

# The Impact of Digital Transformation on Improving Audit Quality in Palestine: Empirical Evidence

Iskandar Nashwan

Department of Accounting, College of Administration and Finance, Al-Aqsa University,  
Gaza- Palestine

dr.eskandar.n@gmail.com

## Abstract

*The objective of this study was to determine the impact of digital transformation on improving audit quality through its important stages of planning, implementation, and reporting. The data was collected using the descriptive analytical approach based on a questionnaire. The study was applied to the study population of all auditors working in different accounting and auditing firms in the Gaza Strip, where the number of those firms reached 48 accounting and auditing firms, with 144 auditors working according to the records of the Union of Accountants and Auditors in Gaza Strip. As a result, purposive sampling was used due to the small size of the study population. The questionnaire data were analyzed and interpreted using the Statistical Package for the Social Sciences (SPSS) program. The results showed a positive impact of using the digital transformation applications on the planning, implementation, and reporting stages of the external audit process. Based on the study results, it is recommended that auditors enhance their expertise in various digital transformation models to effectively conduct audits in an electronic business environment. They should also improve their proficiency in the financial information technology and encourage relevant authorities, such as the professional associations and educational institutions, to take an interest in the financial information technology and modern electronic technologies. These advancements positively impact the auditing process, leading to improved outcomes and increased credibility in the audit results.*

**Keywords:** *Gaza Strip, Digital Transformation, Audit Quality, Audit Planning, Audit Implementation, and Audit Report.*

## Introduction

Digital transformation is one of the most important models based on digital technology that enables individuals and enterprises to achieve their objectives through programs and plans developed with minimal effort and cost. This transformation represents a shift in all aspects of working methods, relying on ICT to quickly and efficiently serve beneficiary categories by converting data and information from a paper image to a digital one.

The digital transformation has a significant impact on many areas, including accounting. The digital accounting system is one of the most important systems developed in the current business environment that seeks to survive and achieve competitive advantages in the new digital economy (Al-Amir, Calipha, and Mohammed, 2021). Therefore, accounting and auditing enterprises and their stakeholders must keep pace with change and development resulting from the digital and technological developments through computer systems, enhancing performance efficiency and reducing the proportion of errors and omissions that may have occurred as a result of applying traditional accounting and auditing.

It is important to recognize digital transformation and its impact on audit quality. This impact is unavoidable in the audit profession because it is constantly evolving in response to the effects of the information technology to ensure the increased confidence of financial reporting users (Arsenie-Samoil, 2010). The financial information presented in annual reports is an important source of information that enables stakeholders to make sound investment and economic decisions, reducing information asymmetry between management and external parties (Mousa, 2018). Quality in financial statements is important for investors, as their decision-making is based on the accuracy and credibility of these reports. Therefore, the quality of accounting information is defined by the availability of qualitative characteristics that make accounting information useful for users (Zalloum, 2016).

Attention to quality auditing has increased as a prerequisite for many stakeholders, such as landlords, lenders, suppliers, clients, financial analysts, employees, and others, to assess the unit's ability to generate cash flows (Mahmoud, 2019). From the company's perspective, this brings more investment and supports competitiveness as a result of accuracy and confidence in the financial statements. Quality auditing is useful for investors, analysts, and creditors in assessing potential risks and decision-making (Bouqalieh, and Zalloum, 2019).

Given what has been stated thus far, it is evident that the application of the digital transformation has a significant impact on the society and professions, including the auditing profession, which is influenced by technological developments. The study focuses on the impact of digital transformation on the quality of the audit process of planning, implementation, and reporting.

### **Problem statement**

The application of digital transformation tools in business enterprises in general and auditing in particular has become enormous and indispensable for performing the required audit functions.

The digital transformation has significantly affected the labor market, and hence the business performance mechanisms in many occupations, especially auditing (Manita et al., 2020). It will also affect the future auditing procedures and tools, as well as the challenges the profession may face during the application of digital transformation.

The prominent role that digital transformation may play is improving the quality of planning, implementation, and reporting of the audit process, the quality of the audit process to reduce clients' loss of confidence, and the widening gap of expectations and the quality of the internal auditor's performance by increasing its ability to use electronic data to facilitate the performance of the internal audit process with the required quality. Additionally, digital transformation improves the internal audit team's capacity to plan and organize audit performance and risk assessment (Rashwan and Abu Arab, 2022;Almaleeh, 2021; Abideen, 2022) Thus, the study is expected to answer the following questions:

The main question:

What is the impact of digital transformation on improving audit quality?

The main question leads to the following sub-questions:

1. What is the impact of digital transformation on improving the quality of audit planning?
2. What is the impact of digital transformation on improving the quality of audit implementation?
3. What is the impact of digital transformation on improving the quality of audit report?

## Study Objectives

The study is expected to achieve the following objectives:

1. Recognizing the impact of digital transformation on improving the quality of audit planning.
2. Detecting the impact of digital transformation on improving the quality of audit implementation.
3. Demonstrating the impact of digital transformation on improving the quality of audit report.
4. Measuring the impact of technological developments on the audit profession, and the performance of auditors.

## Study Significance

### 1. Theoretical significance

- The current study is an extension of previous research and a step towards contributing to the field by exploring the impact of digital transformation on the quality of auditing (planning, implementation, and reporting) in the Palestinian business environment, which is keeping pace with technological progress.
- Enriching this scanty field of knowledge and business.

### 2. Practical significance

- keeping pace with recent developments and trends in digital technology and utilizing them to improve the audit process, thereby helping to restore confidence in the auditing profession for society.
- Providing empirical evidence from the Palestinian environment that supports the importance of digital transformation in improving the quality of auditing (planning, implementation, and reporting).

