

## Auditor Industry Specialization and Financial Information Quality: An Exploratory Analysis of Listed Companies in Morocco.

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### **Abstract**

The quality of financial information published by companies remains important in emerging contexts to ensure growth and confidence in financial markets. External audit constitutes an exogenous control mechanism for managers' opportunistic actions. Its quality depends on the perceived ability to discover errors or weaknesses in the accounting system and financial information. This ability can be enhanced through the accumulation of experience and expertise in a given industry sector and the in-depth understanding of associated issues, thereby enabling a relevant level of control. To this end, using 245 observations from listed companies in Morocco for the period 2019-2023, we explore the relationship between audit industry specialization and information quality in a context where few studies have analyzed how context affects audit practices. Our results are differentiated according to the type of actor (Big vs non-Big), which illustrates the contextual specificities of the audit market. Moreover, the results offer implications for audit firms that could be relevant for comparative and in-depth research.

**Keywords: Financial Information Quality, Audit Industry Specialization, External Audit, Audit Quality, Emerging Market**

## 1. Introduction

Financial information's purpose is to communicate the reality of the economic and financial situation to guarantee transparency, thus enabling stakeholders to make informed decisions, such as investments. However, numerous financial scandals have revealed different realities, with large companies being implicated in accounting manipulation practices, despite the strict rules established by countries.

Fundamentally, various motivations can drive accounting manipulation, such as the need for continuous growth or achieving results similar to or even better than those of the past. However, these manipulations have serious and devastating repercussions on economic aggregates, for example, the increase in the unemployment rate following corporate bankruptcies, which can disrupt the economic stability of a financial market or a country.

When accounting manipulations are revealed, they can harm stakeholders' confidence in the financial market and its regulators, consequently making it difficult to attract new direct investors. Morocco is a country that is concerned about fighting illicit practices and is engaged in a process of controlling and verifying financial information published by listed companies, given that they are open to foreign investors. The Moroccan State ensures, through its regulatory authorities, that the information circulated in the financial market reflects a true and fair view of listed companies.

Conventionally, corporate governance mechanisms, external audit and internal control, are designed to guarantee the reliability of financial information. Their primary mandate is the prevention and effective detection of financial misstatements. This control function is contingent not just on applying standard audit procedures but crucially on the competence of the auditor to identify and effectively assess Key Audit Matters (KAMs). This vigilance ensures the timely detection of risks that could compromise the quality and integrity of financial reporting.

Therefore, accounting literature indicates that the quality of financial information depends, on one hand, on audit quality, which itself depends on certain attributes such as industry specialization and competence. Some researchers consider that the reputation of audit firms alone does not guarantee the quality of financial information, whereas industry specialization enables an in-depth understanding of a sector's issues, thus allowing for a relevant level of control in the face of diverse risks. This reduces the probability of publishing information that does not reflect the company's reality, promotes stability in financial systems, and fosters sustainable economic growth in countries through, for example, increased investments in major national companies.

On the other hand, the literature documents certain proxies for measuring the quality of financial information, particularly earnings management indicators (Abou-El-Sood & El-Sayed, 2022; Afiah & Indahwati, 2015; Balsam et al., 2003; Hassanzadeh et al., 2013) and the audit opinion, which is considered an alert signal regarding the risk potential and financial irregularities (Anggarini & Zulfikar, 2022; Doan et al., 2021; Omer et al., 2020).

These elements reinforce the interest of our research by examining the combined impact of industry specialization and audit firm profiles on the likelihood of unqualified audit reports. This study aims to enrich the accounting literature with evidence from emerging markets, such as the Moroccan market. Therefore, our research question is: **To what extent does audit industry specialization improve the quality of financial information, and how does this relationship vary based on the type of audit firm?**. This study aims to examine the relationship between auditor industry specialization and the quality of financial information in Morocco, focusing on companies listed on the Casablanca Stock Exchange.

The paper is structured into five sections. Section one presents the introduction, section two the literature review, section three hypothesis development, section four describes the methodology, then followed by results analysis and discussion of the findings, and finally the conclusion includes implications, limitations, and future research perspectives.

