

# The Impact of Activating Joint Auditing Mechanisms on the Quality of Financial Statements for Joint-Stock Companies

(Evidence from the Algerian Environment)

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## Abstract:

This research investigates the influence of implementing joint audit mechanisms on the quality of financial statements as dictated by the Algerian Shareholding Companies' Financial Accounting System (SCF). Utilizing a descriptive-analytical approach, the study encompasses a sample of 152 accounting and management professionals from the southeastern provinces of Algeria, including El Oued, Ouargla, Biskra, and Ghardaïa, in the year 2024.

The analysis leverages SPSS statistical software to evaluate and verify the study's hypotheses. The results demonstrate a statistically significant effect of joint audit mechanisms on the quality of financial statements in Algerian shareholding companies.

**Keywords:** Joint Audit, Financial Statements, Quality of Accounting Information.

**JEL Classification:** M41.

## Introduction:

The recent financial crises have significantly impacted the global economy, leading to the collapse of several major companies and eroding trust in the auditing profession. These companies, audited by prestigious firms, experienced financial scandals and manipulations, often with auditors complicit in revealing these deviations. This led to numerous lawsuits against auditing firms and a public outcry for improved transparency and accountability.

In response, there is a burgeoning demand to restore faith in the auditing process by enhancing the quality of financial statement audits. Amidst this backdrop, joint auditing has been proposed as a method to bolster the auditing process. This approach involves two independent auditing firms that collaborate to produce a unified audit opinion, sharing joint responsibility and liability. This strategy is aimed at enhancing the independence of auditors and elevating the overall quality of the audit.

### 1. Main Problem:

Reflecting on the concept of joint auditing and its relevance to financial statement quality as prescribed by the Financial Accounting System (SCF), the central issue identified is:

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### 2. Sub-questions:

To address the primary issue, the following sub-questions have been formulated:

- \_ What significance do joint auditing mechanisms hold for joint-stock companies in the Algerian context, as evidenced by our study sample with a 5% significance level?
- \_ How important is the quality of financial statements governed by the SCF, as perceived by our study sample at a 5% significance level?
- \_ What impact do joint auditing mechanisms have on the quality of financial statements in the Algerian environment under the SCF, according to our study sample at a 5% significance level?

### 3. Study Hypotheses:

The study posits the following hypotheses to explore the posed questions:

- \_ The implementation of joint auditing significantly enhances auditing processes in the Algerian context, as substantiated by the study sample at a 5% significance level.
- \_ The quality of financial statements under the SCF is of significant importance, as validated by the study sample at a 5% significance level.
- \_ Joint auditing mechanisms notably improve the quality of financial statements in the Algerian setting under the SCF, as demonstrated by the study sample at a 5% significance level.

### 4. Study Objectives:

The objectives of the study are:

- \_ To demonstrate the impact of joint auditing mechanisms on crucial variables that contribute to the production of high-quality financial statements, particularly within the framework of Algerian business practices.
- \_ To thoroughly discuss and analyze the concept of joint auditing, exploring its theoretical dimensions and practical applications, thereby enhancing the understanding of its relationship with the characteristics of accounting information.
- \_ To assess the correlation between joint auditing practices and the accuracy and reliability of accounting information in joint-stock companies.
- \_ To investigate how joint auditing influences the qualitative attributes of accounting information and to use these insights to either support or critique the commitment to implementing joint auditing practices.

### 5. Study Methodology:

- \_ To achieve the research objectives and test the hypotheses to answer the questions of the posed problem, we adopted a descriptive approach to present the various theoretical aspects related to the study variables represented in the concept of joint auditing and its impact on the quality of financial statements.
- \_ For the practical aspect, the researchers relied on the statistical method, utilizing the SPSS program.

### Previous Studies:

- **Study by Mohammed Mohammed Ibrahim Mandour (2018):** *"The Impact of Elective Activation of the Joint Audit Approach on Earnings Management Practices, an Applied Study on Companies Listed on the Egyptian Stock Exchange"*, Dar Al-Manthuma, Volume 20, Issue 2, Faculty of Commerce, University of Alexandria, 2018:

This study aimed to determine the impact of the optional activation of joint audit practices on earnings management through discretionary accruals and real earnings management activities compared to the implementation of individual external audit approaches. The study utilized an inductive approach for the theoretical framework and a deductive approach for deriving research hypotheses. In addition, statistical analysis was employed to test the study's hypotheses.

The sample consisted of 48 companies divided into 13 companies that applied joint audit practices and 35 companies that relied on individual audit approaches. The results indicated a significant positive impact of joint audit practices on managing earnings through discretionary accruals compared to individual audits.

This implies that the optional application of joint audits allows corporate management to manipulate earnings through discretionary accruals. The study also confirmed that there was no significant impact of activating joint audits on real earnings management practices compared to individual audits.