## Study Hypotheses

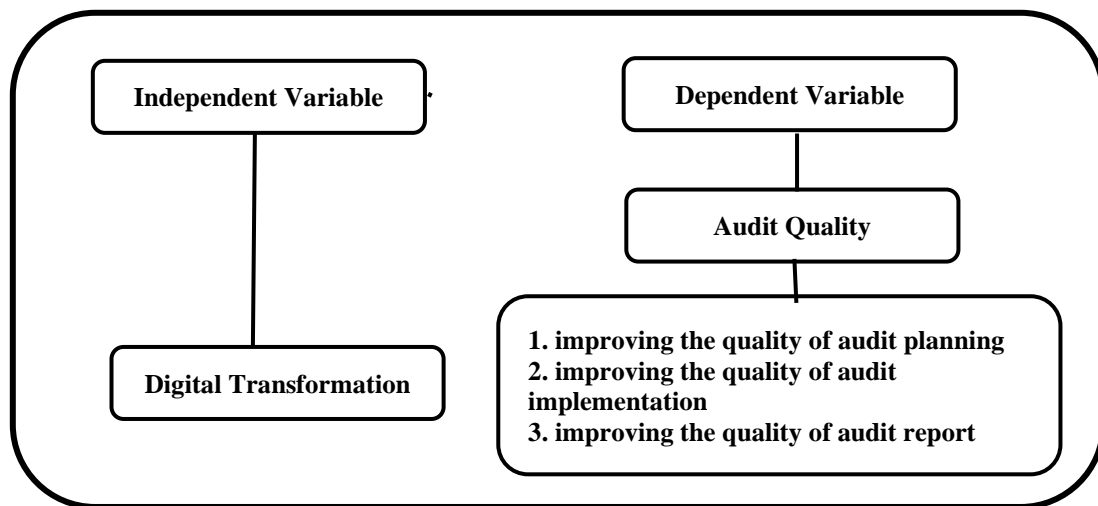
1. There is a statistically significant impact of digital transformation on improving the quality of audit planning.
2. There is a statistically significant impact of digital transformation on improving the quality

of audit implementation.

3. There is a statistically significant impact of digital transformation on improving the quality of audit report.

## Conceptual Model

Presented below is the conceptual model of study variables



**Figure 1: The conceptual model. Source: the authors**

## Previous Studies

### 1. Research on digital transformation

Study (Rashwan and Abu Arab, 2022): The study aimed to recognize the role of digital transformation in improving the quality of the internal audit process. The study used an analytical descriptive approach and surveyed 58 internal auditors using a comprehensive inventory method. The study's findings indicated that the application of digital transformation improves the quality of internal audit processes by increasing the ability to use electronic data to facilitate the internal audit process. It was recommended that banks make substantial changes in their organization and planning of the audit process and risk assessment to benefit from digital transformation.

Study (Abideen, 2022): The study examined how the governance of digital transformation impacted the quality of the internal audit function in Egyptian companies, using an analytical descriptive approach and a data collection questionnaire applied to employees at all levels of management. The results showed a positive relationship between digital transformation

governance and improving the internal audit environment and group capabilities. The study recommended considering the governance of digital transformation in internal audit to improve quality, efficiency, and achieve objectives.

Study (Braīs and Jabr, 2021): The study was interested in investigating the impact of the digital transformation technology on the strategic performance of banks, focusing on a sample of bank managers in the province of Karbala, Iraq. The study used an analytical descriptive approach and a questionnaire for data collection. The results indicated a significant and positive impact of digital transformation technology on improving the strategic performance of banks. The study recommended applying the digital transformation technology in banks and learning from the experiences of the international banks to enhance the level of the banking services provided to customers.

Study (Almaleeh, 2021): The study used the Delphi methodology to identify the impact of digital transformation on audit quality, with 20 predictions evaluated by a group of Egyptian auditors. The results showed that digital transformation would not significantly affect the quality of audits associated with the loss of users' trust and widening the expectations gap. However, the study recommended that techniques such as big data, artificial intelligence, blockchain technology, and automation may be a positive addition to audit procedures.

Study (Manita, Elommal, Baudier, and Hikkerova, 2021): The study examined the impact of digital technology on auditing practices and corporate governance, using interviews with auditors from top firms in France. It was found that digitization affects various levels of auditing firms and improved the quality and validity of auditing by expanding services and analyzing all client data. However, it limited the discretionary power of management. The study highlighted the importance of implementing digital strategies to adapt auditing standards and adjust training programs in business schools and universities.

Study (Shehata, 2020): The study analyzed the application of digital transformation mechanisms in e-government applications and its impact on the quality of services provided by government institutions in Arab societies, especially Egypt. Quantitative and financial indicators were used, and the study found that digital transformation was successful in four dimensions, including the use of technology to achieve the strategic role of government institutions and support their future vision. The study recommended changing teaching and learning systems to provide new skills capable of achieving excellence in digital work and establishing and maintaining digital communications infrastructure.

Study (Mohammed, 2020): The study sought to evaluate the impact of Continuous Auditing (CA) technology in ERP systems on the performance of internal auditing. A questionnaire was used to collect data from 36 managers and 24 information systems staff from 48 companies in Egypt. The study found that the use of CA technology improved the effectiveness of ERP systems, assessed associated risks, provided advice on building regulations to achieve security and safety, and helped achieve the company's goals. The study recommended that companies integrate CA technology into their ERP systems to improve their competitive advantage and IA performance.

## **2. Research on audit quality**

Study (Heni, Tertiarto, and Azwardi, 2022): The purpose of the study was to analyze and test the impact of auditor independence and reputation on audit quality, using descriptive analysis and questionnaires distributed to auditors at the Audit Agency in South Sumatra. The results showed a positive and significant effect of auditor independence on audit quality. The study recommended enhancing auditor independence and audit quality to improve the firm's reputation.

