (AQ) with Creative accounting (CA):

Akpanuko and Umoren (2018) studied the impact of CA on accounting reports credibility. The sample is composed of 80 accountants in different companies whose parents' companies lie outside Nigeria. The study showed that CA is responsible for 90 percent of unfair reporting activities and it recommends releasing CA standards to decrease public deception.

Yadav et al. (2018) investigated the role played by auditors in determining CA in UK using a sample of 208 companies and 12 different techniques. They used a questionnaire to measure CA which is tested by correlation and T- test. The result found a role for auditors in determining CA and CA profits manipulations increase market price and profits, and lower tax liabilities. Fijabi and Lasisi (2023) illustrated the auditor's role in CA detection in a digitalized context from a Nigerian perspective. Using a survey method; The findings revealed that digitalization had a significant impact on accounting and auditing practices.

The relation between IA and CA is examined in Ndebugri and Tweneboah Senzu (2017)'s which analyzed the impact of CA practices in 65 Ghanaian firms for five years from 1st July 2012 to 30rd June 2017 using surveys. They found a relationship between financial reporting and the occurrence of the financial crisis through the implementation of CA, and income

smoothing. Another study in the same context is Jarah et al. (2022) who studied the role of IA in CA reduction in the financial statements' readability in Jordanian Islamic banks. They used a survey applied of sample of 100 practicing auditors and found that IA limited the CA effect on the financial statement readability.

Al-Momani and Ayedh (2017) studied the impact of AQ on earning management in Amman Stock Exchange (ASE). A sample of 50 enterprises, and 225 observations covering the years 2011 to 2015 is used. The study found that while audit fees and earnings management did not significantly correlate, the big 4 audit firms did significantly correlate with earnings management and AQ significantly interpreted earning management.

Al-Sharif et al. (2017) distinguished between CA and fraud using questionnaire. The dependent variable is the shareholders' potential; while the independent variables are fraud or CA. The result showed a positive relationship between legal auditors' assurance services and reduction of CA practices.

Rusmin (2011) examined the impact of two auditor characteristics- auditor independence and auditor quality on earnings management measured by discretionary accruals in a sample of 615 Singapore Stock Exchanges (SGX) and Australian Stock Exchange (ASX) listed firms. This study found no evidence for the effect of non-audit services on earnings management and found a negative association between auditor specialization and the earnings management.

Some studies took corporate governance perspectives in evaluating the CA practices such as Mudel (2016) who studied the relation between CA and corporate governance. Results revealed that agency theory is the reason behind the connection between corporate governance and CA due to the ownership-control conflict. The study recommended companies to have an appropriate board structure and audit committees with full disclosure. In the same line; Alregab and Abdelhamed (2023) studied aimed to determine corporate governance role in decreasing the risk of CA practices from accounting expert's perspective. By using survey responses submitted by professionals in several Middle East countries, this study investigated four important corporate governance mechanisms that are designed to limit CA practices; accounting and auditing standards, internal auditor, external auditor and audit committees. The study concluded that, in the opinion of accounting experts, audit committees and external audit mechanisms had the greatest ability to prevent CA practices.

According to the previously mentioned literature; new generation auditing is enhancing the AQ which is a key preventor for CA practiced. Thus, the following hypotheses are tested:

H1: There is a significant negative relationship between DA and CA practices.

H2: There is a significant negative relationship between AQ and CA practices.

Literature Review for The Studies Examines FP with DA, AQ, And CA:

This section is divided into two parts; the first is concerned with literature that revealed the relationship between AQ and FP and the second division is about literature depicts the relationship between CA and FP. Regarding the first division is the study of Hazaea et al. (2021) examined its effect on the financial results of Yemeni commercial banks based on five factors: the independence of internal auditors; the compliance with IA standards; the application of governance principles; the size of the IA; and the frequency of IA committee meetings. The results showed that the improvement of FP is positively impacted by internal auditor independence and adherence to IA requirements. The conclusion was recommended that The IA's members should have professional and accounting expertise, the number of auditors should be proportionate to the scope of the job, and they should have complete independence in carrying out their duties. in addition to the need that issues that enhance and help in improving FP be expressly addressed in the auditors' sessions.

Idogho and Daniel (2021) examined AQ's impact on Nigerian organizations' performance. The sample employed a basic random sampling technique and an ex-post study design. The sample consists of 10 manufacturing firms listed on the Nigerian Stock Exchange (NSE) from 2009 to 2018. The financial statements are gathered as secondary data. The results revealed that return on equity, a measure of how well-run a company is, is significantly impacted by the AQ (number of people in audit businesses). Idogho & Daniel concluded that the success attained in terms of return on equity and the number of workers in audit companies were significantly positively correlated.

