Digital Transformation, External Monitoring, and Audit Quality Improvement

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DOI: https://doi.org/10.47772/IJRISS.2026.101000227

Received: 14 October 2026; Accepted: 19 October 2026; Published: 01 November 2026

ABSTRACT

Digital transformation has increasingly reshaped organizational information processing and auditing practices, creating new opportunities to improve audit quality. However, the conditions under which digital transformation contributes more effectively to audit quality remain insufficiently examined. This study investigates the effect of digital transformation on audit quality and examines the moderating role of external monitoring. A quantitative research design was adopted, and primary data were collected through an online questionnaire from professional auditors with relevant experience in auditing and accounting-related activities in China. After data screening, 312 valid responses were retained for analysis. The results show that digital transformation is positively associated with perceived audit quality. Furthermore, external monitoring significantly and positively moderates the relationship between digital transformation and audit quality. The findings indicate that stronger external monitoring enhances the positive contribution of digital transformation to audit quality by strengthening accountability, information transparency, and the effective utilization of digital capabilities. The study contributes to the literature by integrating technological transformation with an external governance perspective and showing that the effectiveness of digital transformation is partly contingent on the surrounding monitoring environment. Practically, organizations should strengthen digital capabilities and data governance, while regulators and external stakeholders should enhance monitoring mechanisms to maximize the benefits of digital transformation for audit quality.

Keywords: digital transformation; audit quality; external monitoring; corporate governance

INTRODUCTION

Digital transformation has become an increasingly important factor influencing the development of auditing practices (Manita et al., 2020). The rapid adoption of digital technologies has changed how organizations generate, process, store, and communicate information, while also reshaping how auditors obtain evidence, assess risks, and perform audit procedures (Barr-Pulliam et al., 2022; Celestin & Vanitha, 2019). Technologies such as data analytics, cloud-based systems, artificial intelligence, and automated information processing have created new opportunities for auditors to improve the efficiency and effectiveness of audit activities. Previous research has indicated that digitalization can improve audit processes, enhance the analysis of financial data, and strengthen the governance role of external auditing.

Audit quality is particularly important because it determines the extent to which audit procedures can provide reliable assurance regarding financial information (Mpofu, 2023). High-quality audits require auditors to obtain sufficient and appropriate evidence, identify material misstatements, evaluate risks effectively, and exercise appropriate professional judgment (Noordin et al., 2022). In a rapidly digitalizing business environment, traditional audit approaches may be insufficient to process the increasing volume, variety, and complexity of organizational information. Digital transformation can therefore provide auditors with enhanced capabilities to process information and identify potential risks, thereby contributing to improved audit quality (Wang et al., 2024; Yunis et al., 2024).

Existing studies have increasingly examined the relationship between digital transformation and audit quality. For example, previous empirical research has reported a positive relationship between digital transformation and perceived audit quality among audit professionals (Elsayed & Abouelela, 2026; Zhang & Bin Balia, 2024). Other research has similarly suggested that digitalization enables auditors to move beyond traditional sampling toward broader data analysis and can improve the relevance and quality of audit work (Lugli & Bertacchini, 2023). However, although these studies provide evidence that digital transformation may improve audit quality, the conditions under which this relationship becomes stronger or weaker remain relatively underexplored. One important factor that may influence this relationship is external monitoring. External monitoring refers to the degree to which an organization is subject to supervision, scrutiny, and monitoring from external stakeholders and governance institutions (Li & Zhang, 2022). Effective external monitoring can increase managerial accountability, reduce information asymmetry, and create stronger incentives for organizations to maintain transparent and reliable information (Xu et al., 2025). In such an environment, the benefits generated by digital transformation may be more effectively translated into improvements in audit quality. External monitoring may therefore not simply have a direct relationship with audit quality but may also function as an important boundary condition influencing the effectiveness of digital transformation.