Study (Monshid and Yaqoub, 2021): The study investigated the impact of external audit quality on the quality of IFRS application for private shareholding companies listed on the Iraqi Stock Exchange. Data from these companies from 2010 to 2018 was analyzed using a quantitative approach. The study found a lack of quality in the application of international standards at banks and a lack of a significant correlation between the quality of external audit and specific audit factors. It recommended that companies comply with international auditing standards to improve the quality of external auditing.

Study (Saud al et., 2020): The study aimed to measure the impact of audit quality determinants on external auditor performance using a questionnaire distributed to 33 external auditors in Iraq. The study found that the scientific qualification, professional experience, and independence had the greatest impact on audit quality, while audit costs and advisory services had a low impact. The study also found a decrease in the proportion of auditors with international and Arab professional certificates and a failure to follow the strategy of specializing in the audit profession. The study recommended encouraging auditors to obtain professional certificates, adopting a strategy of specializing in the audit profession, and activating the twinning aspect with international auditing firms and companies to improve the quality of auditing and the competitive position of auditing firms.

Study (Zaqout, 2021): The study was interested in figuring out the relationship between audit quality and the cost of funding for non-financial companies listed on the Palestine Stock Exchange. The study found that there was no significant effect of audit quality measures on the cost of financing for both ownership and debt. The study recommended the enactment of a law governing the contracting period between the audit firm and the company to ensure independence and optimize asset utilization for high profits.

Study (Al-Khatib, 2019): The study revealed the impact of applying corporate governance rules on the quality of the audit profession in Palestine, based on the perspective of audit firms operating in the Gaza Strip. The study used an analytical descriptive approach and a specially designed questionnaire to collect data from the study population. The study found that the application of corporate governance rules improved the quality of the audit profession. As a result, the study recommended that audit companies provide adequate disclosure of major shareholders' and investors' operations, promote a culture of governance, and expand the application of corporate governance principles to activate good corporate management practices in line with international standards and norms.

Study (Bedi & Amidu, 2018): The study investigated the relationship between quality auditing and capital costs for non-financial companies listed on the Ghana Securities Exchange over six years. The study found an inverse correlation between audit quality and the total capital cost and that external audit added credibility to the financial reports and reduced information asymmetry, risk, and the cost of capital. The study also identified negative associations between the cost of capital and control variables such as board size, company size, and return on assets. The study recommended maintaining the efficiency and effectiveness of the external audit process to reduce the cost of capital.

Study (Khanh, et.al, 2018): The study sought to research the impact of audit quality and profit management on the debt costs of energy companies listed on the Vietnam Stock Exchange. The study found that there was an inverse correlation between audit quality and the cost of debt, which was mainly due to the good reputation of the audit firm, reflecting the reliability of the financial data and leading to a higher credit rating and thus lowering the borrowing costs. The study also found a negative correlation between profit management and the cost of debt, but this was not statistically significant. The study recommended regulating profit management practices through the implementation of a high-quality realization process.



## Conceptual Framework

### First: Digital transformation

The concept of digital transformation means "how to use technology within the firm to improve operational efficiency and enhance client services". It is based on the optimal use of technology, which serves the workflow within the firm in all its sections, saving time and effort (Adnan, 2019, p. 30). It is defined as "the transition of the enterprise from dealing with material resources only to paying attention to information resources based on the Internet and communication networks, where information capital, or intellectual knowledge, has become the most effective factor in achieving its objectives and in utilizing its resources" (Johannes, 2019, p. 23). Digital transformation is also defined as "the process of the firm seeking to use information technology, communication technology, and the global Internet network to improve the performance of its various functions and processes and to transfer them to those who need them inside or outside the firm by relying on three resources: flowing and available information, technology and information systems used, and human resources entrusted with the various tasks that lead to the achievement of the organization's objectives under its strategies" (Rashwan, Abu Rahma, 2020, p. 7).

The researcher believes that digital transformation represents the method or approach that helps in building a digital strategy that can be used to maximize the value of the firm by improving its administrative, financial, and operational performance.

### Elements of digital transformation

Alalwan, Dwivedi, and Rana, (2017) concluded that there are four main enablers of digital transformation: technology, processes, human resources, and data. To achieve digital transformation, organizations need to implement a technological infrastructure that includes hardware, software, and networking capabilities. Processes need to be aligned with the technology infrastructure to ensure that the organization can realize the full potential of the technological investment. Additionally, data should be utilized effectively to generate actionable insights, and human resources should be developed and trained to use the technology and processes effectively.

Adnan (2019) stated that digital transformation is used across a range of technologies, data, human resources, and processes and is applied to a spectrum of technologies, data, human resources, and processes as illustrated below:

- 1) Technologies include system of hardware, data, storage, and software used in digital transformation to operate in technical settings and information centers, enabling the use of all resources with uninterrupted production efficiency. Managing the technical system and network infrastructure, whether local or cloud, requires experienced teams to guarantee the organization's staff, clients, and suppliers receive the proper quality of service.
- 2) Data: In order to supply accurate and comprehensive qualitative data, organizations must make systematic and effective data management and analysis efforts. At the same time, they must provide and develop the necessary tools for statistical analysis, data search, and future forecasting. To make sure that data is moving and being used in line with the organization's expectations and goals, it must be continuously monitored.
- 3) Human Resources: Without adequate human resources, it would be challenging for organizations to achieve digital transformation. Qualified individuals are those who can use and analyze data to come to wise conclusions. Visions require human competencies, practical and scientific preferences, and a belief in change and progress in order to be planned and implemented.
- 4) Processes: Institutions must establish a technical building that allows performance development at the internal and external levels to ensure the optimal application of digital transformation, including the creation of a technical building that includes policies and procedures covering all the company's activities and operations interconnected with the necessary techniques, developed applications, and processing of data.