Mesbah and Ramadan (2022) studied the role of AQ on financial reporting quality. The sample uses secondary data additional information gleaned from the financial records of 152 companies listed between 2016 and 2020 on the Egyptian stock exchange. Results provided evidence for the correlation between the caliber of financial reporting and both audit firm

size and fees. In conclusion, they discovered a substantial relationship between the AQ and the quality of financial reporting.

Ivungu et al. (2019) evaluated the body of research on ideas, hypotheses, and empirical investigations pertaining to AQ and business success. In order to address the vacuum in the literature, particularly in emerging economies like Nigeria, this study shows that AQ may have a good or negative impact on a company's success. According to certain research, there is a link between some indicators of AQ and indicators of corporate performance.

Okolocha and Iliemena (2019) examined the effect of AQ on the FP of 24 industrial products businesses listed on the Nigerian Stock Exchange's main floor as of September 4, 2019, comprise the population and sample. The annual reports of these companies for the years 2012 to 2018 were consulted for the study's data. The results showed Rotation of audit firms and audit fees both significantly increase return on assets. Okolocha and Iliemena (2019) concluded that FP is significantly benefited by AQ.

Amahalu and Chinyere (2020) ascertained AQ's impact on FP. Six cited conglomerates made up the sample, which was the appropriate size for this investigation. For a ten-year period ranging from 2010 to 2019, data is extracted from published financial statements of the six conglomerates. The results showed that return on assets is significantly influenced favorably by audit committee size, impartiality, and financial skill. This study assessed the role of AQ on the FP of Nigeria's publicly traded corporations. The conglomerates that functioned between 2010 and 2019 were the subject of this study, which gathered data from their annual reports, accounts, and publications from the Nigerian stock exchange.

Sattar et al. (2020) examined the effect of AQ on firm performance (FP) with the PMC serving as a moderator. The sample manufacturing sector of Pakistan was selected for this investigation. From 2008 to 2017. The results showed the first hypothesis of this study had been confirmed, showing a favorable association between AQ and business performance.

From the studies that illustrated the second literature division is Ukpe and Lawrence (2019) who examined the impact of CA on shareholders' wealth in 100 Money Deposit Banks Listed Companies in Nigeria targeting managers, accountants and internal auditors. CA is measured using income smoothing and the results show a positive impact for CA on shareholders' wealth and profit maximization. Ukpe and Lawrence found that CA increase flexibility in compiling standards. Another study is Ajuzie et al. (2020)'s which investigated 100 questionnaires to study CA and financial reporting in

Nigeria. The results show that CA increase the readability of financial reporting. Tyoakosu and Ekpe (2018) studied CA on the performance of 5 deposit money banks in Nigeria from 2007- 2016. Result found that non-performing loans, and total accruals have no significant effect on performance while Dividends Payout has a significant positive relationship with performance.

According to the previously mentioned literature; the following hypothesis is test:

H3: Firm performance is moderating the relationship between DA and CA.

METHODOLOGY:

In this section, the research is to depict the relationship between new generation auditing and CA practices using descriptive analysis, correlation, and multiple regression model.

Sample and Data collection:

This study aimed at examining the impact of new generation auditing on CA practices taking the effect of the moderator factor of firm performance on this relationship through regression model. The sample consists of 40 listed non-financial listed companies in the EGX from different industrial sectors. The time period included 4 years from 2018 to 2021 compromising 160 observations.

CA can be measured using different measures. Some studies use income smoothing (Ndebugri and Tweneboah , 2017; Ukpe and Lawrence, 2019). Yadav et al (2018) used descriptive analysis through surveys. This study will follow Tyoakosu and Ekpe (2018); Sanyaolu and Olatunji (2017); and Crouch (2010) which used modified Jones model as a proxy for CA practices.