## 2. Literature Review

### 2.1 Financial Information Quality

In the Moroccan context, the CGNC (General Accounting Standardization Code) structures accounting information through various financial statements, such as the Balance Sheet, the Income Statement (Statement of Products and Charges), the Statement of Management Balances, the Financing Table, and the Statement of Supplementary Information. These statements serve as a means of communication (Mohammed et al., 2024), particularly for shareholders and investors. The quality principle was introduced by international standards (IAS/IFRS) (Michaïlesco, 2009), given the numerous scandals, such as Enron. It refers to all the characteristics that financial information must possess, primarily relevance and reliability. The latter, according to the framework published by the IFRS, relates to complete presentation, neutrality, and freedom from error. It is a characteristic of high importance for all stakeholders in order to make decisions based on reliable information.

A lack of reliability may indicate opportunistic accounting manipulation in financial reports (Moloi & Obeid, 2024), intentional fraudulent acts (Kadhim & Al Ani, 2024), or even a failure in corporate governance, which can lead to serious risks such as the loss of confidence in financial markets. Indeed, the flexibility offered by standards such as accounting options can

allow for earnings management, a phenomenon studied by several authors in accounting sciences (Al-Absy et al., 2019; Almaharmeh et al., 2024; Hassanzadeh et al., 2013). In this context, as suggested by (Monteiro et al., 2021), it involves manipulating accounting figures (reclassification, transfer of expenses, revaluation, etc.) without necessarily modifying the results. This occurs when standards require specific accounting treatments or estimates within the framework of accrual accounting. When these practices exceed legal limits, they shift into forms of accounting fraud and concealment of financial losses, potentially leading to serious consequences for the company and its ecosystem. In addition to intentional manipulations, unintentional errors and omissions that may arise during the process should also be taken into account. The study of (Choudhary et al., 2022), based on descriptive statistics and regression analyses, demonstrates that adjustments identified by auditors but waived or ignored by management are associated with an increased risk of unreliability in financial statements. Consequently, the quality of financial information is of crucial importance to the company's stakeholders, as their decisions can be influenced by certain company characteristics such as financial performance, stock price trends, and dividend distribution policies, as indicated by (Utami et al., 2021).

## 2.2 Theoretical Framework

This research is based on three distinct yet complementary theories, agency theory, transaction cost theory, and signaling theory, to develop a conceptual framework for effective, high-quality financial communication that supports decision-making. Agency theory, which is academically dominant, has its roots in the article (Jensen & Meckling, 1976) entitled "Theory of the Firm: Managerial Behavior, Agency Cost, and Ownership Structure." It highlights two types of issues, which are far from being exhaustive: the primary one is the divergence of interests between the principal and the agent, which implicitly involves the second issue of information asymmetry regarding the quantity and quality of communication. These problems often lead to accounting manipulation in order to achieve personal objectives.

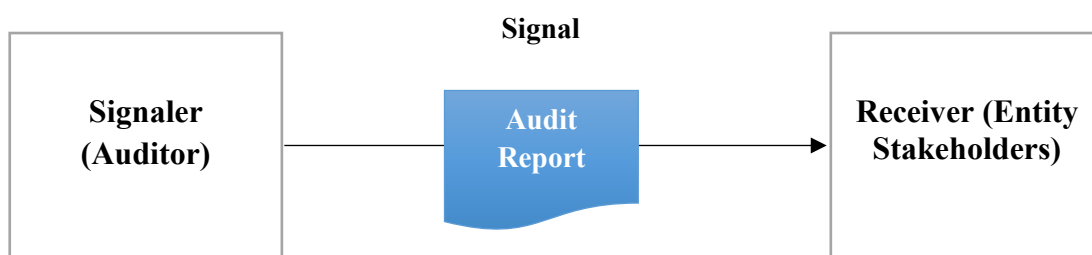
This implies the necessity of committed monitoring mechanisms on the part of shareholders (Orleans & Raul, 2019), given that there is evidence of moral hazard risks: the possibility of a manager acting against the interests of shareholders, and adverse selection: the inability of shareholders to verify the quality of information provided by managers. In this context, (Watts & Zimmerman, 1986), stress the role of governance mechanisms such as auditing, especially external auditing (Fama & Jensen, 1998), as they apply pressure to align management interests with shareholder interests. However, these mechanisms entail additional costs for shareholders. This finding leads to questions regarding the perspectives of transaction cost theory.