- **Study by Lemya Ahmed Abdel Karim Ismail (2019): "The Impact of Joint Auditing in Reducing Earnings Management Practices", Journal of Economic and Administrative Sciences, Supplement (1), Volume 20, Issue 2, Al Salam University College for Languages, Translation, and Technology (2019):**

This research focused on the role of joint audits in reducing earnings management practices in both the balance sheet and the income statement. The researcher adopted a deductive approach for framing the problem, hypotheses, and dimensions of the study, as well as an inductive approach for testing these hypotheses.

The study also utilized a descriptive-analytical method in the field study, using SPSS software for statistical analysis. The sample consisted of 40 distributed questionnaires, all of which were returned and analyzed.

The results showed that joint audits minimize earnings management practices related to expenses by enhancing the accuracy of capitalization and deferral operations and exaggerating the estimation of provisions. Joint audits also reduce earnings management practices when recording revenues by minimizing manipulations in handling advanced and accrued revenues and recording revenues from incomplete sales transactions.

- **Study by Ahmed Salem Mohammed (2018): "The Relationship Between Joint Auditing and Double Auditing with Earnings Quality", Journal of Accounting Thought, Year 22, Issue 1, Part 2, Department of Accounting and Auditing, Faculty of Commerce, Ain Shams University (2018):**

This study aimed to provide empirical evidence on the relationship between the application of mandatory and optional joint audits and dual audits and their impact on earnings quality. The sample included 71 companies observed over the period from 2007 to 2016.

The results indicated that earnings quality is achieved when applying joint audits, both mandatory and optional, using discretionary accruals and the size of the audit firm as measures of quality. However, earnings quality was not achieved when using other measures such as the type of audit report, the going concern report, and the reissuance of financial statements.

The study also found that the impact varies depending on the economic sector and the nature of ownership, with earnings quality improving under mandatory joint audits in publicly and mixed-owned banks compared to privately owned banks.

- **Study by Ola Mohammed Khersiat (2020): "The Impact of Joint Audit on Fraud Detection in Financial Statements, From the Point of View of Auditors", Journal Research in World Economy, Vol. 11, No. 01, Canada (2020):**

This study explored the application of joint audits on fraud detection in financial statements from the perspective of Jordanian auditors. It relied on descriptive and statistical analysis using SPSS software. The sample consisted of a questionnaire divided into two parts and distributed among Jordanian auditors.

The findings indicated that joint audits do not significantly affect the detection of fraud in financial statements. The study also found no significant impact of joint audits on management, the board of directors, relationships with related parties, financial outcomes, or operational activities in detecting financial statement manipulations, possibly due to management actions or directions to employees to manipulate and falsify information.

#### **The Gap Addressed by the Study:**

Compared to previous studies conducted in different economic and accounting environments, this study addresses unique aspects of the Algerian business environment, which has distinct market and economic characteristics for joint-stock

companies in Algeria. Additionally, this study differs by using a questionnaire due to difficulties in obtaining sufficient information about joint-stock companies in the Algerian environment.

### **First Section: Theoretical Framework of Joint Audit**

The concept of joint auditing, a topic of considerable debate within professional circles, has gained prominence in academic discourse. Historically recognized both domestically and internationally, the approach has garnered increased attention following the collapse of major corporations and auditing firms, which was a pivotal factor in the recent global financial crisis. This resurgence of interest in joint auditing is driven by its potential to rebuild trust in the auditing profession by ensuring higher accountability and transparency.

#### **First Subsection: The Nature of Joint Auditing**

##### **First: The Concept of Joint Auditing**

Joint auditing involves the collaborative review of a client's financial statements by two or more audit firms, culminating in a joint audit report. This process is based on the execution of a unified audit plan, with the goal of enhancing the thoroughness and credibility of the audit. The concept of joint auditing is described variably across different studies:

- **External Auditing:** Defined as an audit process conducted jointly between audit offices under two separate contracts, ultimately resulting in a unified report on the audit process. (Ali, 2016, p. 199).
- **Joint Audit Concept:** Refers to the situation where two or more separate and independent audit offices review the financial statements of the same client. This includes joint planning of the audit process and division of audit tasks to prevent redundancy, issuing a report that holds all parties jointly accountable (Mandour, 2016, p. 1133).
- **Joint Auditing:** Encompasses two auditors (audit offices) reviewing the accounts of the same company and issuing a joint audit report, signed by both, sharing joint responsibility and coordinating the audit process with a distribution of fieldwork tasks between them (Al-Sa'adun & Al-Jabr, 2014, p. 285).
- Also described as the process by which two audit offices review each other's work, monitor each other's performance, and produce a single audit report signed by both (Holm & Thinggaard, 2015).
- An arrangement where two separate audit firms are appointed by a company to express a joint opinion on its financial statements (Herbinet, p. 2).
- It Involves appointing two or more separate firms to collaboratively review the financial statements of an entity, share joint responsibility, and form a collective auditors' opinion (IRBA, 2020, p. 07).