Therefore, the study focuses on the relationship between digital transformation and audit quality and examines whether external monitoring moderates this relationship. Unlike studies that divide digital transformation or external monitoring into multiple dimensions, this study conceptualizes each variable as a single overall construct and measures the constructs using questionnaire items based on a five-point Likert scale. Accordingly, this study aims to answer two main questions. First, does digital transformation significantly improve audit quality? Second, does external monitoring strengthen the relationship between digital transformation and audit quality? By addressing these questions, the study seeks to provide a clearer understanding of how technological transformation and external governance conditions jointly contribute to audit quality improvement.

This study is grounded in agency theory and information transparency perspective: digital transformation improves information processing capacity, while external monitoring mitigates managerial information concealment and enforces accountability, jointly shaping auditors' perceived audit quality. The study contributes to the existing literature in several ways. First, it provides empirical evidence concerning the relationship between digital transformation and audit quality from the perspective of survey respondents involved in auditing-related activities. Second, it introduces external monitoring as a moderating variable, thereby moving beyond the simple direct-effect relationship between digital transformation and audit quality. Third, by examining the interaction between digital transformation and external monitoring, the study provides a more nuanced explanation of when digital transformation is more likely to generate improvements in audit quality.

LITERATURE REVIEW AND HYPOTHESES

Digital Transformation

Digital transformation refers to the process through which organizations integrate digital technologies into their business activities, information processing, and organizational operations (Gong et al., 2022; Zhang et al., 2023). In the auditing context, digital transformation has increasingly changed the way audit information is collected, processed, analyzed, and communicated. The application of digital technologies enables auditors to access and process larger volumes of information and provides new opportunities for improving the efficiency and effectiveness of audit activities (Leocádio et al., 2025). The development of digital technologies has also changed the traditional audit environment. Auditors are increasingly required to work with digitally generated information and utilize digital tools in audit procedures. Digital transformation can facilitate information processing, improve the availability of audit evidence, and support auditors in identifying potential risks and irregularities (Argento et al., 2025). In particular, the increasing use of data analytics, cloud-based systems, artificial intelligence, and other digital technologies has created new possibilities for improving audit practices.

Previous studies have increasingly examined digital transformation in the auditing context. For example, Durdyyev and Yusuvop (2026) investigated perceptions of the impact of digital transformation on audit quality using survey data from auditing specialists and found a positive relationship between digital transformation and audit quality. Similarly, recent survey research has continued to examine digital transformation and audit quality using questionnaire-based data, indicating the relevance of respondents' perceptions when assessing the effects of digital transformation on auditing practices (Taubaev et al., 2026). Therefore, in this study, digital transformation is considered an important organizational and technological factor that may influence the effectiveness and quality of audit activities. The study measures digital transformation as an overall construct using multiple questionnaire items based on a five-point Likert scale, rather than dividing it into separate technological dimensions.

Audit Quality

Audit quality is an important concept in auditing because it reflects the effectiveness and reliability of audit activities in providing assurance regarding financial and organizational information (Al-Shmam et al., 2024). High-quality auditing requires auditors to conduct appropriate audit procedures, obtain sufficient and reliable evidence, identify potential risks and misstatements, and provide appropriate professional judgments and conclusions (Darmawan, 2023). The importance of audit quality has increased with the growing complexity of business activities and information environments. Auditors are required to process increasingly large amounts of information while maintaining professional standards and ensuring that audit conclusions are supported by appropriate evidence. Consequently, improving audit quality has become an important objective for audit firms, auditors, organizations, and regulatory authorities.

The development of digital technologies has further changed the requirements for audit quality (Vitali & Giuliani, 2024). Auditors increasingly need to use digital information and technological tools during audit procedures. The ability to efficiently process information and identify potential risks may influence the effectiveness of audit work. Recent empirical studies based on survey data have found that respondents generally perceive digital transformation as contributing positively to audit quality (Durdyyev & Yusuvop, 2026). In this study, audit quality represents the overall perceived quality and effectiveness of audit activities. Consistent with the questionnaire-based research design, audit quality is measured using multiple items on a five-point Likert scale. The construct is treated as a single overall variable rather than being further divided into separate dimensions.