(Williamson, 1985) developed it, positing that companies aim to minimize their costs, especially those associated with control, imperfect information, or opportunism.

Thus, any contractual relationship is characterized by three essential dimensions: the frequency of exchanges, the level of uncertainty, and the specificity of assets mobilized (notably specificities related to human resources, skills, and time) due to the bounded rationality of actors and the uncertainty inherent in any economic transaction (Bakkour, 2013; Lavastre, 2001). By mobilizing these attributes, we stipulate that resorting to external auditing specialized in the company's sector of activity promotes the reduction of contract costs by charging lower fees, often proportional to audit expenses, while maintaining control effectiveness (Bills et al., 2015). Opting for this choice makes the transaction between the company and the audit firm rational and efficient.

Signal theory (Spence, 1973), for its part, suggests that companies must develop signaling models to reassure stakeholders about the company's situation, such as the voluntary disclosure of relevant information by managers (Shehata, 2014), which constitutes a positive signaling strategy. Thus, a signal is any additional information provided to the financial market with the aim of influencing investors and triggering a stock price reaction (Noe & Rebello, 1996). The audit report itself is considered a signal regarding the quality of financial information (Wang & Chen, 2021). When auditors mention additional information in their report on financial information, such as reported earnings, this can be taken into account by market participants to assess the true value of the company, thereby reinforcing investors' reaction in the market (Ghicas et al., 2008). Connelly et al. (2011) identified the sender, the signal, and the receiver as the main components of signal theory. The sender is the party with private information about the companies (such as an auditor), a signal is an element or characteristic of an entity that changes the beliefs of other individuals (such as an audit report), and the receiver is the party who receives the signal, such as investors (Spence, 1973; Zhong et al., 2022). Figure,1 illustrates the three main components of signal theory.

**Figure 1: The Audit Report as a Signal of Information Quality**



**Source: Authors**

Therefore, these theoretical frameworks provide an analytical framework for understanding how governance mechanisms must operate to ensure reliable and effective financial communication for stakeholders. Agency theory highlights the importance of establishing a governance system to minimize opportunism costs. Transaction cost theory falls within the perspective of having specialized control bodies that guarantee effectiveness and efficiency while strengthening transparency by sending signals to the market (signaling theory) about the quality of information through the audit report.

### 3. Hypothesis Development

The literature review shows that there are factors, without being limited to them, that have a differential impact on the quality of financial information. On the one hand, regulators are the primary actors playing an essential role by establishing regulatory frameworks (Blue et al., 2024) and more precise and binding accounting standards, accompanied by sanctions in case of non-compliance. On the other hand, an external audit as a governance body aims to obtain sufficient evidence, assess the effectiveness of internal control in the face of risks (Petrov & Sembiyev, 2020), and send a positive or negative signal through a reasonable opinion on the reliability of the financial information of the audited company (Hallman et al., 2022).

Previous research states that the assessment of risks surrounding financial information is a matter of competence and professional skepticism of external auditors for accounts most vulnerable to illegal practices, especially since auditing standards do not provide explicit guidance on either the definition or the assessment. Interviews conducted by (Kassem, 2024) with 26 experienced external auditors show that a critical mindset of auditors during the control and verification process is essential, which requires qualified and well-trained personnel in aspects related to earnings management, fraud, etc., particularly competence in auditing risk areas. Some consider that professional skepticism is influenced by auditors' personality traits (for example, "extraversion"), and this study provides empirical findings showing that an auditor with an extraverted personality trait reduces operational risk related to financial information (Chen et al., 2023).

