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# Digital accounting and its role in improving the impact of audit quality on financial integrity of Saudi Arabia SMEs

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**C H R O N I C L E**

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**A B S T R A C T**

This study develops and empirically tests a conceptual model that positions audit quality (AQ) as a direct driver of the financial integrity (PFI) of small and medium-sized enterprises (SMEs) in Saudi Arabia and examines digital accounting (DA) as a mediating variable. Based on agency theory, signaling theory, and a resource-based firm perspective, we hypothesize that (i) higher audit quality improves PFI; (ii) reliance on DA enhances audit effectiveness; and (iii) the relationship between audit quality and an enterprise's financial integrity is partially mediated by DA. Using a multi-stage survey of 180 SMEs managers, auditors, and finance officers in Saudi Arabia SMEs, structural equation modeling (SEM) was employed to test the hypotheses. The results confirm a strong positive effect of application quality on PFI and reveal an indirect effect of DA. The findings underscore that digital accounting not only automates bookkeeping processes but also reshapes the audit process, enhancing the quality of audit evidence, enabling real-time monitoring, and focusing on risk. This study contributes theoretically to clarifying the complex interaction between audit quality, financial integrity, particularly in light of the rapid digital transformation of emerging markets. Practically, it offers valuable insights for Saudi policymakers, SMEs managers, and financial auditors on how to leverage audit quality and digital accounting in ensuring financial soundness and the successful implementation of Vision 2030 projects.

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## 1. Introduction

The association of audit quality and financial integrity in projects has garnered substantial interest, especially due to recent developments in digital accounting technologies (Shengelia et al., 2022). There is increasing evidence suggesting that superior audit quality adheres to high standards of financial integrity by enhancing the degree of confidence that stakeholders have in the accuracy and reliability of a company's financial statements (Yunis et al., 2024; STOICA & Beatrice-Elena, 2024). Digital transformation is a critical mechanism for enhancing the quality of an audit, and emerging technologies, such as blockchain and artificial intelligence, are proving vital for strengthening transparency and accountability in financial reporting (Cazazian, 2022; Qader & Cek, 2024).

Digital accounting technologies provide auditors with new technological tools that allow them to incorporate continuous audit processes (access and analysis in real time of financial data) and to monitor and analyse such data (Korol & Klochko, 2020). In this way, it is possible to access and analyse data in real time, enabling auditors to quickly identify and deal with potential issues (Cardoni et al., 2020; Leocádio, et al., 2025). This practice is particularly important in the case of small and medium-sized enterprises (SMEs), where resources (human, time, and financial) necessary for the satisfactory accomplishment of a traditional audit may be scarce (Achumie, et al., 2024). Utilizing digital platforms will enable auditors to improve their audit competence, efficiency, and consequently, the quality of the audit processes (Ismanidar et al., 2022; Susanto et al., 2022).

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In addition, the adoption of information technology in auditing has been identified to promote good governance and accountability, thus enhancing confidence in financial information (Rahman & Ziru, 2023; Mosweu & Ngoepe, 2021). IT-based accounting information systems' usage, together with cloud-based accounting systems and checking digital records, provide opportunities for auditors to assess organizational performance more efficiently (Alqudah et al., 2024; Gritsuk, et al., 2020). Despite all these developments, there are still challenges in the effectiveness of digital tools for the audit process (Vuković et al., 2023). Factors like the auditors' training and continuous technologies' developments can pose barriers that hinder their effectiveness in benefiting from these digital tools (Barr-Pulliam, et al., 2022; Cristea, 2020). Hence, the auditors' continuous professional training cannot be highly emphasized to keep up with the technological innovations and improve audit quality (Napitupulu, et al., 2023; Elumilade et al., 2024)

In summary, the relationship between audit quality and project financial integrity is being reshaped by digital accounting technologies, which promise to significantly enhance transparency and accountability (Sambale, 2022). By overcoming the hurdles and exploiting the opportunities associated with these technologies, we can leverage their potential to dramatically improve audit outcomes, thus benefiting all stakeholders concerned (Sarram et al., 2024; Bocean & Vărzaru, 2022). Securing the integrity of financial information for capital projects is critically important to the public sector and private financing alike (Kaulwar et al.2023). The recent promotion of digital accounting systems—ranging from enterprise resource planning (ERP) applications to blockchain solutions-has the potential to substantially improve information integrity (Kitsantas, 2022). Although the public sector recognizes the benefits of digital accounting for improving project financial integrity, information technology governance is essential if these improvements are to be realized (Olamide FAGBEMI et al., 2013). The role of digital accounting in improving financial integrity is a reassuring prospect for the future of financial reporting (Winarno, 2025). Improving audit quality is an efficient approach to strengthening the governance of digital accounting systems and enhancing financial integrity (Yahya et al., 2025). Digital accounting shapes how audit quality is defined, and several components are determined by public-sector accountability demands (Kilgore, 2007).