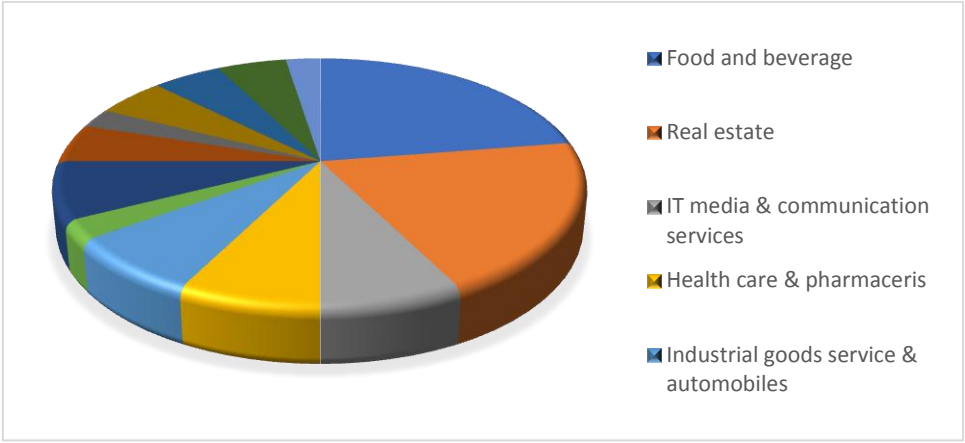

Figure 1. Sample industrial diversification

$CA_{i,t} = \alpha + \beta_1 DA_{i,t} * FP_{i,t} = \beta_2 AQ\_L_{i,t} * FP_{i,t} + \beta_3 AQ\_RT_{i,t} * FP_{i,t} + \beta_4 AQ\_RP_{i,t} * FP_{i,t} + +e..(1)$

Where:

$CA_{i,t}$ = Creative Accounting

α = Model constant

β_1- β_4 = Regression Coefficients

$DA_{i,t}$ = Digital Audit

$AQ\_L_{i,t}$ = Audit quality measured by Audit lag

$AQ\_RT_{i,t}$ = Audit quality measured by Auditor Rotation

$AQ\_RP_{i,t}$ = Audit quality measured by Audit Report

$FP_{i,t}$ = Firm Performance

$AQ\_L_{i,t} * FP_{i,t\ t}$ = The moderating effect between FP and Audit lag of the firm (i) within the time period (t)

$AQ\_RT_{i,t} * FP_{i,t}$ = The moderating effect between FP and Auditor Rotation of the firm (i) within the time period (t)

$AQ\_RP_{i,t} * FP_{i,t}$ = The moderating effect between FP and Audit Report of the firm (i) within the time period (t)

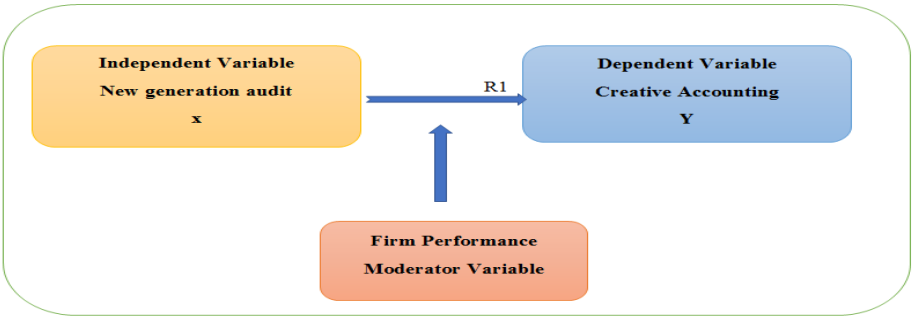

Figure 2. Research Framework: it shows Firm performance moderating role on the relationship between new generation auditing and creative accounting (CA)

Table 1. Variables and Measurements:

Variables	Measurements	References
Dependent Variables(Y): **Creative Accounting (CA)** Non-discretionary accruals (NDA) are indicator for no CA practices.	Earning management: Modified jones model	Tyoakosu and Ekpe (2018); Sanyaolu and Olatunji (2017); and Crouch (2010)
Independent Variables (X): New Generation Auditing		
Digital Audit (DA) X_1	Dummy variable (Big 4=1, not Big 4=0).	Lugli and Bertacchini (2022); Hasan et al. (2020).
Audit Quality (AQ) ➢ Audit lag (AQ_L) X_2 It is the length of time from a company's fiscal year-end to the audit report date.	Dummy variable (audit report is released within March 31=1, after March 31=0)	Mesbah and Ramadan (2022). Babayeva and Manousaridis (2020).
➢ Auditor Rotation (AQ_RT) X_3 is change of one audit firm and acquiring another audit firm for the same client's external audit needs.	Dummy variable (External auditor is changed within the research period at least once=1, otherwise=0)	
• Audit Report (AQ_RP) X_4	Dummy Variable (the audit report is unqualified= 1, or other type of report=0)	
Moderator Variable: Firm performance (FP)	ROA ROE	Yasin et al. (2022). Amahalu and Chinyere (2020).