### **Benefits of digital transformation**

Digital transformation has many diverse benefits, not only for clients and the public but also for firms, companies, and various stakeholders. The most benefits are:

- Significantly saving time and effort.
- Improving operational efficiency and organizing it.
- Creating opportunities to provide innovative and creative services away from traditional methods of service delivery.
- Improving quality and simplifying procedures for obtaining services for beneficiaries.
- Helping enterprises and companies expand and spread more widely, reaching a larger segment of clients and the public.

- Taking advantage of modern technologies to be more responsive and flexible at work with improved predictability and planning for the future. (Monostori, 2020: 118-128), (Abdel Razek, 2019, 7), (Americo, 2020: 775-771)

Some more benefits were added by the researcher: Digital transformation provides new job opportunities in institutions and economic projects, improves the utilization of available resources in the best possible way, and develops business management and organization by providing the required quality services. This achieves excellence, creativity, and innovation in an information environment characterized by accuracy and predictive ability.

### **Second: Audit quality**

The quality of the audit is intended to be measured by "the extent to which there are relatively significant errors in the financial statements, the less likely the quality of the audit increases, and vice versa" (Zoe-Vonna Plamrose, 1998). The quality of the audit is also defined as "those with a high probability of detecting errors and irregularities of relative importance, and the greater the probability, the higher the quality of the audit, and vice versa" (Watts R. & Zimmerman, 1993). The quality of the audit is broad, but can be defined as "the probability that material errors in the financial statements are detected and reported through the audit establishment" (Fond, Mark, 1992).

Therefore, the researcher concluded that the concept of audit quality is "the auditor's adherence to the professional standards of auditing, rules and ethics, audit guidance, and procedures issued by audit organizations, and the maintenance of the impartiality, and independence of the auditor in order to achieve the objectives expected of the audit process by the relevant parties, such as users of the financial statements, audit firms, professional organizations, government agencies, and the firm under review, shall be represented by the objectives expected of the audit process"

### **Importance of audit quality**

The importance of audit quality is to serve the following parties:

Management of the firm: It is responsible for the preparation of financial statements but is eager to obtain a high-quality audit of its financial statements in order to confer confidence and credibility on these financial statements for all beneficiaries. This helps them know the financial status of the firm and increase market share among its peers in the market. Management can identify areas of weakness and potential for failure or faltering to take

timely action to prevent and rectify failure, which is in the best interest of the audited firm's management in the long run (Shaheen, 2004; 136).

Entrepreneurs and investors: They are interested in conducting the review process with the highest quality to ensure that the enterprise's funds are protected from loss, theft, manipulation, and forgery. This helps entrepreneurs and investors make appropriate decisions about the feasibility of the investment. Low-quality reviews can involve the enterprise in costly legal issues, which adversely affect appropriate decision-making (Al-Azawi, 2005, 54).

Lenders and creditors: Banks and others are very interested in having high-quality audited financial statements to guarantee their loans and to consider continuing to grant loans or rescheduling. This category heavily relies on external auditors' financial statements to get a real picture of the financial position of the enterprise and predict whether there are indications of the enterprise's failure or faltering (Hindiya, 2019: 15-16).

Government agencies: They are interested in conducting the audit of the financial statements at a high level of quality because the success, non-faltering nature, and continuity of an enterprise contribute to increasing the revenue of the state treasury and reviving the economy. On the other hand, a firm's faltering and failing weakens the state treasury and contributes to the collapse and delay of the economy (Hamdan, 1996, 29).

Professional organizations: Providing high-quality audit services is crucial for audit profession's reputation. Scott Henderson, President-elect of the Association of Chartered Accountants of Australia, stated: "If we do not maintain the quality of professional performance, members will lose as the profession loses its reputation." Professional organizations emphasize adherence to the professional standards of the profession without any other consideration. They strive to issue standards governing the profession and ensure that audit firms adhere to them to safeguard the interests of all parties, the perception of the audit profession, and increased confidence in its services. This reflects positively in the improvement of the level of fees and for all members of the profession (Scott, 1996, 78).

Accounting and external audit firms: In particular, they must pay attention to the quality of the audit due to the intensity of competition between firms and the restrictions on advertising imposed by the rules of conduct and ethics of the advertising profession. This prohibits advertising for the purpose of attracting clients to audit firms. Accounting and external audit firms must be properly managed and have an organizational structure that clarifies the division of responsibilities and powers (Al-Naasan, 2018).

In the researcher's view, the importance of audit quality lies in its ability to detect errors, fraud, and financial fraud in financial reports, strengthen governance principles and control procedures, and narrow the gap of expectations in the audit process. It enhances the credibility of financial lists and provides a competitive advantage for audit firms, especially when upgrading professional standards.

**Digital transformation and its relationship with improving the audit process of internal audit in digital transformation, with a focus on areas that require examination to ensure the effectiveness of digital transformation strategies**

The audit plan should include policies and procedures for evaluating the company's use of digital technologies. Additionally, the audit should provide strategic advice to the organization to drive digital value. It should reformulate from within companies and their applications, as well as study and analyze them thoroughly, to proactively assess the risks associated with the implementation of these technologies across digital platforms and websites. Digital transformation also contributes to ensuring the quality of the auditor's work by keeping pace with the evolution and ability to use electronic data to facilitate and complete the audit process with high accuracy (Abu Rahma, 2023, 46).

When performing the audit function in the area of digital transformation, account must be taken of the nature and scope of audit activities and the areas of examination they can exercise to verify the efficiency and effectiveness of digital transformation implementation strategies. Activated audit activities of digital transformation mechanisms enhance accountability and transparency and improve companies' financial performance (Shehata, 2020).

The impact of digital transformation on the audit profession emphasizes the need to adapt to the changing technological landscape. The emergence of asset-free giant companies in the digital age requires auditors to evolve and develop new concepts, procedures, and standards to keep pace with the evolution of digital transformation. The digitization of accounting transactions is reducing auditors' workload and traditional auditing methods such as paper-based systems are being replaced by electronic systems such as cloud computing and blockchains. The study concludes that the auditing profession must adapt to the changing technological landscape to remain relevant and effective (Ali & Matouq, 2021).