Digital accounting produces anticipated audit-quality improvements by incorporating features that contribute to real-time accountability, the trust of stakeholders, and fraud prevention (Sewpersadh, 2025). Digital modes of recording multisource transactions give rise to better-quality audit evidence by establishing a comprehensive basis for verifying the authenticity of project funding (Douglas, 2023). Based on public-sector views of the significance of audit quality, the digital accounting system adopted for a project engenders the governance-related and other audit-quality expectations (Lugli & Bertacchini, 2023). The analytical framework used to assess audit quality thus reflects governance arrangements and the audit-quality expectations that are elicited by a particular choice of digital accounting technology (Yunis et al., 2024).

### *1.1 Financial Integrity*

Financial integrity is critical to personal and corporate finances, fundamentally influencing trust, ethical decision-making, and long-term success. It serves as a guiding principle that encourages transparent financial practices, which are essential to maintaining stakeholder trust. According to Baqai (2023), the role of ethics in financial decision-making cannot be underestimated; Ethical considerations create an environment in which decisions align with both legal standards and societal expectations, ultimately safeguarding the reputation of the organization.

The impact of financial integrity transcends mere compliance; improves stakeholder confidence. Tariq (2024) emphasizes that when organizations prioritize ethical considerations along with profitability, they build a strong foundation for trust. This mutual trust between stakeholders (from employees to investors) fosters loyalty and can lead to sustained financial performance. Additionally, establishing trust is essential to creating long-term relationships, which are vital to any company's growth strategy. Furthermore, the importance of transparency in financial reporting is highlighted by Ding (2023), who argues that auditing and assurance activities play a critical role in ensuring financial integrity. These practices not only improve the reliability of financial data but also reinforce public confidence in corporate governance. Transparency acts as a catalyst for ethical decision-making, encouraging stakeholders to make informed decisions.
Furthermore, Ogunsola et al. (2021) propose that improving financial integrity through advanced internal audit risk assessments and governance models is essential for organizations seeking long-term success. Their study identifies comprehensive audit frameworks as tools that not only mitigate financial risks but also promote ethical conduct within the organizational culture. Lastly, Orlitzky and Monga (2018) emphasize that integrity is a vital characteristic for effective management and decision making. Organizations that embed integrity in their core values reap substantial long-term benefits, including an enhanced reputation and sustained competitive advantage. In short, financial integrity shapes a landscape of trust and ethical behavior, which are fundamental to personal and corporate finances.

### *1.2 Audit Quality*

Audit quality plays a crucial role in improving financial reporting, promoting accountability and fostering stakeholder confidence, especially as regulatory frameworks continue to evolve. Several key factors influence audit quality, which in turn has significant implications for the overall reliability of financial statements.

First, the competence and independence of auditors are essential to maintaining high audit quality. According to Hategan (2019), auditors must possess the necessary skills and knowledge to effectively evaluate financial statements, while their independence is vital to mitigate conflicts of interest. This independence fosters credibility in the audit process, which is essential for stakeholder trust. Rahmatika and Afiah (2014) also highlight that a competent audit team can improve the reliability of financial reporting, which is critical for effective governance and accountability.

Furthermore, the regulatory environment surrounding audit practices has a significant impact on audit quality. Setiyawati et al. (2020) discuss how rigorous regulations and standards can improve the quality of financial reporting. They argue that adhering to these evolving frameworks ensures that financial information is accurate and transparent, thus supporting organizations' accountability to their stakeholders. Similarly, Balios et al. (2021) highlight that the adoption of new accounting standards can improve the quality of financial reporting, making it more understandable and reliable for stakeholders.
Finally, contextual factors, such as the political and economic context, also influence audit quality. Pamungkas, Avrian, and Ibtida (2019) indicate that external pressures and the complexity of local governance can influence the results of audit reports for government entities. Understanding these factors is essential to developing effective regulatory policies to improve audit quality and, in turn, support stakeholder trust and accountability in financial reporting.