Data analysis for Research Model:

Table 2. Descriptive Analysis for Moderator variable FP and Dependent variable CA

	N	Minimum	Maximum	Mean	Std. Deviation
M1=FP(ROA)	160	-1.307	51.675	.37583	4.085093
M1=FP(ROE)	160	-13.759	7.588	.08600	1.316036
Y=CA	160	-826325244.890	31484092002.280	1202045608.15269	4110850575.786536
Valid N (listwise)	160				

Table 2 shows descriptive analysis for moderate variable FP which is measured by two measures; ROA and ROE. ROA minimum = -1.307 and its maximum= 51.675, ROA mean= .37583 while its standard deviation= 4.085093. ROE minimum = -13.759, its maximum= 7.588, ROE mean= .08600 and its standard deviation= 1.316036. The Dependent variable CA has minimum -826325244.890, and maximum 31484092002.280, CA mean is 1202045608.15269 and its standard deviation is 4110850575.786536

Table 3. Descriptive Statistics for independent variable DA with both Moderator variable FP and Dependent variable CA

Y=CA M1= FP(ROA) M1= FP(ROA) * X1=DA				
X1=DA		**Y=CA**	**M1=FP=ROA**	**M1=FP=ROE**
DA Big 4=1	**Mean**	1970615071.94262	.07477	.16609
	N	82	82	82
	Std. Deviation	5595514850.945019	.079314	.175199
	Minimum	-826325244.890	-.073	-.135
	Maximum	31484092002.280	.476	1.144
DA Not big 4=0	**Mean**	394062325.70686	.069232	.00181
	N	78	78	78
	Std. Deviation	817855874.748998	5.852776	1.878848
	Minimum	-130647352.000	-1.307	-13.759
	Maximum	5626887633.990	51.675	7.588
Total	**Mean**	1202045608.15269	.37583	.08600
	N	160	160	160
	Std. Deviation	4110850575.786536	4.085093	1.316036
	Minimum	-826325244.890	-1.307	-13.759
	Maximum	31484092002.280	51.675	7.588

Table 3 show the descriptive analysis for the independent variable DA; the average of CA for digitalized firms (big 4) is higher than non-digitalized audit firms (non-big 4). The mean of DA (Big 4) is 1970615071.94262, the minimum is -826325244.890, the maximum is 31484092002.280 and standard deviation is 5595514850.945019. The mean for non-digitalized

audit firms (non-big 4) is 394062325.70686, the minimum is -130647352.000, the maximum is 5626887633.990 and the standard deviation is 817855874.748998.

Table 4. Descriptive Statistics for independent variable AQ_L with both Moderator variable FP and dependent variable CA

Y=CA M1= FP(ROA) M1= FP(ROA) * X2=AQ_L				
X2= AQ_L		**Y=CA**	**M1=FP=ROA**	**M1=FP=ROE**
AQ_L no lag<=March31=1	**Mean**	1316855357.27509	.43372	.21039
	N	139	139	139
	Std. Deviation	4393988414.189641	4.381823	.738658
	Minimum	-826325244.890	-1.307	-1.311
	Maximum	31484092002.280	51.675	7.588
AQ_L lag >March=0	**Mean**	442114411.58061	-.00734	-.73732
	N	21	21	21
	Std. Deviation	656185247.226590	.097068	3.030672
	Minimum	-130647352.000	-.238	-13.759
	Maximum	2262179594.980	.131	.373
Total	**Mean**	1202045608.15269	.37583	.08600
	N	160	160	160
	Std. Deviation	4110850575.786536	4.085093	1.316036
	Minimum	-826325244.890	-1.307	-13.759
	Maximum	31484092002.280	51.675	7.588

Table 4 shows the descriptive analysis for the independent variable **AQ_L**; the average of CA for the firms with audit report release before march or during march (no lag=1) mean= 1316855357.27509, standard deviation is 4393988414.189641, minimum is 826325244.890 and maximum is 31484092002.280. The audit report is released after march (lag=0) mean is 1202045608.15269, Standard deviation is 4110850575.786536, Minimum is -826325244.890, maximum is 31484092002.280, therefore non-lag reports are more than lagged reports.