Moreover, when performing their procedures, auditors are required to exercise judgment to define appropriate and efficient verification procedures, identify and assess risks, and ultimately form an opinion on the quality of financial information. This suggests allocating temporal resources (Blue et al., 2024). (Gray & Debreceeny, 2014) study highlighted a field-based taxonomy consisting of three phases. First, the extraction of a variety of data from internal sources (the accounting system: accounting entries, financial statements, email archives, etc.), external sources (filings with administrations), and other potential sources. Second, data

analysis involves the auditor deciding which elements deserve attention, along with choosing appropriate control procedures and tools, or even investigations (actual analysis). Third, data exploration involves understanding the relationships between patterns.

Indeed, when faced with complex or emerging risks that exceed their qualifications and are not covered by audit methodologies, such risks may go undetected and unassessed. This highlights the importance of auditors' skills and considers them as one of the important determinants of companies' financial information quality. (Kassem, 2023) conducted semi-structured interviews with 24 experienced auditors from the Big 4 firms in order to analyze why external auditors are unable in certain cases to detect and report fraud. One of the responses mentioned in the study: Fraud risk assessment is not one of the main concerns of external audits. Auditors will not consider fraud risk assessments unless certain conditions or circumstances lead them to believe that the risk of financial reporting fraud is high.

In a similar vein, this study analyzes the role of reputation and industry specialization in audit firms. It shows that companies audited by large international firms specialized in their sector of activity have lower earnings management practices and foster investors' responsiveness, which is associated with better financial information quality (Balsam et al., 2003).

Furthermore, (Azad et al., 2023) consider that highly experienced auditors often set high materiality thresholds, while novice auditors prefer to choose lower thresholds for fear of error. For their part, (Zhu et al., 2024) studied, over a 2020-2022 period, listed companies that received modified audit opinions (with qualifications), which is a case where the issue of financial information reliability is flagged. Among the conclusions, they found that a high materiality threshold is correlated with poor audit quality. This finding occurs in the context where companies engage in earnings management practices. For example, if a company adjusts accounting records, these adjustments may not reach the threshold set by the auditors. In this case, the auditor could conclude that the financial statements are reliable, which is by no means the case, and consequently, audit quality is compromised, as it fails to identify earnings management practices. According to Hallman et al. (2022), a threshold that is too low may negatively affect audit efficiency and cause delays due to minor details. This suggests that the quality of audited financial information disclosed to investors depends on audit quality, which itself depends on the determination of materiality.

In this context, auditors' experience in a specific sector is strongly recommended, as the choice of materiality threshold in terms of both quantity and nature, will be implicitly based on the sector's specific characteristics. (Azad et al., 2022) sought to understand, on one hand, the relationship between the audited sector and the chosen reference criterion for the materiality

threshold, and on the other hand, the relationship between materiality choices and auditor experience in the sector. They found that total assets as a threshold are used in the industrial sector, while revenue is often selected in the financial and banking sector. Their results indicate that the more experience an auditor has in a sector, the lower the risk of error and the higher the materiality threshold. The work of (Popa et al., 2013) confirms these conclusions, showing that there is a causal relationship between the choice of threshold and experience in the sector of activity, which leads us to conclude that the definition of this threshold depends on qualitative factors.

Thus, companies should work with audit firms that have expertise in their industry sector, as auditing any industry requires auditors to initially familiarize themselves with the environment and variables governing that sector. In this regard, the intervention of the audit organization and the appointment of expert auditors can also yield positive results (Ganji et al., 2020). Along the same lines, the authors confirm through various tests (on one hand, an econometric model to quantify the impact and regression tests to assess the relationship, and on the other hand, surveys among stakeholders to gather opinions and validate the assertion), that materiality is not rigid and can be adjusted by auditors through their professional judgment, competence, and professional skepticism.

The effectiveness of professional judgment is also reflected in the ability to identify the risk areas deemed most significant during the audit period. In the audit context, these risk areas are manifested through key audit matters (IAASB, 2015, ISA 701). This study (Ecim et al., 2023) analyzed key audit matters through a qualitative content analysis to examine the impact of audit firm type (Big4 and non-Big4) on the type and number of key audit matters disclosed in audit reports. The findings suggest that the nature of these matters differs according to the characteristics of the audit period. For instance, going concern issues increased in 2020 during the crisis period (COVID-19), and one of the determinants of the number of matters discussed is the company's industry sector.