### *1.3 Digital Accounting*

The arrival of digital accounting technologies has had a significant impact on financial reporting within companies, improving accuracy, efficiency and transparency. These benefits are crucial as organizations strive to adapt to an increasingly digital environment. Albuquerque Filho et al. (2022) argue that digital accounting tools dramatically reduce human error in financial reporting processes, thereby promoting greater accuracy. This statement is reinforced by Leon et al. (2022), who highlight that the integration of digital financial applications allows companies to optimize their accounting practices, resulting in better performance and more reliable financial statements. Efficiency is another critical advantage attributed to digital accounting technologies. By automating routine tasks such as data entry and reporting, these technologies allow financial professionals to focus on more strategic activities (Prasetianingrum & Sonjaya, 2024). This efficiency not only speeds up the reporting cycle, but also contributes to more timely decision-making, a vital factor in today's fast-paced business landscape. Furthermore, Badria and Hasanah (2024) emphasize that small and medium-sized enterprises (SMEs) especially benefit from digital tools, as they often face resource constraints that hinder traditional accounting methods. Technology allows SMEs to compete on a level playing field with larger organizations, improving their overall operational effectiveness.

Despite these benefits, the transition to digital accounting technologies is not without challenges. Yarmoliuk et al. (2024) warn that organizations may encounter limitations and risks, such as data security issues and the possibility of technological dependency. The integration of digital accounting systems requires a cultural change within companies, requiring training and adaptation by staff, which can pose significant obstacles for some organizations. Looking ahead, the evolution of digital accounting is expected to continue to reshape the profession. As Prasetianingrum and Sonjaya (2024) note, advances in artificial intelligence and cloud computing are poised to further improve financial reporting capabilities. Companies will increasingly rely on these technologies to provide real-time information and improve transparency in their financial reporting. In conclusion, while digital accounting technologies offer substantial benefits in terms of accuracy, efficiency and transparency, they also present challenges that businesses must address. Addressing these challenges will be crucial for organizations looking to leverage digital tools effectively in their financial reporting processes.

### *1.4 Significance of Study*

In Saudi Arabia, enhancing financial integrity in projects is essential to protecting public and private investments, boosting investor confidence, and driving economic growth (Al-Khalaileh et al., 2024). Growing expectations from stakeholders, regulators, and professional associations regarding the accuracy of financial reporting and adherence to accounting standards underscore the importance of audit quality in promoting financial integrity (Al-Sawalqa, 2014). The multiplicity of companies and financial transactions, often involving high-value projects, means that financial statements cannot accurately reflect project performance without reliable audit interventions. Audit quality is fundamental to improving transparency, accuracy, and accountability in project finance.

### *1.5 Objectives of Study*

Transparency and integrity in financial accounting, particularly in large projects, are crucial for the national economy and development projects. Audits conducted with appropriate methods and professional competence enhance transparency, reliability, and trust. The literature lacks an empirical analysis of how audit quality contributes to financial integrity in Saudi Arabia. Therefore, this study aims to investigate the impact of audit quality on the financial integrity of projects in Saudi Arabia and whether digital accounting acts as a mediator in this relationship.

## 2. Literature Review and Hypothesis Development

### *2.1 Audit Quality and Digital Accounting and Project Financial Integrity*

Increasing complexity of today's business milieu has enabled audit quality to become more critical as a determinant of financial integrity (Nwankpa, 2014). High audit quality ensures that the financial statements prepared by companies reflect their performance accurately and according to the relevant standards, which helps maintain the users' trust in them (Wahhab & Khlaif, 2022). This good perception, in turn, also influences the financial integrity of firms. External audits are integral to the reduction of creative accounting as highlighted by (Olaoye and Bello, 2025), Therefore, rigorous audit quality protects financial integrity through an assessment process in place to verify the authenticity of reports and ascertain that intentional erroneous reports are not issued. Digital accounting technologies are integral to the modernization of business practices and the enhancement of audit quality (Nwankpa, 2014). As businesses integrate more digital solutions, they equip auditors with the tools needed to enhance the accuracy and credibility of financial information (Chen, 2025). Al-Dmour et al. (2023) highlight how knowledge management processes achieve higher audit results through the quality of accounting information. The transition from traditional practices to digital initiatives allows for increased transparency and accountability, which are key tenets of financial integrity. This is paralleled in the findings of Sari et al. (2024), which highlights the role of mediation of the quality of audit results in enhancing financial reporting strategies that align with ethical principles. Furthermore, the interplay between digitalization and audit quality is crucial when we are considering audit service development (Vasilenko & Ternovaya, 2020). The customer company digitalization is also pushing audit companies to enhance digital experience, i.e., quality of audit (Rahman and Ziru, 2023). Elumilade, et al. (2021) explore transformation of digitalization within the audit, who argue that digital audit significantly improves the ability to detect financial mistakes and frauds, linking tech adoption to increasing financial integrity. Al-Hattami, et al. (2024) highlight that the implementation of digital accounting technologies strengthens a corporate governance framework, which is a vital component of financial integrity. Incorporating platforms that enable real-time audit functionalities is a key development that changes a company's approach to financial oversight.