From these definitions, the researcher formulates the following comprehensive definition: Joint Auditing is an audit conducted by two or more auditors or audit firms that collaboratively review an entity's accounts. This collaboration is based on a consensus to implement a unified audit work plan and divide audit tasks effectively, culminating in the preparation of a single report where each participant bears joint liability.

##### **Second: Objectives of Joint Auditing**

The objectives of joint auditing, as outlined by Saudi (2014, p. 519), serve to reinforce the integrity and effectiveness of the audit process through several key mechanisms:

- **Supporting Auditor Independence:**

The joint audit framework enhances auditor independence in several ways:

- The expression of an audit opinion is bolstered when two auditors, rather than one, are involved, providing a more robust and independent perspective.
- The equal sharing of audit fees between the auditing offices stabilizes financial relationships and minimizes dependence on any single client, thereby reinforcing independence.

- **Leveraging Diverse Expertise of Auditors** (Nabila, 2018, p. 51):

Joint auditing facilitates the pooling of varied expertise from different audit teams, including those from Big4 and Non-Big4 firms. This diversity enriches the audit process through a dynamic exchange of knowledge and techniques, enhancing the overall audit quality.

- **Supporting the Accuracy of Audit Evidence:**

The collaborative nature of joint auditing aids in the meticulous assessment of a company's financial and administrative systems. This thorough evaluation helps in minimizing audit risks, thereby increasing the reliability of the information reported in the financial statements (Hussein A., 2018, p. 519).

- **Supporting Mutual Supervision Among Auditors:**

Joint auditing promotes an environment of mutual supervision where each auditor is accountable for scrutinizing the work of their counterpart. This includes:

- Independently verifying the appropriateness of the procedures performed by the other auditor.
- Ensuring the sufficiency and adequacy of the audit evidence gathered by the other auditor.
- Having the right to access and review the work and conclusions of the other auditor.

- **Supporting Mandatory Rotation of Auditors:**

To mitigate the risks of familiarity and complacency, joint auditing advocates for the mandatory rotation of auditors. This is achieved by:

- Retaining one auditor who has familiarity with the company's operations while rotating the other, thereby maintaining continuity and expertise.
- Encouraging heightened professional skepticism and due diligence in the new auditor, particularly regarding the reliance on the predecessor auditor's work.

- **Reducing Audit Market Concentration:**

Particularly pertinent in contexts where regulations, such as those proposed by the European Commission, require the involvement of at least one Non-Big4 audit firm in the joint audit. This helps to diversify the audit market and reduce concentration (Nabila, 2018, p. 52).

## **Second Subsection: Quality of Financial Statements According to the Financial Accounting System (SCF)**

### **First: Qualitative Characteristics of Financial Information**

To achieve high-quality financial statements, the Financial Accounting System (SCF) identifies four key qualitative characteristics of financial information

- **Fundamental Qualitative Characteristics:**

These include relevance and faithful representation.

#### **A. Relevance:**

Relevance pertains to the ability of financial information to significantly impact the decision-making process of its users. This involves providing reliable data that aids in assessing past performances and projecting future outcomes, thus becoming a critical factor in financial evaluations (Sahraoui & Yebala, 2020, p. 164).

**B. Faithful Representation:**

Faithful representation demands that financial information be devoid of significant errors and bias, thereby presenting an accurate, truthful, and fair depiction of a company's financial position.

- **Secondary Qualitative Characteristics**

**A. Comparability:**

Financial statements should enable users to perform comparative analyses both over time and against other companies. This comparability helps in assessing shifts in financial position and performance, and in evaluating a company's standing relative to its competitors.

**B. Verifiability:**

Verifiability ensures that financial information is consistently reproducible by different professionals, leading to consensus or similar outcomes in financial reporting.

**C. Timeliness:**

Timeliness involves providing financial information promptly to ensure it remains relevant and useful, thereby supporting timely decision-making processes.

**D. Understandability:**

Understandability means that financial information should be clear and comprehensible to users with a reasonable understanding of business, economic activities, and accounting, enabling them to interpret the data effectively.

**Second: Quality of Financial Information (Presentation and Disclosure)**

The emphasis on disclosure has escalated, becoming a cornerstone for ensuring transparency and credibility in the financial and business sectors. A significant contributor to the downfall of many economic entities has been a deviation from accounting principles, coupled with insufficient disclosure and transparency. This lack of clarity often results in financial statements that do not accurately reflect the true financial conditions of entities.

As stipulated by Article 210 of Executive Decree No. 08-156, implementing the provisions of Law No. 07-11, financial statements must include:

- Balance Sheet
- Income Statement
- Cash Flow Statement
- Statement of Changes in Equity
- An Appendix detailing the accounting rules and methods applied.

Financial statements are typically published in annual, semi-annual, and quarterly reports as required by the Financial Accounting System (SCF), with specific details outlined:

**1. Balance Sheet:**

Assets should list tangible and intangible assets, depreciations, financial assets, investments, tax assets (including deferred taxes), receivables (customers and other debtors), prepaid expenses, positive cash balances, and other equivalent treasury items.