Digital Transformation and Audit Quality

Digital transformation can influence audit quality by improving the way auditors obtain, process, and evaluate information (Elsayed & Abouelela, 2026). Traditional audit procedures may face limitations when auditors need to examine large volumes of increasingly complex information. Digital transformation provides auditors with technological capabilities that can facilitate information processing and support more effective audit procedures (Lugli & Bertacchini, 2023).

First, digital transformation can improve the availability and accessibility of audit information. Digitalized organizational systems can provide auditors with more timely and comprehensive information, thereby facilitating the collection and evaluation of audit evidence. Better access to information may allow auditors to conduct more effective audit procedures and make more informed judgments. Second, digital transformation can improve the efficiency of audit information analysis. Digital technologies enable auditors to process larger amounts of information within a shorter period and can support the identification of unusual transactions, potential risks, and information inconsistencies. This may increase auditors' ability to identify problems that could otherwise remain undetected under traditional audit approaches. Third, digital transformation can improve the effectiveness of audit procedures. When digital technologies are appropriately integrated into audit activities, auditors can reduce reliance on manual information processing and devote more attention to risk assessment, evidence evaluation, and professional judgment. As a result, digital transformation may contribute to improvements in the overall quality of auditing.

Empirical evidence generally supports this argument. Durdyyev and Yusuvop (2026) found a positive relationship between perceptions of digital transformation and audit quality. Other questionnaire-based research has similarly reported that the adoption of digital transformation technologies can contribute to improvements in audit processes and audit quality. Based on these arguments, digital transformation is expected to have a positive effect on audit quality. Therefore, the following hypothesis is proposed:

H1: Digital transformation has a significant positive effect on audit quality.

The Moderating Role of External Monitoring

Rooted in agency theory, external monitoring imposes oversight pressure on management and restricts opportunistic financial reporting behavior. Digital transformation delivers information-processing capabilities, yet these technological features alone cannot guarantee favorable audit outcomes. Whether auditors recognize quality improvement hinges on the accountability incentives brought by external oversight. External monitoring refers to the extent to which organizational activities and information are subject to scrutiny, supervision, and evaluation by external stakeholders (Pope et al., 2024). External monitoring can create additional accountability and pressure for organizations to maintain reliable information and comply with relevant requirements (Smulowitz et al., 2023). In the auditing context, stronger external monitoring may increase the importance of accurate information, effective audit procedures, and reliable audit outcomes.

However, the influence of digital transformation on audit quality may not be identical under different external monitoring conditions. Digital transformation provides technological capabilities, but the extent to which these capabilities are translated into improvements in audit quality may depend on the surrounding governance and monitoring environment (Otia & Bracci, 2022). When external monitoring is strong, organizations face greater scrutiny regarding their information, reporting, and governance practices (Hood et al., 2026). This can encourage organizations to provide more reliable and accessible information to auditors and create stronger incentives for auditors to make effective use of digital technologies. Under such circumstances, the

information-processing and analytical capabilities associated with digital transformation are more likely to contribute to improvements in audit quality. In contrast, when external monitoring is relatively weak, organizations may face fewer external pressures to improve information transparency and audit-related practices. Even when digital technologies are available, their potential contribution to audit quality may not be fully realized. Therefore, external monitoring may determine the extent to which digital transformation can effectively translate into higher audit quality.

From this perspective, external monitoring should not only be considered as a factor directly associated with audit quality. More importantly, it may serve as a moderating condition that changes the strength of the relationship between digital transformation and audit quality. Stronger external monitoring is expected to reinforce the positive effect of digital transformation by increasing accountability, strengthening information transparency, and encouraging the effective utilization of digital capabilities in auditing.

Therefore, this study proposes the following hypothesis:

H2: External monitoring positively moderates the relationship between digital transformation and audit quality.