As organizations transition to accounting digitalization, the quality of financial information is increasingly impacted. Alassuli, et al. (2025) demonstrate that digital transformation accelerates a shift towards increased financial transparency through good governance, highlighting the indispensable role of technology in shaping commercial outcomes. Concurrently, Abu Afifa et al. (2025) demonstrate a significant mediating impact of audit quality in the relationship between technological advancement and the quality of integrated reports, highlighting the complex interdependencies that exist within the current corporate landscape. On the wider contextuality of the quality of the audit in strategic performance, Nassani et al. (2023) points to accounting information systems as mediators affecting interaction between digital technology and organizational performance. Blockchain technology, for instance, provides a new audit control paradigm that renders financial reports more secure and trustworthy (Cazazian, 2022). The quality of the audit determines the extent to which digital accounting achieves its purpose of ensuring financial integrity. Thus, audit quality is useful for ensuring financial accuracy, efficiency, transparency, and compliance with the issued financial template, and quality auditing encourages the veracity of the financial statements to protect the interest of the relevant users and as a result place the capital markets in the right credibility (Darmawan, 2023; Babalola et al., 2022).

Automation of the data collection and analysis process makes the data more reliable, reducing data manipulation and human errors, thus leading to better financial reporting outcomes (MD Shakil et al., 2022; Elumilade et al., 2024). At the audit quality level and sufficient financial framework, organizations perform better in operational effectiveness Yunis et al. (2024). Audit quality also enhances internal control mechanisms, making checks for systems against transparency and ensuring systems compliance with regulations the center of modern business practice (Judijanto et al., 2023; Ogunsola et al., 2021).
As audited, transparency also has a positive impact. Digital accounting systems or tools that function properly—and they do if they are systematically and rigorously audited—allow their relevant users to access information on all financial transactions in real time (Cazacio, 2022; Balogun et al., 2023). Transparency is a feature aimed at preventing fraud and promoting relationships of trust and honesty between companies, investors, and their customers. Thus, greater transparency will be welcomed in a world that increasingly demands greater accountability from various actors (Sari and Muslims, 2023; Efunniyi et al., 2024).

Another aspect that benefits directly from the quality of audits within organizations is compliance with regulations. Electronic tools keep surging, and so auditors must evolve continuously to accommodate innovation as well as position themselves in the frontier of the markets to ensure they comply with regulations (Thanasas, et al., 2025; Johri, 2025). In sum, studies of Ayogu, 2023; Taib et al., (2025; Leocádio et al., (2025) is replete with clarity about the attributes of quality audits—their contributions to greater reliability, effectiveness and efficiency, higher levels of transparency and compliance with the financial framework imperatives of modern business practice. Digital accounting produces a mediating role, offering an important requirement for increasing transparency and accuracy given the efficacy of the various financial reporting provided (El-Deeb et al., 2024). According to El-Deeb, et al., (2024), the level of accounting conservatism in internet reporting is associated with strong governance and audit quality; the level of transparency in financial information makes the financial numbers accurately represented. Kateb (2024) show that audit committees play a significant role in implementing IFRS in emerging markets.

The increasing digitalization of auditing practices is improving the corporate governance environment. In this regard, Alzghoul (2024) documents that internal audit quality reduces cyber governance-related risks, which is well in line with Rahman and Ziru (2023) documented trend indicating an association between both clients' digitalization efforts and their audit firms' abilities to enhance audit quality.

Finally, a study by Alqudah et al. (2024) illustrates how digital literacy and cloud-based accounting can enhance the effectiveness of internal auditors, highlighting the complementary nature of technology adoption and auditor efficacy. As enterprise audit risk is continuously changing, Zhang and Bin Balia (2024) remind us that auditor behavior is shaped by digital transformation, inviting us to revisit our audit practices in light of new digital scenarios.

**Table 1**
Theoretical Lens

| Theory | Core Premise | Application to Study |
|---|---|---|
| Agency Theory (Jensen & Meckling, 2019) | Information asymmetry between principals (sponsors/owners) and agents (project managers/contractors) creates agency costs. Audits reduce asymmetry. | AQ reduces agency costs at the project level; DA tightens information flow, further mitigating asymmetry. |
| Signaling Theory (Spence, 2002) | High-quality audits serve as a signal of financial integrity to external stakeholders. | AQ signal's reliability of project finances; DA enhances signal credibility by providing verifiable digital trails. |
| Resource-Based View (RBV) (Barney, 2001) | Unique, in-imitable resources generate sustainable competitive advantage. | DA, when integrated with high-quality audit practices, becomes a strategic resource that safeguards PFI. |

These theories together suggest a direct positive relationship between AQ and PFI and a mediated pathway through DA.