Liabilities should detail equity (prior to any proposed or decided distributions post-closing date), issued capital (for institutions), reserves, net results of the financial year, and other relevant items. Non-current liabilities should include interests, suppliers, other creditors, tax liabilities (including deferred taxes), provisions for liabilities, prepaid income, negative cash balances, and other equivalent treasury items, all of which should be displayed as specified in Article 220.3 of the same decree (Zafran & Boudounat, 2018, p. 191).

## 2. **Income Statement:**

Identifies expenses according to their nature, allowing for the determination of the following main operating totals:

- \_ Gross margin
  - \_ Added value
  - \_ Gross operating surplus
  - \_ Ordinary activity products
  - \_ Employee expenses
  - \_ Taxes, duties, and similar payments
  - \_ Financial income and expenses
  - \_ Provisions for depreciation and losses on intangible assets
  - \_ Result from ordinary activities
  - \_ Extraordinary items (products and expenses)
  - \_ Net result for the period before distribution
  - \_ Net result per share for shareholding companies.
- Offsetting between product and expense elements is conducted, and the net balance is presented in the income statement:
  - \_ If related to assets and liabilities themselves subject to offsetting.
  - \_ If resulting from a set of transactions or homogeneous or similar events.
  - \_ If the offset itself is mandated or authorized by regulations (Official Journal, 2018, pp. 23-27).

## 3. **Cash Flow Statement:**

The cash flow statement includes all changes that occur in the balance sheet items and income statement, aiming to provide financial statement users with a basis to assess the entity's ability to generate cash, along with information about the use of such liquidity.

- It presents all financial inflows and outflows during the financial year, according to their source, including:
  - Cash flows from operating, financing, and investing activities, and cash flows from interests in equity shares.
  - Presentation of cash flows from operating activities either by direct or indirect method.

## 4. **Statement of Changes in Equity:**

The statement of changes in equity serves as a pivotal link between the income statement and balance sheet. It provides a detailed account of the fluctuations resulting from the financial period's profits or losses as reflected in the retained earnings.

This statement also aggregates all the movements affecting equity items from the start to the end of the financial period. Specific disclosures in this document include:

- \_ The net result for the financial year, alongside any changes in accounting methods and errors directly corrected in the equity items.
- \_ Other gains and losses that are recorded directly within equity as adjustments for significant errors.

- Equity-related capital transactions, such as payments, increases, or decreases in capital.

#### 4. Notes to the Financial Statements:

The notes to the financial statements offer critical information that is indispensable for the thorough comprehension and analysis of the financial statements. This information is systematically summarized and categorized as follows (Sadi, 2009, p. 66):

- **Legal Information:**

Details on financial obligations, capital structure of the corporation, and secured loans.

- **Tax Information:**

Pertains to the allocation of taxes between current results and extraordinary results.

- **Social Information:**

Provides data regarding the number of employees, total wages paid, and amounts disbursed as social benefits.

### **Second Section: The Empirical Framework for the Impact of Joint Audit Mechanisms on the Quality of Financial Statements**

#### **First: Method and Tools**

Recognizing the significance of the practical dimension, which translates theoretical insights into real-world applications through the study sample, this section outlines the methods employed for data collection and the statistical techniques utilized for data analysis. This approach is designed to deepen the understanding of the study population and either confirm or disprove the proposed hypotheses.

#### **Second: Data Collection Tool**

To effectively bridge the theoretical and practical aspects of the study and to collect diverse data, surveys were utilized as the primary data collection tool. The survey was carefully crafted to avoid redundant statements and to comprehensively cover all facets of the theoretical framework. It ensures that responses are objective and, through peer review, certain inaccuracies were rectified. The survey is structured into two main sections:

- **Personal and Job Characteristics:** This section includes four statements covering age, academic qualifications, nature of job, and years of experience.
- **First Axis:** Focuses on the significance of implementing joint auditing, encompassing nine statements.
- **Second Axis:** Comprises nine statements that evaluate the quality of financial statements under the Financial Accounting System (SCF).

**Study Population and Sample:** This section outlines the statistical population from which the study sample was drawn.

#### **Third: Study Population**

The selection ensured that individuals were sufficiently knowledgeable about the subject and had relevant academic and practical experience. The study encompassed a group of specialized professors, accountants, auditors, and managers of economic companies to assess the impact of joint auditing on the quality of financial statements under the Financial Accounting System (SCF) in the Algerian context.

#### **Study Sample:**

Surveys were distributed to the targeted sample among the previously mentioned categories in the provinces of El Oued, Ouargla, Biskra, and Ghardaïa. A total of 163 forms were distributed via an electronic survey sent by email, with 152 individuals successfully contacted (See Table 1).