METHODOLOGY

Respondent Selection

This study adopts a quantitative research approach to examine the relationship between digital transformation and audit quality and to investigate the moderating role of external monitoring. The unit of analysis is the auditor's perceived audit quality at the audited firm level; the organizational referent refers to the audited client firms. A questionnaire survey was employed to collect primary data from professional auditors with relevant experience in auditing and accounting-related activities. Respondent eligibility criteria include: (1) holding active audit practice qualifications; (2) having participated in audit engagements involving digitally enabled corporate information systems; (3) currently working at audit firms in mainland China. The selection of respondents was based on their ability to understand the application of digital technologies, audit practices, and external monitoring within an organizational context. Questionnaires were distributed via professional audit WeChat groups and industry online communities. Respondents with relevant professional or practical experience were considered appropriate because they are more likely to have sufficient knowledge to evaluate the extent of digital transformation and its potential implications for audit quality.

The questionnaire was designed to measure three main constructs: digital transformation, audit quality, and external monitoring. All constructs were measured using multiple items based on a five-point Likert scale. Respondents were asked to indicate their level of agreement with each statement, ranging from 1 (strongly disagree) to 5 (strongly agree). The use of a questionnaire survey is appropriate for this study because digital transformation, audit quality, and external monitoring involve organizational practices and perceptions that cannot be fully captured through a single objective indicator. Collecting responses from knowledgeable participants enables the study to assess these constructs from the perspective of individuals familiar with organizational and auditing practices.

Sampling Method

A purposive sampling method was adopted to collect data from professional auditors with relevant experience in auditing and accounting-related activities. The questionnaire was distributed through an online survey platform to ensure that the selected respondents had sufficient knowledge to evaluate digital transformation,

external monitoring, and audit quality.

A total of 326 questionnaires were collected during the data collection period. The returned questionnaires were carefully screened for completeness and response quality. Fourteen questionnaires were excluded: 9 with excessive missing items and 5 with straight-lining/identical repeated answers across all Likert items. After screening, 312 valid questionnaires were retained.

This represents a questionnaire retention rate of 95.71% (312/326), rather than an invitation-based response rate. The final sample of 312 valid responses was considered adequate for the subsequent statistical analyses, including descriptive statistics, reliability, and regression analysis of the moderating effect. All respondents participated voluntarily, and the questionnaire responses were used solely for academic research purposes.

Research Design

A quantitative research design was adopted to empirically examine the proposed relationships among digital transformation, external monitoring, and audit quality. The research model consists of one independent variable, one dependent variable, and one moderating variable. Specifically, digital transformation is the independent variable, while audit quality is the dependent variable. External monitoring is introduced as a moderating variable to examine whether the level of external monitoring changes the strength of the relationship between digital transformation and audit quality.

The research design is therefore structured around two hypotheses. The first hypothesis examines the direct relationship between digital transformation and audit quality. The second hypothesis examines whether external monitoring strengthens the positive relationship between digital transformation and audit quality.

All three variables were operationalized as overall constructs rather than being divided into secondary dimensions. Each construct was measured using multiple questionnaire items based on a five-point Likert scale. The response options ranged from 1 = strongly disagree to 5 = strongly agree.

The survey instrument underwent a rigorous validation process to ensure internal consistency and reliability. Cronbach's alpha was calculated for each construct. As shown in Table 1, Digital Transformation yielded a Cronbach's alpha of 0.91, Audit Quality yielded a Cronbach's alpha of 0.93, while External Monitoring yielded a Cronbach's alpha of 0.89, exceeding the widely accepted threshold of 0.70 (Tavakol & Dennick, 2011), indicating strong internal consistency and reliability.

Mean item scores ranged from 3.86 to 4.31 for Digital Transformation, 3.91 to 4.38 for Audit Quality, and 3.79 to 4.25 for External Monitoring, suggesting generally positive perceptions of digital transformation, audit quality, and external monitoring among respondents.

Confirmatory factor analysis (CFA) was performed to verify convergent and discriminant validity of the three constructs. The baseline three-factor model (digital transformation, audit quality, external monitoring) achieved acceptable fit: $\chi^2/df = 1.84$, CFI = 0.94, TLI = 0.93, RMSEA = 0.052. All item loadings were above 0.70.

Discriminant validity was supported as the square root of the AVE for each construct exceeded its correlation coefficients with other constructs. We further checked potential item overlap between digital transformation and audit quality; cross-loadings between DT items and the audit quality latent factor were all below 0.40, indicating no serious item conflation.