## 3. Conceptual Framework

Numerous international and domestic studies confirm that audit quality is fundamental to the financial integrity of projects. It enhances methodological rigor, legitimacy, and credibility in project financing. Audit deficiencies can have serious consequences, particularly regarding financing, which contradicts the Saudi Vision 2030 agenda aimed at promoting project development and investment (Chalastani et al., 2020). Previous research indicates that audit quality fosters transparency, accuracy, and accountability in governmental, economic, and corporate processes, and that digital accounting tools can improve the impact of audit quality on financial integrity, thereby contributing to increased public trust in institutions and individuals. Figure 1 illustrates the conceptual framework of the study.

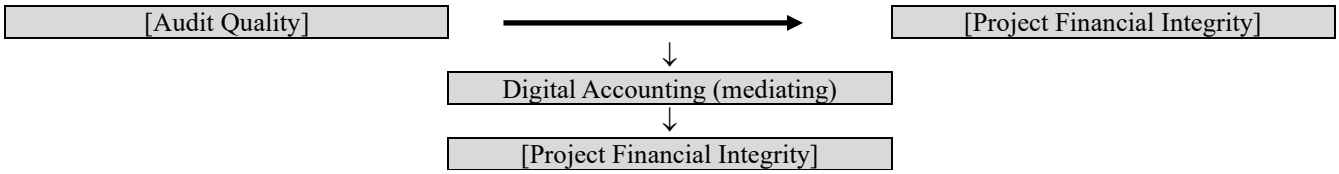


**Fig. 1.** Conceptual Model

### Study Hypotheses

**$H_1$:** *Audit quality (AQ) has a positive influence on the projects Digital accounting (DA).*
**$H_2$:** *Audit quality (AQ) has a positive influence on the project's financial integrity (PFI).*
**$H_3$:** *Digital accounting (DA) plays a mediating role between audit quality (AQ) and projects financial integrity (PFI).*

## 4. Methodology

The present study methodology in distributing the online Survey designed to obtain responses from beneficiaries of their work relates to the small and medium-sized enterprises SME in KSA, 180 the targeted professionals were invited to participate in this review, took into account the role of those involved in the financial and operational oversight processes SMEs in the Kingdom of Saudi Arabia, (The research sample): Managers and Accountants and Auditors. This diversification of bibliographic references allows us to enrich our understanding of the relationship between audit quality and financial integrity through digital accounting of SMEs in the Kingdom of Saudi Arabia.

The researchers, based on their experience, chose to use Structural Equation Modeling (SEM) as their data analysis technique. Specifically, they took advantage of the Partial Least Squares method, most well-known as a PLS-SEM, using smartPLS Version 4.0 (Henseler & Chin, 2010). Indeed, SEM is argued to be an appropriate analysis method for analyzing complex theoretical models so that researchers can perform a complete analysis that combines two models simultaneously: (i) the structural model that links various constructs to each other, and (ii) the measurement model that links the observed indicators to underlying constructs.

### *4.1 Data Collection*

***Survey Instrument*:** A structured questionnaire administered electronically (via SurveyMonkey). The questionnaire would include Likert-scale items to measure perceptions of:
***Audit Quality (AQ):*** Proxies could include auditor reputation (Big Four vs. non-Big Four), perceived auditor independence, auditor competence, audit committee effectiveness, and audit fees (as an indicator of audit effort).
***Project Financial Integrity (PFI):*** Measured by perceived accuracy, reliability, transparency of financial reports, effectiveness of internal controls in preventing fraud, and compliance with accounting standards.
***Digital Accounting (DA):*** Measured by the extent of adoption and utilization of various digital tools (AI, blockchain, cloud ERP, data analytics) in financial processes, and their perceived impact on efficiency and control.