Analysis of the underlying theoretical frameworks and empirical studies reveals that control mechanisms alone may prove insufficient without being underpinned by enhanced competence and domain-specific expertise. Such expertise facilitates the implementation of effective audit procedures tailored to sector-specific challenges and communicates information quality through a reasoned audit opinion.

Drawing on the arguments emerging from the literature, the following main hypothesis is proposed: **Hypothesis 1: Industry specialization of auditors is positively associated with financial information quality.**

From this hypothesis, one sub-hypothesis is derived:

**Hypothesis 1-1: The effect is more significant on financial information quality for Big 4 firms than for non-Big 4 firms.**

#### 4. Methodology

##### 4.1 Sample and Data Collection

This study adopts the foundations of positivism and follows a hypothetico-deductive approach. To empirically test our hypotheses, data were collected from companies listed on the Casablanca Stock Exchange from 2019 to 2023, excluding those belonging to the financial, insurance, and holding sectors due to their governance mechanisms and their expectations in terms of financial information quality being very distinct, as well as companies with missing data. The final sample comprises to 49 companies, representing 245 observations over the period. **Table 1 presents the detailed distribution by industry in the study sample.**

**Table 1: Sample Characteristics By Industry**

Industry	<i>N</i>	%	<i>NC</i>	%
Agri-food	35	14%	70	14%
Chemistry and Parachemistry	5	2%	10	2%
Trade and Transport	40	16%	80	16%
Electrical Industry	5	2%	10	2%
Metallurgical Industry	15	6%	30	6%
Building Materials	20	8%	40	8%
Mining Oil	15	6%	30	6%
Gas and Lubricants	15	6%	30	6%
Pharmaceuticals Real	10	4%	20	4%
Real Estate and Hospitality	40	16%	80	16%
Telecommunications and New Technologies	35	14%	70	14%
Others	10	4%	20	4%
Total	245	100%	490	100%

**Note:** *N* = Number of listed companies, *NC* = Number of audit firms

**Source:** Authors

##### 4.2 Variable measurements

The operationalization of variables involves transforming theoretical concepts into measurable indicators and proxies. In this regard, financial information quality is a multidimensional concept, referring to several characteristics as discussed in the literature review, particularly reliability, neutrality, and relevance. Accordingly, the audit report has received particulier

attention in accounting research, as it provides information on the company's financial situation that is useful for decision-making, particularly regarding investment (Zhu et al., 2024). The nature of the audit opinion has been used as an indicator in previous research (Anggarini & Zulfikar, 2022; Doan et al., 2021; Omer et al., 2020; Yiannoulis et al., 2025). The authors of these studies consider the audit opinion both as a measure of reliability (Diab & Eissa, 2024; Doan et al., 2021; Hartanto et al., 2023) and as an indicator of fraud detection (Zhou et al., 2023).

Alassuli's (2023) study on 270 British companies reinforces the idea that audit opinion positively impact financial information quality by reducing of tax evasion risk. Other study (Ghicas et al., 2008) has concluded that qualified opinions positively influence investor reactions in the market (measured by stock transactions).

Furthermore, this study investigates the impact of audit firm specialization on financial reporting quality. Specifically, industry specialization reflects the accumulation of experience and expertise within a particular industry sector. Previous studies use the audit firm's market share in the client firm's industry as a proxy (Aziz & Tahir, 2024; Balsam et al., 2003; Hung et al., 2024; Piot, 2005). **The measurements of variables are presented in Table 2.**

**Table 2 : Measurement of Variables**

Variables	Description
Dependent variable	Financial information quality: dummy variable equal to 1 if the firm receives an unqualified audit opinion, and 0 otherwise.
independent variable	Professional experience: continuous variable measured as the maximum percentage of co-audit market share.
Control variable	Firm size: measured as the logarithm of total equity.