Table 1: Items of all variables

Variable	Code	Item	Mean	Cronbach's α
Digital transformation	DT1	Digital technologies are widely integrated into organizational operations and business processes.	4.18	
	DT2	Digital transformation improves the availability and accessibility of organizational information.	4.12	
	DT3	Digital technologies are effectively used to support information processing and analysis.	4.31	0.91
	DT4	Digital transformation improves the efficiency of organizational and audit-related activities.	4.05	
	DT5	The organization continuously adopts digital technologies to improve its operational practices.	3.86	
Audit quality	AQ1	Auditors are able to obtain sufficient and appropriate evidence to support audit conclusions.	4.21	
	AQ2	Audit procedures are effective in identifying material errors and potential risks.	4.18	
	AQ3	Auditors are able to make appropriate professional judgments based on available information.	4.38	0.93
	AQ4	Audit work provides reliable assurance regarding the accuracy of organizational information.	4.27	
	AQ5	The overall audit process is effective in achieving high-quality audit outcomes.	3.91	
External monitoring	EM1	The organization is subject to effective monitoring from external stakeholders.	4.15	
	EM2	External stakeholders regularly scrutinize the organization's information and reporting practices.	4.02	
	EM3	External monitoring creates strong incentives for the organization to maintain transparent information.	4.25	
	EM4	External monitoring effectively constrains inappropriate organizational behavior.	3.79	0.89
	EM5	External monitoring strengthens accountability for organizational and reporting practices.	4.18	

The Digital Transformation construct consists of five items designed to assess the extent to which digital technologies are integrated into organizational activities and information processes. The items capture respondents' perceptions of the use of digital technologies, accessibility of information, information processing, operational efficiency, and continuous digital adoption. The construct demonstrated high internal consistency, with a Cronbach's alpha of 0.91, while the mean item scores ranged from 3.86 to 4.31, indicating generally positive perceptions of digital transformation.

The Audit Quality construct consists of five items measuring respondents' perceptions of the effectiveness, reliability, and overall quality of audit activities. The items focus on the adequacy of audit evidence, identification of errors and risks, professional judgment, reliability of audit assurance, and overall audit effectiveness. The construct yielded a Cronbach's alpha of 0.93, with mean scores ranging from 3.91 to 4.38, indicating strong internal consistency and generally high perceived audit quality.

The External Monitoring construct consists of five items assessing the extent and effectiveness of external scrutiny, supervision, and accountability. The items measure respondents' perceptions of external stakeholder monitoring, scrutiny of organizational information, incentives for transparency, constraints on inappropriate behavior, and organizational accountability. The Cronbach's alpha of 0.89 indicates satisfactory internal consistency, while mean item scores ranged from 3.79 to 4.25, suggesting that respondents generally perceived a relatively strong level of external monitoring.

RESULTS AND ANALYSIS

Demographic Descriptive Statistics

The demographic analysis provides a comprehensive overview of the 312 valid responses collected from professional auditors across various firms in China. As shown in Table 2, the gender distribution remains relatively balanced, with 54.8% male and 45.2% female participants, indicating adequate representation of both genders in the auditing profession. Regarding age, the majority of respondents fall within the 30–39 age group (41.3%), followed by those under 30 (27.2%) and those aged 40–49 (23.1%). This age structure suggests that most participants are in the early to mid stages of their careers, which are often associated with substantial professional experience and active engagement in audit-related activities.

In terms of job position, 42.3% of respondents are senior auditors, 31.4% are junior auditors, and 26.3% are managers or partners, ensuring coverage across different professional ranks. Firm type is also relatively well distributed, with 30.1% from Big Four firms, 35.9% from large domestic firms, and 34.0% from small or mid-sized local firms, providing representation across firms of different sizes. Regarding work experience, 39.4% of auditors have 6–10 years of experience, followed by 34.9% with more than 10 years and 25.6% with 2–5 years of experience, suggesting that most respondents possess meaningful exposure to practical audit activities. Overall, the demographic profile demonstrates a diverse sample of auditing professionals in China. The inclusion of respondents from different age groups, professional positions, firm types, and experience levels provides an appropriate basis for the subsequent analysis of digital transformation, external monitoring, and audit quality.