## 5. Results and Discussion

### *5.1 Measurement model*

In our first stage of validation, we sought to make sure our items were consistent within themselves, a necessary step to ensure that we were properly measuring the same construct. Our two primary points of evaluation were: Cronbach's Alpha (CA) and Composite Reliability (CR) (Table 2). Essentially, CA provides insight into the average inter-item correlation while CR does the same within the context of Structural Equation Modeling (SEM). Looking at our results, we see that all constructs fell above the 0.70 threshold that was set, fitting in line with past research that supports our efforts in formative validity (Hair, et al., 2020). In the first stage of the validation process, we investigated the internal consistency of constructs to confirm that the designed items successfully measure the same construct. We used Cronbach's Alpha (CA) and Composite Reliability (CR) as the main measures of consistency (see Table 2). In particular, CA presents the information about the average correlation among all the items in the scale whereas the CR provides a similar reliability measure in the context of SEM. Results showed no issues because all constructs achieved the recommended 0.70 value. The positive findings confirm the internal consistency of the included measures and were consistent with prior research (Hair, et al., 2020) thus helping us in demonstrating formative validity. Next, we looked at convergent validity by computed Average Variance Extracted (AVE). AVE is a summary measure of convergence among a set of items representing a latent construct, and indicates the degree to which variance captured by the construct (latent variable) is shared by the indicators relative to error variance; thus, capturing how well the indicators represent the latent construct based on the correspondence between actual and theoretical indicators contained in that measurement. Convergent validity is met by an AVE value of 0.50 or greater (indicating that a latent construct is able to explain more than half of the variance of its indicators) (Cheung et al., 2023).

The measurement model suggests a good internal consistency and convergent validity of the constructs since the composite reliability (CR) and the Cronbach's Alpha (CA) values for each construct are greater than the threshold of 0.70 and the average variance extracted (AVE) values for each construct exceeds 0.50. Table 3 and Figure 1 indicate that, for each construct, the items measure adequately what they are supposed to measure, and that the variance explained by the items is greater than the measurement error variance. While this step confirms step 1, a good internal consistency and convergent validity of the theoretical constructs in the model, the examination of the discriminant validity of the measurement model deserves particular attention: it is an essential step to confirm that, in general terms, distinct theoretical constructs are also empirically different. The discriminant validity of the measurement model can be analyzed by means of various complementary indicators (i.e., Fornell-Larcker criterion, heterotrait-monotrait (HTMT) ratio, cross-loadings) as recalled by Rönkkö & Cho (2022). However, an initial reading of Table 3 shows that the pairwise correlations between our constructs are relatively high; indeed, most coefficients are above the threshold 0.5. Interestingly, these observations relate to the second quadrant (mainly in its upper left) of the correlation matrix, as we shall see in facilitation Table 3. Gathering together all this information, at first sight, this suggests that our latent variables are quite correlated with one another. Ensuring that these apparently related constructs are indeed distinct latent variables is an issue that must be considered carefully in order to provide a good interpretability of the parameter estimates of the path coefficients in the structural equation model computed with SmartPLS (Davcik, 2014).

**Table 2**
Measurement Instruments

| Construct | Source | Items | | loading | CA | CR | AVE |
|---|---|---|---|---|---|---|---|
| AQ | DeAngelo (1981) | Independence | AQ1 | 0.771 | 0.828 | 0.885 | 0.659 |
| | | Competence | AQ2 | 0.829 | | | |
| | | Effort | AG3 | 0.837 | | | |
| | | Relevance of audit opinion | AQ4 | 0.808 | | | |
| DA | Appelbaum et al. (2020) | ERP integration | DA1 | 0.878 | 0.896 | 0.928 | 0.764 |
| | | Blockchain usage | DA2 | 0.939 | | | |
| | | AI-analytics adoption | DA3 | 0.856 | | | |
| | | Automation level | DA4 | 0.819 | | | |
| PFI | Maryam et al. (2024) | Accuracy of cost reporting | PFI1 | 0.850 | 0.896 | 0.928 | 0.762 |
| | | Timeliness of financial statements | PFI2 | 0.905 | | | |
| | | Compliance with standards | PFI3 | 0.869 | | | |
| | | Transparency to stakeholders | PFI4 | 0.868 | | | |

***CA**= Cronbach's Alpha, **CR**= Composite Reliability, **AVE**= Average Variance Extracted*

**Tabe 3**
Correlation Matrix

| | AQ | DA | PFI |
|---|---|---|---|
| AQ | 0.812 | | |
| DA | 0.512 | 0.874 | |
| PFI | 0.587 | 0.822 | 0.873 |

### *5.2 R-squared and Effect Size (F²)*

R² coefficient is the primary measure used to evaluate the variance model presented in SmartPLS to determine its predictive power and was an indicator of the model's performance in structural equation modeling (SEM) (Hayes, 2021). Analysis of the study variables revealed that an R² coefficient of 0.713 (71%) for the financial integrity of the projects was considered strong, while an R² coefficient of 0.262 (26%) for digital accounting was considered moderate. In addition to R², the analysis used Cohen's R² coefficient as a secondary measure to conduct an effect size test, which helps determine the specific prediction validity. A value greater than 0.35 was considered significant (Selya et al., 2012). For audit quality on digital accounting F² = 0.355, for digital accounting on financial integrity F² = 1.279, and for audit quality on financial integrity F² = 0.131, the effect sizes of audit quality on financial integrity and digital accounting on financial integrity were consistently identified as large, with values exceeding the maximum threshold of 0.35, indicating that the test predictor has a strong effect on internal constructs (Purwanto, 2021). Table 5 and Figure 2 illustrate the coefficients F² and R².