**The importance of digital transformation for accounting and auditing firms**

The importance of digital transformation (DT) has become a necessity for all accounting and auditing firms seeking to develop and improve their services and facilitate access for their

clients. DT is not just about implementing technology within the firm; it's a comprehensive program that affects the internal and external workings of accounting and auditing firms primarily by providing services to targeted clients to make services easier and faster. The urgency of digital transformation for accounting and auditing firms has become more pressing than ever due to the rapid development of information technology tools and means in all aspects of life, whether related to transactions with companies or individuals. Therefore, there is clear pressure from all clients on external accounting and auditing firms to improve their services and make them available on all digital channels (Al-Bar, Al-Murhabi, 2018).

Accounting and auditing firms are heading towards DT and benefiting from artificial intelligence, cloud computing, blockchain, and smart applications to facilitate and speed up audit processes, especially since clients prefer digital services to upgrade the level of services provided to them and increase their demand for them. The goal of DT in accounting and auditing firms is to reduce the scope of audit transactions by modifying communication strategies to provide audit services to clients. Therefore, accounting and auditing firms can no longer rely on traditional services, but must continue to develop to keep up with the continuous and evolving customer requirements (Younis, 2019, p. 22).

The importance of advocating digital transformation in accounting and auditing firms lies in the diversity of services offered by the digital platforms, such as attracting new clients and completing audit processes electronically, as well as completing transactions online and through mobile phones. To facilitate the work of these platforms, accounting and auditing firms seek to develop new applications for direct communication with clients. The goal of these firms is to keep up with the rapid and immense developments in the world of technology and the great communication revolution that the world is witnessing. They aim is establishing a strategy based on understanding the future of the digital revolution, as well as developing a set of analysis tools related to existing and new data sources, linking them to decision-making processes to have a clear vision for the future of audit operations. They must have space on the horizon to compete in the field of services provided to clients, come up with new ideas that serve the auditing process, and keep up with the rapid growth of the digital technology (Rashwan, Qasem, 2020, p.12).

**Therefore, it can be said that digital transformation helps improve performance when practicing the auditing profession through the following:**

- Increasing the ability to examine large-scale accounting processes quickly and accurately while performing the work.
- Benefiting from some the modern electronic applications and technologies that contribute to planning and executing performance with ease and high flexibility.
- Unifying and simplifying all steps of task completion, enhancing information security by storing and retrieving it when needed, and making it available for access by all parties benefiting from it.
- Providing the necessary technical knowledge and developing the necessary electronic skills to successfully practice auditing efficiently and effectively, making its outputs more reliable, leading to achieving the satisfaction of financial report users, and thereby narrowing the expectations gap.

## **Methodology**

The methodology of the study presents certain procedures which lead to the implementation, completion and interpretation of the findings of the study in light of the study's objectives and literature.

### **The Method**

In order to achieve the objectives of the study, the researcher used the descriptive analytical analysis method, which is one form of analysis and structured scientific interpretation to describe and quantify a specific phenomenon or problem by collecting, classifying, analyzing, and subjecting measured data and information on the phenomenon or problem in order to obtain information and conclusions that could be built upon in the future.

### **Population and Sample**

The study population consisted of all the 144 auditors working in 48 accounting and auditing establishments in the Gaza Strip according to the records of the Gaza Strip Association of Accountants and Auditors for the year 2023. Therefore, a comprehensive inventory method was used due to the small size of the study community, and the study management was distributed to all members of the community. 129 questionnaires were retrieved, and the remaining ones could not be obtained for various reasons, so the redemption rate for the

distributed questionnaires was 89.6%. The following is a description of the demographic variables for the study sample.

**Table 1: A description of the demographic variables for the study sample**

		Number	Percentage
Academic Qualification	Bachelor's degree	64	49.6%
	Master's degree	52	40.3%
	PhD	13	10.1%
	<b>Total</b>	<b>129</b>	<b>100%</b>
Years of Experience	Less than 10 years	32	24.8%
	From 10 years to less than 20 years	44	34.1%
	20 years or more	53	41.1%
	<b>Total</b>	<b>129</b>	<b>100%</b>
Type of Audit Firm	Local	117	90.7%
	International	12	9.3%
	<b>Total</b>	<b>129</b>	<b>100%</b>

The statistical data in the table above indicated the following:

- In terms of the variable of educational qualifications, the majority of participants held a bachelor's degree (49.6%), a master's degree (40.3%). Ph.D holders (10.1%).
- Analyzing the variable of years of experience, the largest percentage (41.1%) for 20 or more years of experience, (34.1%) for 10 to less than 20 , and (24.8%) for less than 10 years of experience. These findings indicated that the majority of auditors in the study possessed extensive experience exceeding 20 years.
- With regard to the variable of the type of auditing firm, the data revealed that the majority (90.7%) of participants were affiliated with local auditing firms, while only a small percentage (9.3%) were associated with international auditing firms. These percentages highlighted a significant disparity between the number of local and international firms represented in the study.
- In summary, the statistical analysis provided valuable insights into the educational qualifications, years of experience, and types of auditing firms among the participants. These findings contributed to a better understanding of the demographics and characteristics of the auditors in the study sample.



## Data Sources

Two main sources of information were used:

- Secondary sources: Secondary data sources were consulted to process the theoretical framework of the study, which included relevant Arabic and foreign books, references, journals, articles, reports, previous research, and electronic websites.
- Primary sources: It was represented by the questionnaire that was designed specifically for this purpose, and then transcribed and analyzed using (SPSS).