Table 2: Demographic characteristics of respondents

Demographic Variable	Category	Frequency	Percentage (%)
Gender	Male	171	54.8

	Female	141	45.2
Age	<30	85	27.2
	30–39	129	41.3
	40–49	72	23.1
	≥50	26	8.3
Position	Junior Auditor	98	31.4
	Senior Auditor	132	42.3
	Manager/Partner	82	26.3
Firm Type	Big Four	94	30.1
	Large Domestic	112	35.9
	Small/Mid Local	106	34.0
Work Experience	2–5 years	80	25.6
	6–10 years	123	39.4
	>10 years	109	34.9

Impact of Digital Transformation on Audit Quality

The regression analysis results (Table 3) show that Digital Transformation (DT) has a significant positive effect on Audit Quality (AQ), with a standardized regression coefficient of $\beta = 0.58$, SE = 0.11, $t = 5.27$, $p < 0.001$, 95% CI [0.36, 0.80]. This finding indicates that higher levels of digital transformation are associated with higher perceived audit quality. Therefore, Hypothesis 1 is supported. This result suggests that digital transformation can enhance audit quality by improving the availability, accessibility, and processing of organizational information. Digital technologies enable auditors to access more timely and comprehensive information, facilitating the collection and evaluation of audit evidence. In addition, digital tools can support auditors in processing large volumes of information and identifying unusual transactions, potential risks, and inconsistencies more efficiently.

The positive relationship can also be explained by the improved effectiveness of audit procedures. When digital technologies are appropriately integrated into auditing activities, auditors can reduce their reliance on manual information processing and devote greater attention to risk assessment, evidence evaluation, and professional judgment. Consequently, digital transformation can strengthen the efficiency and effectiveness of audit activities and contribute to higher audit quality. The finding is consistent with previous research suggesting that digital transformation can improve audit processes by enhancing information-processing capabilities and supporting more effective risk identification (Artene & Domil, 2024; Bani, 2025). The significant positive coefficient therefore provides empirical support for the argument that digital transformation has become an important technological factor contributing to improvements in contemporary audit quality.

Table 3: The impact of digital transformation on audit quality

Independent variable	**β**	**SE**	**T-value**	**P-value**	**95%CI**
Digital Transformation→Audit Quality	0.58	0.11	5.27	<0.001	[0.36, 0.80]

The Moderating Role of External Monitoring

The moderating effect analysis was conducted to examine whether External Monitoring (EM) strengthens the relationship between Digital Transformation (DT) and Audit Quality (AQ). The interaction term between Digital Transformation and External Monitoring was included in the regression model to determine whether the effect of digital transformation on audit quality varies according to the level of external monitoring. As shown in Table 4, the interaction term between Digital Transformation and External Monitoring has a significant positive association with Audit Quality, with a standardized regression coefficient of $\beta = 0.21$, $t = 3.18$, $p < 0.01$. This finding indicates that External Monitoring significantly strengthens the positive relationship between Digital Transformation and Audit Quality. Therefore, Hypothesis 2 is supported.

Table 4: The moderating effect of external monitoring

Independent variable	β	SE	T-value	P-value	95%CI
Digital Transformation→ Audit Quality	0.58	0.11	5.27	<0.001	[0.36, 0.80]
External Monitoring→Audit Quality	0.24	0.07	3.46	<0.01	[0.10, 0.38]
Digital Transformation×External Monitoring→Audit Quality	0.21	0.066	3.18	<0.01	[0.08, 0.34]

The positive moderating effect suggests that the benefits of digital transformation for audit quality are more pronounced when organizations are subject to stronger external monitoring. Digital transformation provides auditors with enhanced capabilities for collecting, processing, and analyzing organizational information. However, the effective utilization of these technological capabilities may depend partly on the surrounding governance and monitoring environment. Strong external monitoring can encourage organizations to provide more transparent, accurate, and accessible information, thereby allowing auditors to make more effective use of digital technologies.