**Table 4**
The results of F² and R²

| f-square | | R-square | | R-square adjusted | |
|---|---|---|---|---|---|
| | | DA | PFI | DA | PFI |
| AQ → DA | 0.355 | | | | |
| AQ → PFI | 0.131 | 0.262 | 0.713 | 0.255 | 0.707 |
| DA → PFI | 1.279 | | | | |

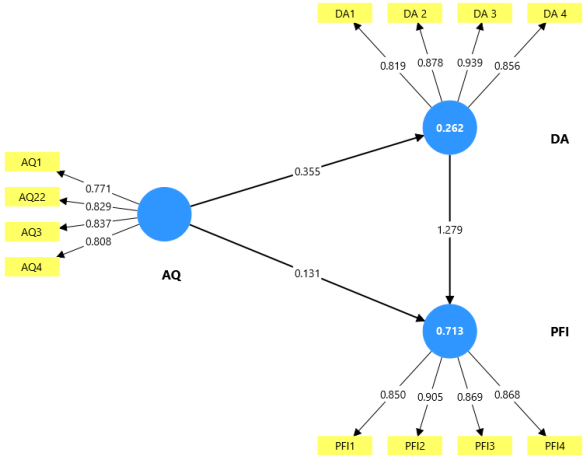


**Fig. 1.** Measurement model

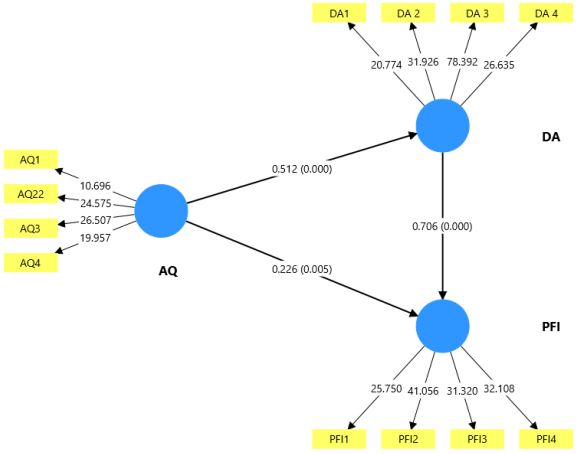


**Fig. 2.** Path Analysis

### *5.3 Path Analysis*

The path analysis results, shown in Fig. 2 and summarized in Table 4, confirmed all three main hypotheses regarding Audit quality, digital accounting, and financial integrity. Analysis of the first hypothesis, H1, showed a statistically significant positive effect of audit quality on digital accounting with a strong regression coefficient ($\beta = 0.641$, $t = 10.674$, $p < 0.000$). This result is consistent with the findings of (Cazazian 2022). Similarly, analysis of the second hypothesis, H2, also confirmed a statistically significant positive effect on the financial integrity of enterprises ($\beta = 0.611$, $t = 9.931$, $p < 0.000$), which is consistent with the previous studies of Serly, & Helmayunita, (2019). The analysis of the third hypothesis, H3, confirmed: that digital accounting enhances the impact of audit quality on the financial integrity of enterprises ($\beta = 0.578$, $t = 7.448$, $p < 0.000$). This result is consistent with the findings of studies such as Babalola, et al (2022). Based on these results, it can be concluded that audit quality has a statistically significant positive impact on the overall financial integrity of enterprises, and that digital accounting plays a crucial role in enhancing this impact.

**Table 5**
Path Analysis

| Path Analysis | Original sample | T value | P values | Result |
|---|---|---|---|---|
| AQ → DA | 0.512 | 5.799 | 0.000 | Accepted |
| AQ → PFI | 0.587 | 7.875 | 0.000 | Accepted |
| AQ → DA → PFI | 0.361 | 5.195 | 0.000 | Accepted |