**Table 1: Distribution Statistics of Forms.**

| Detail                  | Number of Surveys | Percentage |
|-------------------------|-------------------|------------|
| Total Distributed Forms | 163               | 100%       |
| Non-Returned Forms      | 11                | 6.75%      |
| Returned Forms          | 152               | 93.25%     |
|                         |                   |            |

*Source: Compiled by researchers based on returned forms.*

Questions were designed using the Rensis Likert Five-Point Scale, which includes five response options, to gauge the opinions of the study sample regarding the survey statements (See Table 2).

**Table 2: Five-Point Likert Scale.**

| Rating | Strongly Agree | Agree | Neutral | Disagree | Strongly Disagree |
|--------|----------------|-------|---------|----------|-------------------|
| Score  | 5              | 4     | 3       | 2        | 1                 |
|        |                |       |         |          |                   |

*Source: Based on Rensis Likert (1932), "A Technique for the Measurement of Attitudes," Archives of Psychology, vol. 140, p. 46.*

The relative importance of the arithmetic mean for survey statements is determined mathematically by establishing the range and class interval. A ranking scale for the arithmetic mean is set according to its level of importance for use in analyzing results as follows: The total range between 1 and 5 is divided into sub-ranges each of length 0.8 (See Table 3).

**Table 3: Scale of Relative Importance for the Arithmetic Mean**

| Arithmetic Mean        | Level of Agreement | Relative Importance |
|------------------------|--------------------|---------------------|
| 1 to less than 1.80    | Strongly Disagree  | Very Low            |
| 1.80 to less than 2.60 | Disagree           | Low                 |
| 2.60 to less than 3.40 | Neutral            | Medium              |
| 3.40 to less than 4.20 | Agree              | High                |
| 4.20 and above         | Strongly Agree     | Very High           |

*Source: Prepared by researchers.*

#### **Fourth: Validity and Reliability of the Study Tool**

To conduct this study, the reliability and validity of the questionnaire were first examined through peer review, followed by the calculation of Cronbach's Alpha coefficient.

##### **Validity of the Study Tool:**

The face validity was assessed initially, followed by the evaluation of validity and reliability through statistical methods.

- **Face Validity:** The preliminary version of the questionnaire was presented to some specialized doctors and experts in accounting to gather their opinions on the statements included, as well as to statistics specialists to ensure its suitability for statistical analysis and achieving acceptable results. Based on the feedback, some items were deleted and others were modified to finalize the questionnaire.

- **Construct Validity:** In addition to face validity, the tool's validity was verified through the internal consistency of the study tool's axes by calculating the correlation coefficients between each item within an axis and the total axis as shown in Tables 4, 5, and 6.

**Table 4: Correlation between Statements of Axis One and the Total Axis**

| Statements                 | 1     | 2     | 3     | 4     | 5     | 6     | 7     | 8     | 9     |
|----------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| <b>Pearson Correlation</b> | 0.668 | 0.690 | 0.729 | 0.711 | 0.629 | 0.551 | 0.392 | 0.524 | 0.402 |
| <b>Significance Level</b>  | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
|                            |       |       |       |       |       |       |       |       |       |

*Source: Prepared by researchers using SPSS24 outputs.*

From Table 04, we observe that the correlation coefficients between the overall axis of the importance of joint auditing and its various statements were predominantly positive, ranging from moderate to strong, with values between 0.392 and 0.711. Furthermore, these correlations for different statements were statistically significant, as the p-values were less than the significance level of 0.05. Therefore, it can be stated that there is internal consistency among the statements of the first axis.

**Table 5: Correlation between Statements of Axis Two and the Total Axis**

| Statements                 | 1     | 2     | 3     | 4     | 5     | 6     | 7     | 8     | 9     |
|----------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| <b>Pearson Correlation</b> | 0.688 | 0.690 | 0.699 | 0.733 | 0.717 | 0.698 | 0.683 | 0.633 | 0.461 |
| <b>Significance Level</b>  | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
|                            |       |       |       |       |       |       |       |       |       |

*Source: Prepared by researchers using SPSS24 outputs.*

From Table 05, we notice that the correlation coefficients between the axis of the most important factors contributing to the quality of financial statements and its various statements were positive, ranging from 0.461 to 0.733, which are considered moderate to strong. Additionally, these correlations for all the statements were statistically significant, as the p-values were less than the significance level of 0.05. Therefore, it can be concluded that there is internal consistency among the statements of the second axis.

### Reliability of the Study Tool:

To assess the reliability of the measurement tool used in this study, represented by the questionnaire, Cronbach's Alpha coefficient was calculated, with results shown in Table 6.

**Table 6: Results of the Reliability Test of the Study Tool**

| Statement Groups   | Number of Statements | Reliability Coefficient (Cronbach's Alpha) | Validity Coefficient |
|--------------------|----------------------|--------------------------------------------|----------------------|
| <b>First Axis</b>  | 09                   | 0.769                                      | 0.876                |
| <b>Second Axis</b> | 09                   | 0.845                                      | 0.919                |

|                       |    |       |       |
|-----------------------|----|-------|-------|
| <b>Overall Survey</b> | 18 | 0.867 | 0.931 |
|-----------------------|----|-------|-------|

*Source: Prepared by researchers based on SPSS24 outputs.*

The data showcases that the reliability coefficients range from 0.769 to 0.867. These figures are deemed both good and highly acceptable, surpassing the commonly recommended threshold of 0.6, indicating robust consistency in the survey responses.