## Study Tool

After reviewing the previous studies that addressed the variables of the study, it was found that the survey is the most suitable tool to solve the problem of the study and achieve its objectives. The construction of this survey went through the following steps:

- Reviewing previous studies and accounting literature related to the study's topic.
- Identifying the main areas covered by the survey.
- Determining the paragraphs that fall under each area and wording them.
- Designing the survey in its initial form.

Each paragraph of the survey was answered according to the five-point Likert scale (strongly agree, agree, neutral, disagree, strongly disagree).

## The adopted criterion in the study

The five-point Likert Scale was rated as follows (strongly agree = 5, agree = 4, neutral = 3, disagree = 2, strongly disagree = 1).

Thus, the range between the scale grades became  $(5-1=4)$ , and then this range was divided by the highest value in the scale to obtain the length of the cell, which is  $(4/5=0.80)$ . After that, this value was added to the lowest value in the scale (which is 1) to determine the upper limit of this cell. Therefore, the length of the cells became as follows:

**Table 2: The adopted criterion in the study**

Arithmetic Average	Relative weight	Degree
1.00 – 1.80	From 20% - 36%	Strongly Disagree
1.80 – 2.60	Greater than 36% - 52%	Disagree
2.60 – 3.40	Greater than 52% - 68%	Neutral
3.40 – 4.20	Greater than 68% - 84%	Agree
4.20 - 5	Greater than 84% - 100%	Strongly Agree

To interpret the study results and assess the level of response, the arithmetic means were considered to rank the domains of the tool as a whole (distributed on the axes of the questionnaire) and the level of items in each domain. The degree of agreement was determined according to the adopted criterion of the study.

### Validity of the study tool

Validity refers to the extent to which the tool accurately measures what it was designed to measure, without any additions or omissions. In order to verify the validity of the questionnaire, the following steps were taken:

1. Arbitrators' integrity (Virtual honesty): The questionnaire was reviewed by a group of expert arbitrators specialized in auditing and statistics in the Palestinian audit institutions and universities. The arbitrators, consisting of six professionals and academics, provided their opinions on the formulation of the paragraphs and their relevance to the study areas, and necessary amendments were made based on the suggestions received.
2. Internal Validity: It was a measure of the consistency between paragraphs in a questionnaire and the dimension to which they belonged. It was assessed by calculating correlation coefficients between each paragraph and the total score of the corresponding dimension.

### Reliability of the study tool

"Reliability of the study tool" refers to the consistency of results when the tool is used on the same sample under the same conditions. To assess the reliability of the study tool, two methods, namely Cronbach's Alpha Coefficient and the Split Half Reliability Coefficient, were employed. These methods were used to measure the reliability of each axis of the scale separately.

1. Cronbach's Alpha Method: The researcher used Cronbach's Alpha method to measure the reliability of the questionnaire, as shown in Table No. (3) below:

**Table 3: Cronbach's Alpha Coefficient to measure the reliability of the questionnaire**

#	Axis	Number of paragraphs	Cronbach's Alpha Coefficient
1	Audit Planning Quality	8	0.823
2	Audit Execution Quality	8	0.891
3	Audit Reporting Quality	9	0.865
	<b>Improving Audit Quality</b>	25	0.886

The previous table shows the reliability coefficient values ranging from (0.823) to (0.891). Specifically, the reliability coefficient value for the "Improving Audit Quality" axis was (0.886). This indicated that the reliability was exceptionally high and had statistical significance.

2. Split Half Reliability Coefficient: The questionnaire axes were divided into two parts based on their numbering (odd and even). The average rank of the odd-numbered questions was correlated with the average rank of the even-numbered questions for each axis using Pearson Correlation Coefficient. To correct the correlation coefficients, Spearman-Brown Correlation Coefficient was applied, as shown in Table No. (4).

**Table 4: Split Half Reliability Coefficient to measure the reliability of the questionnaire**

#	Axis	Number of paragraphs	correlation coefficient	The correlation coefficient	Indicative level
1	Audit Planning Quality	8	0.825	0.904**	0.000
2	Audit Execution Quality	8	0.807	0.893**	0.000
3	Audit Reporting Quality	9	0.816	0.899**	0.000
	<b>Improving Audit Quality</b>	<b>25</b>	<b>0.837</b>	<b>0.911**</b>	<b>0.000</b>

The table results indicated that the average Spearman-Brown Correlation Coefficient is high and statistically significant. This meant that the questionnaire was reliable and valid.

### Statistical Tools

Statistical Package for Social Sciences (SPSS), the most commonly used statistical program for analyzing social research, was used to transcribe and analyze the questionnaire, and to obtain the study results through the necessary analyses, which included:

- 1) Percentages and frequencies: Mainly used to determine the frequency of a variable's categories.
- 2) Arithmetic averages were used to determine the relative weights of sub-axes or the axes as a whole.
- 3) Person Correlation Coefficient: to calculate the correlation coefficient, determine the nature of the relationship between the independent and dependent variables, and answer hypotheses related to the relationship.
- 4) Stepwise: to measure the impact of the independent variable on the dependent variable.

- 5) One Sample T-Test: to check for statistically significant differences in the researchers' estimated average for each paragraph and for each axis in general.

## Data Analysis, and Discussion

**The first hypothesis results: There is statistically significant impact of digital transformation on improving the quality of audit planning**

To verify the previous hypothesis, arithmetic averages, relative weights, and ranks were calculated for the auditors' responses from their point of view. The impact of the independent variable (digital transformation) on the first axis of the dependent variable (improving the quality of audit planning) was measured. The results are shown in the following Table No. (5).

