



Benha University
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The Impact of Strategic Alliances of Accounting Firms on the Audit Quality and Audit Risk Reduction in Egypt (An Applied Study)

*A Thesis submitted in the fulfillment of the requirements for the degree of
doctor of philosophy in Accounting and Auditing*

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2023

Abstract

This study aimed at investigating the impact of the accounting firms' strategic alliances on the audit quality and audit risk reduction in Egypt. The researcher clarified the strategic alliances definitions, advantages and their motivations. The accounting firms' strategic alliances promote the long-term success for the local accounting firms through associating with the international accounting firms (Big-4 / Non Big-4), that in turn provide the local accounting firms with various human and technological resources, sophisticated audit programs, modern and advanced conferences and continuous learning programs for the auditors of the local accounting firms. That is to raise their levels, qualities, capabilities and experiences to improve their performance in conducting the audit process.

The advantages of the accounting firms' strategic alliances raise the performance level of the local accounting firms' strategic alliances to improve the auditors' performance level, which in turn improve the audit quality. The audit quality has many indicators for measure, but the researcher depended only on two indicators; the accounting firms' size and the auditors' industrial specialization as the available data in the Egyptian audit market enhance these two indicators. The applied study approved the positive relationship between the accounting firms' strategic alliances and the audit quality in Egypt.

Also, the researcher clarified the impact of the accounting firms' strategic alliances on the audit risk reduction through clarifying the different three types of the audit risk, and how associating with the international accounting firms (Big-4 / Non Big-4) affect on the local accounting firms ability to reduce the overall audit risk. The overall audit risk can be reduced through enhancing the audit evidences that can be

enriched with the sophisticated audit programs that can be provided through the accounting firms' strategic alliances. Also, the continuous learning programs, learning programs, consulting and enforcing the quality control programs application help the auditors of the local accounting firms to enhance the audit evidences that in turn reduce the detection risk and hence, reduce the overall audit risk. The applied study approved the negative relationship between the accounting firms' strategic alliances and the audit risk in Egypt.

The current study provided a proposed quality control program for the non-associating accounting firms, coping with the applied quality control programs in the accounting firms' strategic alliances (KPMG & EY in Egypt) that can improve the provided audit quality level in the Egyptian audit market.