Moreover, the validity coefficients predominantly approach 0.9, reflecting a high level of validity in the respondents' answers. Such metrics provide substantial evidence that the responses collected in this study are both valid and reliable, making them a dependable basis for further analysis.

#### **Fifth: Testing for Normal Distribution**

To determine the most suitable statistical analysis techniques for this study, the Kolmogorov-Smirnov test was applied to assess the normality of the data distribution. (See Table 7).

**Table 7: Results of the Normal Distribution Test**

| Statement Groups      | Number of Statements | Test Statistic | Asymptotic Significance | Statistical Decision    |
|-----------------------|----------------------|----------------|-------------------------|-------------------------|
| <b>First Axis</b>     | 09                   | 0.092          | 0.003                   | Non-normal Distribution |
| <b>Second Axis</b>    | 09                   | 0.120          | 0.000                   | Non-normal Distribution |
| <b>Overall Survey</b> | 18                   | 0.100          | 0.001                   | Non-normal Distribution |
|                       |                      |                |                         |                         |

*Source: Prepared by researchers using SPSS24 outputs.*

From the table, we observe that the probability values for the three axes were less than 0.05, leading us to reject the null hypothesis that the survey axes follow a normal distribution. Thus, parametric testing methods cannot be used in the analysis.

#### **Statistical Methods Used in Data Analysis:**

This section delineates the statistical techniques employed to analyze the data collected from the survey:

- A five-point Likert scale was used to determine the importance of each survey item, ranging from "strongly agree" to "strongly disagree," with relative weights assigned from 5 to 1.
- Frequency distributions, percentage rates, weighted averages, and standard deviations were calculated, subsequently inferring the trend.
- The T-test was employed to test the validity of the first and second hypotheses.
- Pearson's test was used to ascertain if there is a relationship between the importance of joint auditing and the quality of financial statements.

## Sixth: Presentation of Results and Discussion

This phase is integral to the research process as it involves the presentation and interpretation of the data in relation to the theoretical framework and hypotheses. This section seeks to:

### Results of Sample Opinions on the Importance of Joint Auditing:

To explore the hypothesis concerning the importance of joint auditing according to the study sample, data visualization in the form of a table (Table 8) is prepared.

**Table 8: Results of Sample Opinions on the Importance of Joint Auditing**

| Second Axis Statements                                                                                                                     | Statistical Indicators   |                    |         | Direction      |
|--------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------|---------|----------------|
|                                                                                                                                            | Weighted Arithmetic Mean | Standard Deviation | Ranking |                |
| 1. Joint auditing detects substantial errors in specific account balances or other operations.                                             | 4.21                     | 0.783              | 03      | Agree          |
| 2. Joint auditing reduces income smoothing, increasing the reliability of financial reports.                                               | 4.08                     | 0.757              | 09      | Agree          |
| 3. Using joint auditing leads to more objective evidence.                                                                                  | 4.12                     | 0.725              | 07      | Agree          |
| 4. Joint auditing provides a basis for developing and implementing strategic plans, improving audit quality.                               | 4.11                     | 0.73               | 08      | Agree          |
| 5. Using joint auditing increases the reliability and credibility of accounting information, resulting in more objective reporting.        | 4.18                     | 0.699              | 04      | Strongly Agree |
| 6. Auditors in joint auditing bear joint responsibility, resulting in more objective and timely reporting.                                 | 4.17                     | 0.857              | 05      | Strongly Agree |
| 7. Joint auditing can detect fraud in financial statements, reducing earnings management.                                                  | 4.13                     | 0.856              | 06      | Strongly Agree |
| 8. Joint auditing helps reduce breaches of professional standards by audit offices, enhancing report quality.                              | 4.24                     | 0.744              | 02      | Strongly Agree |
| 9. Joint auditing supports the independence of external auditors, enhancing the quality of accounting information in financial statements. | 4.52                     | 0.551              | 01      | Strongly Agree |

*Source: Prepared by researchers based on SPSS24 outputs.*

The data presented in Table 8, which includes various items with mean scores ranging from 4.08 to 4.44, indicates a high level of agreement on the importance of joint auditing among the study sample. The standard deviations ranging from 0.517 to 0.885 suggest a strong consensus among the respondents' opinions.