**Table 5: The analysis of the axis paragraphs digital transformation on improving the quality of audit planning**

Paragraph	Arithmetic Average	Standard deviation	Relative weight	T - Test	Impact size	Ranking	Degree of approval
1. Digital transformation assists in setting appropriate timing for audit planning and execution	4.11	0.782	82.2%	5.61	big	4	High
2. The application of digital transformation clearly defines the scope of the audit. This helps complete the rest of its steps with the required efficiency	4.34	0.826	86.8%	6.45	big	2	Very high
3. Digital transformation can be used to understand the nature of the enterprise's activity under scrutiny, documenting key elements during the audit	4.09	1.021	81.8%	5.93	big	5	High
4. Digital transformation determines the timely initiation of audit procedures to ensure the timely submission of required reports	4.22	0.798	84.4%	6.78	big	3	Very high
5. The use of digital transformation to achieve easy recording of plan details fully	3.95	0.807	79.0%	7.02	big	7	High

contributes to auditing							
6. The digital transformation helps prepare a complete and durable file for the firm that is easy to update in light of the audit process	3.89	0.729	77.8%	5.34	big	8	High
7. The application of digital transformation provides a better practice for the provisions of relative importance, both at the list level and at the level of account balances	4.02	0.774	80.4%	7.24	big	6	High
8. Digital transformation makes it easy to make any adjustments to the audit plan if required	4.37	0.861	87.4%	7.69	big	1	Very high
All paragraphs	4.13	0.769	82.5%	5.09	big	---	High

According to the results of the statistical analysis, it was evident from Table (5) above that there was a high degree of agreement among the sample individuals on the axis of "improving the quality of audit planning" in general, where the arithmetic average equaled (4.13), the relative weight equaled (82.5%), and the standard deviation equaled (0.769).

Based on the above, it was evident that digital transformation had a significant and statistically significant impact on "improving the quality of audit planning". The researcher explained that this was due to digital transformation's ability to assist in effective audit planning. It also helped in establishing a comprehensive audit strategy, translating it into a program with efficient execution steps, and supervising assistants during the process. Also, the study's first hypothesis aligned with the study's findings (Rashwan and Abu Arab, 2022), as the results indicated that digital transformation positively impacted the improvement of audit planning quality. It also enabled banks to implement significant organizational changes, enhanced their audit process planning, and improved risk assessment. Consequently, the study's results supported the hypothesis that digital transformation had a statistically significant impact on enhancing the quality of audit planning.

### **The second hypothesis results: There is statistically significant impact of digital transformation on improving the quality of audit implementation**

To verify the previous hypothesis, arithmetic averages, relative weights, and ranks were calculated. The impact of the independent variable (digital transformation) on the second axis

of the dependent variable (improving the quality of audit implementation) was measured. The results are shown in the following Table No. (6).

**Table 6: The analysis of the axis paragraphs digital transformation on improving the quality of audit implementation**

Paragraph	Arithmetic Average	Standard deviation	Relative weight	T - Test	Impact size	Ranking	Degree of approval
1. The use of digital transformation leads to the performance of the audit process with a good appreciation of the time element	4.34	1.012	86.8%	6.12	big	5	Very high
2. Digital transformation helps avoid lost time and additional cost when auditing is carried out	4.44	1.022	88.8%	7.04	big	2	Very high
3. The use of digital transformation allows for the collection of sufficient and appropriate evidence	4.39	0.921	87.8%	6.99	big	4	Very high
4. Digital transformation contributes to obtaining the right speed in connection with responses to questions and queries	4.31	0.831	86.2%	7.24	big	6	Very high
5. Digital transformation is a source of knowledge about the completeness of electronic financial statements and, thus, about any indications that cast doubt on the management of the audited enterprise	4.09	0.904	81.8%	7.51	big	8	High
6. Digital transformation facilitates knowledge of any significant impacts or changes in both legislation and accounting practices	4.13	0.861	82.6%	6.98	big	7	High
7. Using digital transformation to assess the credibility of computerized financial information by analyzing reasonable relationships between these data	4.44	0.794	88.8%	7.98	big	2	Very high
8. Digital transformation enables testing of the software used in the firm, thus determining its credibility	4.48	0.807	89.6%	8.07	big	1	Very high
All paragraphs	4.33	0.811	86.6%	7.66	big	---	Very high

According to the results of the statistical analysis, it was evident that there was a high level of agreement among the sample individuals regarding the "improvement of audit quality execution" axis in general. The arithmetic average was (4.33); the relative weight was (86.6%), and the standard deviation equaled (0.811).

As previously mentioned, there was a significant statistical impact of digital transformation on enhancing the quality of audit implementation. The researcher explained that digital transformation facilitated the examination and assessment of the internal control system, the adoption of necessary work procedures, and the acquisition of ample evidence. These findings aligned with a previous study (Abideen, 2022), which demonstrated a positive correlation between digital transformation governance and the enhancement of the internal audit environment and group capabilities. This suggested that effective governance of digital transformation had a favorable influence on the quality of internal audit processes. As a result, the study's results provided support for the hypothesis that digital transformation had statistically significant impact on improving the quality of audit implementation.

**The third hypothesis results: There is statistically significant impact of digital transformation on improving the quality of audit report**

To verify the previous hypothesis, arithmetic averages relative weights, and ranks were calculated for the auditors' responses from their point of view. The impact of the independent variable (digital transformation) on the third axis of the dependent variable (improving the quality of audit report) was measured. The results are shown in the following Table No. (7)

**Table 7: The analysis of the axis paragraphs digital transformation improving the quality of audit report**

Paragraph	Arithmetic Average	Standard deviation	Relative weight	T - Test	Impact size	Ranking	Degree of approval
1. The digital transformation contributes to audit report by being a system that helps users make decisions	4.47	0.758	89.4%	7.26	big	2	Very high
2. The use of digital transformation aids in providing objective audit report on the fairness of the financial statements of the activity under consideration	4.51	0.812	90.2%	7.87	big	1	Very high
3. The digital transformation provides clear audit report that are unmistakable or ambiguous	4.34	0.806	86.8%	7.99	big	6	Very high
4. The use of digital transformation is distinguished by the achievement of clear audit report	4.29	0.845	85.8%	8.07	big	7	Very high
5. Digital transformation enables auditors to produce honest and faithful reports	4.14	0.913	82.8%	8.19	big	9	High