Table 5. Descriptive Statistics for independent variable AQ_RT with both Moderator variable FP and dependent variable CA

Y=CA M1= FP(ROA) M1= FP(ROA) *X3=AQ_RT				
X3= AQ_RT		**Y=CA**	**M1=FP=ROA**	**M1=FP=ROE**
AQ_RT Auditor change=1	**Mean**	682773399.49797	.05608	.17879
	N	47	47	47
	Std. Deviation	1291257373.584201	.098472	.373906
	Minimum	-656669391.790	-.133	-.322
	Maximum	5626887633.990	.476	2.194
AQ_RT Auditor not change=0	**Mean**	1418026084.31881	.50882	.04741
	N	113	113	113
	Std. Deviation	4810993156.795980	4.860684	1.547972
	Minimum	-826325244.890	-1.307	-13.759
	Maximum	31484092002.280	51.675	7.588
Total	**Mean**	1202045608.15269	.37583	.08600
	N	160	160	160
	Std. Deviation	4110850575.786536	4.085093	1.316036
	Minimum	-826325244.890	-1.307	-13.759
	Maximum	31484092002.280	51.675	7.588

Table 5 shows the descriptive analysis for the independent variable **AQ_RT**; the audit rotation according to the sample; the number of firms without audit rotation (=0) is higher than firms with audit rotation. The average of CA for firms without audit rotation mean is 1418026084.31881, the Standard deviation is 4810993156.795980, Minimum is -826325244.890 and the maximum is 31484092002.280. The average of CA for firms with audit rotation mean is 682773399.4979747, standard deviation is 1291257373.584201, the minimum is -656669391.790 while the maximum is 5626887633.990.

Regarding the independent variable **AQ_RP** the audit report type; the results showed that all the sample has an unqualified opinion through the 4 years (2018-2021) and the model excluded this variable.

Table 6. Pearson Correlation Table

**. Correlation is significant at the 0.01 level (2-tailed).

Model		M1=FP (ROA)	M1= FP (ROE)	X1=DA	X2a= AQ_L	X2b= AQ_RT
M1=FP(ROA)	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	160				
M1=FP(ROE)	Pearson Correlation	.005	1			
	Sig. (2-tailed)	.947				
	N	160	160			
X1=DA	Pearson Correlation	-.076	.063	1		
	Sig. (2-tailed)	.341	.432			
	N	160	160	160		
X2a= AQ_L	Pearson Correlation	-.037	-.244**	-.028	1	
	Sig. (2-tailed)	.646	.002	.723		
	N	160	160	160	160	
X2b= AQ_RT	Pearson Correlation	-.051	.046	-.140	.074	1
	Sig. (2-tailed)	.525	.567	.078	.350	
	N	160	160	160	160	160
Y=CA	Pearson Correlation	.025	.019	.192*	-.072	-.082
	Sig. (2-tailed)	.755	.808	.015	.365	.304
	N	160	160	160	160	160

*. Correlation is significant at the 0.05 level (2-tailed).

Table 6 shows that the moderator variable FP (measured by ROE) has a highly negative significant correlation with AQ_L at significance 0.02. DA has a positive significant correlation with CA at significance 0.015. However, neither AQ_L and AQ_RT has correlation with CA as their significance is 0.365 and 0.304, respectively which is higher than 0.05.

Regression Results:

The regression analysis is used to test the research hypotheses, where regression model is developed to examine the impact of the new generation

audit on CA through the moderating effect of firm performance on this relationship.

Table 7. Table of ANOVA test

ANOVA[a]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1182349448146761800000.000	3	394116482715 58730000.000	2.393	.041[b]
	Residual	2568720755760005000000.000	156	164661586907 69263000.000		
	Total	2686955700574681000000.000	159			
a. Dependent Variable: Y=CA						
b. Predictors: (Constant), X1=DA, X2= AQ_L, X2= AQ_RT						

Table 7 shows P-value of the test is 0.041, compared to α which is < 0.05, this means that the regression model fits and effect the model greater than the model with no independent variables.

Model1	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.210[a]	.24	.26	4057851487.027250

Table 8. Table of Research Model Summary

Table 8 shows that the adjusted R^2 is 26% which means that DA and AQ can explain 26% the change on CA.