**Table 09: Results of the Sample's Opinions on the Overall Importance of Joint Auditing Axis**

| Total Statements of the First Axis | Statistical Indicators |                    |                    | Direction      |
|------------------------------------|------------------------|--------------------|--------------------|----------------|
|                                    | Weighted Average       | Standard Deviation | Significance Level |                |
|                                    | 4.25                   | 0.391              | 0.000              | Strongly Agree |

*Source: Prepared by the researchers based on outputs from SPSS24.*

From Table 11, the weighted average for this axis was 4.25, which is classified in the "Strongly Agree" category. The standard deviation was 0.391, which indicates consistency and consensus in the responses of the sample. The median value was 4.33, indicating a statistically significant effect of the importance of joint auditing in joint-stock companies.

#### Results of Sample Opinions on Financial Statement Quality:

In addressing the hypothesis related to the quality of financial statements as perceived by the study sample, detailed insights are provided in Table 12.

**Table 10: Results of Sample Opinions on Various Statements About Financial Statement Quality**

| First Axis Statements                                                                                                                                                                                          | Statistical Indicators   |                    |         | Direction      |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------|---------|----------------|
|                                                                                                                                                                                                                | Weighted Arithmetic Mean | Standard Deviation | Ranking |                |
| 1. Discovering substantive errors and manipulations increases financial statement quality.                                                                                                                     | 4.08                     | 0.885              | 09      | Strongly Agree |
| 2. Presenting various financial statements can solve financial problems faced by institutions, most importantly the loss of trust and credibility in the accounting information they contain.                  | 4.16                     | 0.680              | 08      | Agree          |
| 3. The quality and effectiveness of the accounting information contained in the financial statements are determined by their ability to influence the behavior of their users.                                 | 4.18                     | 0.727              | 06      | Agree          |
| 4. When the accounting information in the financial statements possesses qualities such as relevance and reliability, it is of high quality.                                                                   | 4.16                     | 0.739              | 07      | Agree          |
| 5. The presence of relevance and objectivity in the accounting information of the financial statements is insufficient for making sound decisions without considering the timing of obtaining the information. | 4.29                     | 0.572              | 05      | Agree          |
| 6. Accounting information that is reliable and credible enhances the quality of the financial statements.                                                                                                      | 4.4                      | 0.517              | 02      | Agree          |
| 7. Using recognized accounting policies reduces opportunistic management behavior, thus enhancing the quality of the financial statements.                                                                     | 4.44                     | 0.524              | 01      | Agree          |
| 8. Adhering to professional auditing standards limits earnings management activities, thus enhancing the quality of the financial statements.                                                                  | 4.33                     | 0.585              | 03      | Strongly Agree |
| 9. Accounting information free from bias and uncertainty increases the quality of financial statements.                                                                                                        | 4.23                     | 0.633              | 04      | Strongly Agree |

**Source:** Prepared by researchers based on SPSS24 outputs.

From the table, which evaluates the sample's opinions on the first axis based on various statements, the weighted arithmetic means ranged from 4.08 to 4.52, predominantly in the category of 'Agree' and 'Strongly Agree'. The standard deviations ranged from 0.551 to 0.857, indicating a consensus among the sample responses.

**Table 11: Results of Sample Opinions on the Overall Axis of Financial Statement Quality**

| Total Statements of the Second | Statistical Indicators |                    |                    | Direction |
|--------------------------------|------------------------|--------------------|--------------------|-----------|
|                                | Weighted Average       | Standard Deviation | Significance Level |           |

|      |      |       |       |       |
|------|------|-------|-------|-------|
| Axis | 4.19 | 0.501 | 0.000 | Agree |
|------|------|-------|-------|-------|

*Source: Prepared by researchers based on SPSS24 outputs.*

The weighted arithmetic mean for the overall axis was 4.19, classified in the 'Agree' category. The standard deviation was 0.501, indicating acceptable dispersion in the total responses of the sample. With a significance level below 0.05, there is a statistically significant effect of the most important factors on the quality of the financial statements.

### Testing the Relationship Between the Importance of Joint Auditing and Factors Contributing to Financial Statement Quality

**Null Hypothesis (H0):** There is no significant effect of implementing joint auditing on the quality of financial statements in shareholding companies in Algeria.

**Alternative Hypothesis (H1):** There is a significant effect of implementing joint auditing on the quality of financial statements in shareholding companies in Algeria.

**Table 12: Testing the First Sub-Hypothesis**

| Statement                                                        |                     | First Axis: Importance of Joint Auditing | Second Axis: Factors Contributing to Financial Statement Quality |
|------------------------------------------------------------------|---------------------|------------------------------------------|------------------------------------------------------------------|
| First Axis: Importance of Joint Auditing                         | Pearson Coefficient | 01                                       | 0.531                                                            |
|                                                                  | Sig                 | 0.000                                    | -                                                                |
|                                                                  | Frequency           | 153                                      | 153                                                              |
| Second Axis: Factors Contributing to Financial Statement Quality | Pearson Coefficient | 0.531                                    | 01                                                               |
|                                                                  | Sig                 | -                                        | 0.000                                                            |
|                                                                  | Frequency           | 153                                      | 153                                                              |

*Source: Prepared by researchers based on SPSS24 outputs.*

The analysis of Table 12 reveals a Pearson correlation coefficient of 0.531, which indicates a moderate positive correlation between the implementation of joint auditing and the quality of financial statements in Algerian shareholding companies. The statistical significance is profound, with a p-value of 0.000, which is well below the threshold of 0.05. This compelling evidence leads us to reject the null hypothesis and accept the alternative hypothesis, confirming that joint auditing significantly enhances the quality of financial statements.