6. The characteristics of digital transformation applications reflect positively on the validity and accuracy of audit outputs, which can be relied upon in decision-making	4.44	0.907	88.8%	8.66	big	3	Very high
7. The use of digital transformation provides an effective means of communication between audit and financial report users	4.36	0.963	87.2%	8.49	big	5	Very high
8. The digital transformation helps auditors report on the actual and potential impacts of all audited firm operations	4.22	1.011	84.4%	7.07	big	8	Very high
9. The use of digital transformation efficiently audits outputs that are reflected in their quality	4.40	1.021	88.0%	6.99	big	4	Very high
All paragraphs	4.35	0.721	87.0%	8.94	big	--	Very high

According to the results of the statistical analysis, there was a high level of agreement among the sample individuals on the axis of "improving the quality of audit results" in general, where the arithmetic average equaled (4.35), and the relative weight equaled (87%), and the standard deviation equaled (0.721).

It was evident from the above that there was a significant statistical impact of digital transformation on improving the quality of audit report. The researcher believes that computer applications utilized in digital transformation played a crucial role in facilitating the effective planning and implementation of the audit process. Consequently, this positive impact was reflected in the audit outcomes, which enabled the auditors to provide a suitable professional opinion regarding the fairness of financial statements.

The study's hypothesis is in line with the findings of (Manita, Elommal, Baudier, and Hikkerova, 2021), as the results supported the hypothesis that there is a statistically significant impact of digital transformation in enhancing the quality of audit reports. The integration of the digital technology empowered auditors to access and analyze a broader range of data, resulting in more comprehensive and accurate auditing practices. Additionally, the study emphasized that digitization helped reduce the management's discretionary power and contributed to greater objectivity and reliability in the audit process.



## Results and Recommendations

### The study reached the following results:

- The use of digital transformation led to improving the quality of audit planning by accomplishing all its tasks effectively and developing it to mitigate audit risks in an acceptable manner.
- The application of digital transformation had a positive impact on improving the quality of audit implementation, through the use of digital technology-based transformation models that enabled the implementation of appropriate and necessary tests and analytical procedures for the auditing process.
- The use of digital transformation led to improving the quality of the audit report, which helped the auditor express a critical, neutral, and appropriate professional opinion regarding the fairness of financial statements.

### In light of the study results, the study recommended the following:

- It is crucial for auditors to prioritize electronic digitization in order to improve their performance efficiency in audit planning.
- Encouraging auditors to utilize digital transformation applications and models based on information technology to enhance performance efficiency and effectiveness in implementing audit work.
- Enhancing auditors' to focus on developing and enhancing their digital transformation-related skills to improve performance efficiency in the audit report preparation phase.

### Future Proposed Studies

In addition to this study, the researcher proposed conducting the following studies:

- The impact of transitioning to digital accounting systems for companies on improving the quality of accounting information and enhancing corporate governance effectiveness.
- The impact of digital transformation on the quality of internal auditing and its reflection on improving the quality of financial reports.
- The digital transformation of external auditing and its impact on corporate governance.

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## أثر التحول الرقمي على تحسين جودة التدقيق في فلسطين: دليل تجريبي

إسكندر نشوان

قسم المحاسبة، كلية الإدارة والمالية، جامعة الأقصى، غزة- فلسطين

dr.eskandar.n@gmail.com

### ملخص

هدفت الدراسة إلى التعرف على أثر التحول الرقمي على تحسين جودة التدقيق في فلسطين، من خلال أهم مراحلها: التخطيط والتنفيذ والتقرير، وتم استخدام المنهج الوصفي التحليلي، المعتمد على الاستبانة كأداة لجمع البيانات. وطبقت الدراسة على مجتمع الدراسة، المكون من جميع مدققي الحسابات العاملين في منشآت المحاسبة والتدقيق المختلفة في قطاع غزة، حيث بلغ عدد تلك المنشآت 48 منشأة، يعمل فيها 144 عاملاً من فئة العاملين في مجال التدقيق، وفقاً لسجلات نقابة المحاسبين والمدققين في قطاع غزة. وعليه، تم استخدام تقنية العينات الهادفة نظراً لصغر حجم مجتمع الدراسة. وقد تم تحليل وتفسير بيانات الاستبانة المجاب عليها باستخدام البرنامج الإحصائي للعلوم الاجتماعية (SPSS). وبينت نتائج الدراسة وجود أثر إيجابي لاستخدام تطبيقات التحول الرقمي على تخطيط وتنفيذ وتقرير عملية التدقيق الخارجي. وفي ضوء نتائج الدراسة، فإنها توصي بضرورة اهتمام مدققي الحسابات بتنمية مستوى معارفهم ومهاراتهم بكافة أنواع نماذج التحول الرقمي، لأداء عملية التدقيق بكفاءة وفاعلية في بيئة الأعمال الإلكترونية. وكذلك، قد يقوم مدققي الحسابات بتطوير قدراتهم في مجال تكنولوجيا المعلومات المالية. وعلاوة على ذلك، تعزيز اهتمام الجهات المسؤولة والمختصة بالتدقيق سواء جمعيات مهنية أو جامعات تعليمية أو أي هيئات أخرى بتكنولوجيا المعلومات المالية والتقنيات الإلكترونية الحديثة نظراً لتأثيرها الإيجابي على عملية التدقيق بهدف تحسين مخرجاتها، وزيادة المصداقية في نتائجها.

الكلمات الدالة: قطاع غزة، التحول الرقمي، جودة التدقيق، تخطيط التدقيق، تنفيذ التدقيق، تقرير التدقيق.