Table 9. Regression Results

Coefficients [a]						
		Unstandardized Coefficients		Standardized Coefficients		
Model		**B**	**Std. Error**	**Beta**	**t**	**Sig.**
1	**(Constant)**	668094649.197	538321935.639		1.241	.216
	DA	1503071385.950	648261612.990	.183	2.319	.022
	AQ_L	-765480395.853	952830877.708	-.063	-.803	.423
	AQ_RT	-462651317.065	713097682.400	-.051	-.649	.517
a. Dependent Variable: Y=CA						

Table 9 shows that DA has a significant positive relationship with NDA indicator for no CA at 0.022 which means that the firms which are audited by digitalized audit firms decreases the CA practices. In the other hand; neither AQ_L nor AQ_RT has a significant relationship with CA. the FP

(either measured by ROA or ROE) moderating variable has no effect between CA and independent variables DA and AQ. therefore, there is a direct relationship between dependent variable CA and independent variables DA and AQ.

DISCUSSION:

The results from regression model shows a significant positive relationship between DA and NDA which acts as indicator for no CA practices. These findings are consistent with results from recent research (Alregab and Abdelhamed, 2023; Fijabi and Lasisi 2023; Jarah et al. 2022; Al-Olimat and Al Shbail 2021; Al-Sharif et al. (2017); Al-Momani & Ayedh 2017; Yadav et al 2018; Ndebugri and Tweneboah Senzu 2017 and; Rusmin 2011). According to the research model, H_1 is accepted.

H_1: There is a significant negative relationship between DA and CA practices.

Although of the crucial role played recently by the audit firms in discovering CA practices and decreasing their risks, the results find an insignificant relationship between audit lag and audit rotation with CA. These findings are inconsistent with results from recent research (Mesbah & Ramada, 2022; Okorocha and Iliemena 2019; Mohamed 2022; Al-Momani and Ayedh 2017; Alregab and Abdelhamed 2023; Fijabi and Lasisi 2023; Jarah et al. 2022; Al-Sharif et al. 2017; Al-Momani and Ayedh 2017; Yadav et al 2018; Ndebugri and Tweneboah Senzu 2017; and Rusmin 2011). Accordingly, H_2 is rejected.

H_2: There is a significant negative relationship between AQ and CA practices.

The model could not support the moderating effect for the FP on the relationship between CA and both independent variables AQ and DA; thus, H_3 is rejected.

H_3: Firm performance is moderating the relationship between DA and CA.

CONCLUSION:

This study aims at examining the impact of new generation auditing on the CA practices. The new generation auditing is measured by both the DA and AQ. Regarding the first hypothesis which tests the relationship between the DA and CA; the results find that DA proxied by the big 4 decreases the CA practices and provide more accurate and reliable information, improving the quality of financial reporting, decreasing transaction costs and raising employee productivity. Digitalization enhances corporate operations like increasing output, increasing asset effectiveness, and reducing the supply

chain. Audit companies like Big 4 are modernizing their internal processes, becoming digital to better serve their clients.

Audit digitalization can enhance financial reporting and auditing quality which would satisfy stakeholders. Modern digital techniques allow the auditor to examine all of the evaluated organization's data without using the sample approach. In fact, by recognizing all errors through DA procedures would enhance risk assessment and judgments' integrity and would suggest solutions for the issues raised. As a result, the auditor has the ability to issue an unqualified report by using digitalization which is more accurate and easier.

As for second hypotheses regarding the impact of AQ which is measure by audit lag and audit rotation., there is an insignificant relation between both audit report lag and audit firm rotation with CA. These results show that the AQ has no effect on detecting CA practices regardless of the current stream that AQ has become one of the audit's primary goals for assurance and auditing services, and the notion that audit rotation is a representor for the quality of financial reporting. These results indicate that new generation auditing is not fully applied in the Egyptian companies by the big four firms. It is recommended for the audit firms to start fully adaption for new generation auditing in the Egyptian market especially after rejecting H_3 and finding that moderating variable has no effect between CA and independent variables DA and AQ and there is a direct effect and relationship between CA and new generation auditing.

The research results can't be generalized because it is applied on 160 observations for 40 firms through 4 years (2018-2021). The measures of variables used are limited; DA is a dummy variable for Big 4; it is recommended for future research to find more comprehensive measure that would reflect digitalization in auditing for more reliable results. The CA practices is measured by modified Jones model, new generation auditing audit measure is limited to DA and AQ. AQ can be measured by other variables such as; audit tenure, auditor independence, audit committee and audit fees. It is recommended to further investigate the moderating effect of other variables on the relationship between CA and new generation auditing to enhance this relation. This paper alert audit companies to adapt new generation audit in all developing markets.

ACKNOWLEDGEMENTS: Not applicable

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The Total Number of Words: 7973