### Results Analysis:

This section evaluates the validity of the proposed hypotheses and provides an in-depth analysis and discussion of the study results:

- The first question ("Is there a statistically significant effect of the importance of joint auditing in shareholding companies?") was answered, and the first hypothesis was accepted based on the results of Tables 8 and 9. Most statements fell within the 'Strongly Agree' category, and the statistical significance level was less than 0.05. This indicates acceptance of this hypothesis, meaning that shareholding companies in the Algerian environment recognize the importance of these practices. Joint auditing helps discover substantive errors in specific account balances, enabling the detection of fraud in financial statements and subsequently increasing the reliability and credibility of accounting information, leading to more objective reporting.

- The second question ("Is there a statistically significant effect of the most important factors on the quality of financial statements?") was also answered, and the second hypothesis was accepted based on the results of Tables 10 and 11. Most statements fell within the 'Strongly Agree' category, with a statistical significance level of less than 0.05. This suggests that there is a significant importance for the quality of financial statements and the accounting information and data they contain. Financial reports that meet quality determinants and respond to the qualitative characteristics of accounting information help users make informed decisions as they are the primary source of accounting information. Additionally, presenting various financial statements helps solve problems related to the loss of trust and credibility in the accounting information they contain.
- The third question ("Is there a statistically significant effect of implementing joint auditing on the quality of financial statements in shareholding companies in Algeria?") was also addressed, and the hypothesis stating that "There is a statistically significant effect of implementing joint auditing on the quality of financial statements in Algerian shareholding companies" was accepted based on the results of Tables 12 and 13. Most statements were in the 'Strongly Agree' category, with a statistical significance level of less than 0.05. This supports the hypothesis that joint auditing supports the independence of external auditors, reduces uncertainty, and improves company oversight, thereby enhancing the quality of financial statements.

### Conclusion:

The study commenced with the challenge of determining the extent to which joint auditing influences the quality of financial statements within shareholding companies in Algeria, operating under the SCF accounting system. This inquiry was approached through dual axes, employing the methodologies and analytical tools outlined in the general introduction, beginning with the formulated hypotheses.

Throughout this research, we meticulously dissected and debated the theoretical underpinnings of joint auditing, including its principles and objectives, and scrutinized the essential disclosures required in financial statements to deem them high-quality under the SCF standards. Additionally, this study juxtaposed prior research with contemporary findings in the theoretical spectrum.

In the practical application segment, the outcomes of the empirical analysis were systematically examined and discussed using data gathered through surveys, which were statistically processed using SPSS software along with appropriate analytical tools to address the specific empirical questions posed by the study.

From both the theoretical insights and practical applications examined, coupled with the outcomes derived from statistical hypothesis testing and subsequent discussions, we can delineate several key conclusions:

- In the Algerian context, joint auditing is profoundly valued, as evidenced by the study sample at a 5% significance level. Algerian companies acknowledge the efficacy of these practices in detecting significant errors within specific account balances, thereby bolstering the reliability and credibility of the accounting information and culminating in the generation of more objective financial reports.
- The study reinforces the critical role of high-quality financial statements within the Algerian business milieu under the SCF system, as affirmed by the sample at a 5% significance level. These statements, enriched with essential accounting data and information, are pivotal for enabling informed decision-making as they represent the primary source of accounting data.
- The implementation of joint auditing significantly enhances the quality of financial statements in the Algerian context, as per the SCF accounting system and confirmed by the study sample at a 5% significance level. This enhancement is primarily due to joint auditing's capability to uncover fraud and manipulation, thus elevating the reliability and credibility of the financial information presented. Consequently, these high-standard financial reports assist stakeholders in making knowledgeable decisions, which in turn improves the overall quality of financial statements.

### Recommendations:

In light of the findings from this study on the beneficial impact of joint auditing on the quality of financial statements within Algerian shareholding companies, the following recommendations are proposed to further embed and enhance joint auditing practices:

- Conduct more studies that provide additional insights into the application of joint auditing in Algerian shareholding companies.
- Include joint auditing approaches in the auditing curricula at Algerian universities, highlighting the positive impact that compliance with joint auditing mechanisms can have on shareholding companies.
- Strive to activate joint auditing mechanisms, working on issuing laws, regulations, and policies that facilitate their adoption in the Algerian business environment.
- Urge professional auditing bodies to adopt a specific standard for joint auditing that fits the Algerian business environment and begin implementing these practices to improve the reliability of financial statements.

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