## 6. Conclusion

In Saudi Arabia, audit quality drives project financial integrity, with digital accounting enhancing this relationship. Projects face significant challenges (e.g., budget overruns, time slippage), leading to losses. Enhancing project financial integrity through improved audit quality achieves cost and revenue reliability and clarity. Project financial integrity remains an underexplored area; the role of digital accounting as a mediator was also limited in prior literature. The study employed quantitative techniques. Appropriate methods analyzed the collected data and determined correlations between the study's variables, fulfilling the research objective. Empirical evidence illustrated the role of digital accounting as a mediator. Digital accounting facilitates higher audit quality, augmenting project financial integrity despite the complexity of the type of relationship. The technologies emerging from faster networks, higher-performance computing, and low-cost storage, such as enterprise resource planning and other tools that respond to accounting and control needs, enhance auditors' ability to capture and verify transactions. The results confirm that audit-quality enhancement positively impacts project financial integrity, corroborating earlier assertions in the Saudi Arabian context. Understanding the auditor selection process in Saudi Arabia can assist construction firms in selecting the appropriate audit party to fulfil financial-reporting obligations. The findings also underscore the importance of implementing and optimizing digital-accounting policies that leverage high audit quality as a basis and that further strengthen the link between high audit quality and project financial integrity.

The success of Saudi Arabia's Vision 2030 hinges significantly on the financial integrity of its monumental projects. This paper has argued that audit quality serves as a powerful catalyst for enhancing project financial integrity, and crucially, that digital accounting acts as a vital mediator in this relationship. High-quality audits not only assure stakeholders of financial reliability but also incentivize project entities to adopt and effectively utilize advanced digital accounting technologies. These technologies, in turn, provide an environment of superior data quality and control, enabling auditors to perform an even more robust and insightful audit, thereby further solidifying project financial integrity.

The conceptual framework and hypotheses presented herein provide a strong basis for empirical validation. Future research should collect primary data from KSA project stakeholders and audit firms to test these relationships. Understanding and proactively managing this intricate interplay between audit quality and digital accounting is not merely an academic exercise; it is a strategic imperative for KSA to achieve its ambitious economic diversification goals and ensure the sustainable success of Vision 2030. Embracing both rigorous, independent audits and innovative digital accounting practices will be paramount in fostering trust, attracting investment, and securing the financial health of the Kingdom's transformational journey.

### *6.1 Implications for KSA*

**For Policymakers and Regulators (SOCPA, CMA):** The findings underscore the need for continuous investment in strengthening audit regulatory frameworks, promoting auditor independence, and fostering audit competence specific to mega-project environments. Furthermore, policies encouraging the adoption and effective implementation of digital accounting technologies (e.g., through incentives, standardization efforts, cybersecurity guidelines) are essential to maximize their benefits. Regulators should consider how to integrate blockchain-based reporting and AI-driven internal controls into future regulatory compliance frameworks.

The results of this study make several contributions to policy and practice for improving construction industry project financial integrity and to the audit profession for enhancing audit quality in the Saudi Arabian context. On a practical level, audit-quality improvement strategies can be prioritized to boost construction project financial integrity in Saudi Arabia. Firms within the construction sector, as well as regulatory authorities overseeing it, can benefit from these findings.
For Project Entities (Management, CFOs): Project managers and finance leaders should view high-quality audits not as a compliance burden but as a strategic investment.

**For Audit Firms**: This paper highlights the evolving role of auditors. Beyond traditional assurance, auditors need to be proficient in digital accounting technologies, both to assess their implementation within clients and to leverage them in their own audit processes (e.g., forensic analytics, continuous auditing). Audit firms should invest in training their professionals in AI, blockchain, and data analytics.

**For Investors (Local and International):** The presence of high-quality audits mediated by advanced digital accounting practices signals a significantly lower risk profile for KSA projects, potentially attracting more capital and reducing the cost of financing.

### *6.2 Future Research Directions*

There is a dire need for further research on the relationship between audit quality, financial integrity, and digital accounting in the context of Saudi Arabia. Independence, training, and technological support for auditors likely play a significant role in this relationship, but they have not been investigated. Future studies based on the findings of the current work could take the model proposed as a baseline to analyze and compare the mediating role of digital accounting on similar projects in other

countries. This may be particularly relevant for projects financed by Chinese financial institutions, as firms from China often prioritize corporate governance indicators that greatly differ from global norms. Further exploration is also warranted into the influence of project financing methods on the interrelation among audit quality, project financial integrity, and digital accounting, particularly in light of Saudi Vision 2030's insistence on prioritizing private sector involvement through the public-private partnership (PPP) scheme. Contracts with PPP components typically include numerous contingencies that could lead to opportunistic behaviors by project owners, thereby heightening the importance of project auditing. Other factors impacting the relationships among audit quality, project finance integrity, and digital accounting could also be considered.
Finally, a number of possible directions for future research are identified, such as the role of digital accounting platform facilitating project governance, real-time anomaly detection deterring fraudulent activity, long-term impacts of AI-driven auditing for financial transparency throughout project life cycles, comparative studies across industries and regulatory regimes that can shed light on best practices for ensuring good audit quality as an agent of integrity.

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