Furthermore, stronger external monitoring can increase organizational accountability and create greater incentives for management to maintain reliable reporting practices. Under such conditions, auditors may face fewer barriers when obtaining audit evidence and may be better positioned to use digital analytical tools to identify unusual transactions, inconsistencies, and potential risks. Consequently, the technological capabilities associated with digital transformation are more likely to be translated into improvements in audit quality. In contrast, when external monitoring is relatively weak, organizations may face fewer incentives to maintain transparent information and effective reporting practices. Although digital technologies may still be available, their potential contribution to audit quality may not be fully realized because auditors may have less reliable or less accessible information to analyze. This finding therefore highlights the importance of considering the institutional environment in understanding the consequences of digital transformation.

CONCLUSION

This study examined the relationship between digital transformation and audit quality, with particular attention to the moderating role of external monitoring. Based on the analysis of 312 valid questionnaires, the findings provide empirical evidence that digital transformation contributes positively to audit quality. First, the results demonstrate that digital transformation has a significant positive effect on audit quality. This finding suggests that the adoption and integration of digital technologies can improve the efficiency and effectiveness of audit-related activities. Digital tools can enhance information accessibility, support data processing and analysis, facilitate the identification of potential risks, and improve auditors' ability to obtain and evaluate relevant evidence. Therefore, digital transformation can serve as an important organizational capability for

strengthening audit quality. Second, the findings confirm that external monitoring positively moderates the relationship between digital transformation and audit quality. This indicates that the positive contribution of digital transformation to audit quality becomes stronger when organizations are subject to effective external monitoring. External monitoring can strengthen accountability, encourage information transparency, and create stronger incentives for organizations to use digital technologies in ways that support reliable reporting and effective audit practices. Overall, the findings highlight that digital transformation and external monitoring should not be considered independently. Digital technologies provide the technical capacity to improve audit processes, while external monitoring creates an institutional environment that encourages the effective use of these technologies. The combination of technological capability and effective external oversight can therefore contribute to higher audit quality.

From a practical perspective, organizations should continue to invest in appropriate digital technologies while strengthening data governance, digital capabilities, and audit-related technological applications. In particular, organizations should select digital technologies that are aligned with their operational and audit requirements rather than adopting technologies simply for technological advancement. Effective data management systems, automated audit tools, data analytics, and integrated information platforms can improve the accessibility, accuracy, and timeliness of organizational information, thereby providing auditors with more reliable evidence for risk assessment and professional judgment. Organizations should also provide continuous training to employees and auditors to improve their digital competencies and ensure that technological investments are effectively translated into improvements in audit practices. In addition, clear internal policies should be established regarding data quality, system security, information sharing, and the appropriate use of digital technologies to reduce potential risks associated with digital transformation.

At the same time, regulators and external stakeholders should enhance monitoring mechanisms to ensure that digital transformation is accompanied by greater transparency, accountability, and reporting quality. Effective external monitoring can encourage organizations to make more responsible use of digital technologies and reduce the possibility that digital systems are used to conceal inaccurate or inappropriate information. Regulators can further strengthen relevant guidelines and reporting requirements concerning digitalized business processes, information systems, and technology-supported auditing. External stakeholders, including investors and other relevant oversight bodies, can also play an important role by increasing their scrutiny of organizational information and encouraging greater transparency. Such monitoring can create stronger incentives for organizations to maintain reliable digital records, improve information disclosure, and support high-quality auditing. These measures can help maximize the positive impact of digital transformation on audit quality by combining technological capabilities with effective organizational governance and external oversight.

Despite these contributions, this study has limitations. The use of a purposive sampling method and self-reported questionnaire data may limit the generalizability of the findings. Future research could employ larger and more diverse samples, longitudinal data, and objective measures of digital transformation and audit quality. Future studies could also examine additional factors, such as organizational digital capability, auditor technological competence, regulatory pressure, and corporate governance, to provide a more comprehensive understanding of the digital transformation–audit quality relationship.

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