**Source: Authors**

### 4.3 Method of Analysis

To test the research hypotheses, this study divides the total sample into two subsamples: firms audited by at least one audit firm belonging to the Big Four network (Deloitte, EY, KPMG, and PwC) and firms audited by non-Big4 audit firms. This distinction allows for evaluating and comparing the impact of audit specialization on information quality in different contexts. This methodology is commonly used in accounting and auditing research, where competence is measured by audit firm reputation (Dhaliwal et al., 2014; Lawrence et al., 2011; Tran et al., 2025).

### 5. Results Analysis

**Table 3 presents the descriptive statistics for pre-modeling analysis.** The mean of the dependent variable (audit opinion) is 84%, indicating that the majority companies during the study period received unqualified audit opinions, while 36% received qualified opinions. Similarly, the average sectoral presence is higher among Big4 firms (32.6%) compared to non-Big4 firms, suggesting that Big four firms dominate the market among the largest companies (size: 20.356). The standard deviation of the independent variable for Big Four firms is 18.8%, suggesting that some of them dominate while others have a lesser presence. In contrast, among non-Big Four firms, the lower standard deviation (14%) indicates that their market shares are similar. Regarding the control variable (size) of the sample companies, measured by the logarithm of equity, the mean is 20.356 with a minimal standard deviation of 1.470, indicating that the companies are approximately similar in size.

**Table 3 : Descriptive statistics**

Variables	Total simple					Big					Non-Big				
	Mean	SD	Median	Min	Max	Mean	SD	Median	Min	Max	Mean	SD	Median	Min	Max
OP	0,841	0,367	1,000	0,000	1,000	0,843	0,365	1,000	0,000	1,000	0,839	0,369	1,000	0,000	1,000
SP	0,267	0,175	0,214	0,071	1,000	0,326	0,188	0,250	0,083	1,000	0,209	0,139	0,167	0,071	0,500
FZ	20,356	1,470	20,570	15,411	23,117	20,736	1,535	20,974	16,398	23,117	19,986	1,307	19,844	15,411	22,227

5. **Note:** OP: Audit opinion; SP: Specialization; FZ: Firm size

### 6. Source: Authors

Before any modeling process, a multicollinearity test is necessary. Therefore, the VIF (Variance Inflation Factor) and tolerance were assessed. The results, presented in Table 4, are below the multicollinearity threshold of 3 for VIF (O'Brien, 2007) and above the tolerance threshold of 0.20 (Hair et al., 2010), suggesting that collinearity bias is unlikely to be an issue in the regression analysis. The results are shown in **Table 4**.

**Table 4 : Multicollinearity Test**

	Big		Non-Big	
	VIF	Tolerance	VIF	Tolerance
Specialization	1.204491	0.8302263	1.118542	0.8940206
Firm size	1.204491	0.8302263	1.118542	0.8940206

**Source: Authors**

The multicollinearity test results were corroborated by Pearson's correlation test. **Table 5** displays the obtained results, which reveal weak to moderate correlations with respect to the critical limit of  $\pm 0.80$  (Hair et al., 2010) among the independent and control variables, thus supporting their inclusion in the analytical model for explaining the dependent variable.

**Table 5 : Correlation Test**

Variables	Big			Non-Big		
	Opinion	Specialization	Firm size	Opinion	Specialization	Firm size
Opinion	1,0000	0,0942	0.2272	1,0000	0,0246	0.2275
Specialization	0,0942	1,0000	-0.3815	0,0246	1,0000	- 0.3814
Firm size	0.2272	-0.3815	1,0000	0.2275	0.3814	1,0000

**Source: Authors**

**Table 6** shows the logistic regression results; the research hypotheses were tested across two different panels. For the Big4 sample, specialization is significantly and positively associated with financial information quality with a coefficient of 3.1369 ( $P= 0.03637^{**}$ ), and a significant positive effect of firm size effect (0.5644,  $p=0.00315$ ). Big4 firms benefit from a reputation that acts as a signal of audit quality, and rely primarily on human and technical resources that enable issue management related to financial information. When this reputation is combined with industry specialization, it allows, on one hand, the setting of materiality thresholds based on industry-specific characteristics. Thresholds set too high would allow significant anomalies to go undetected, while thresholds set too low would result in unnecessary qualifications. On the other hand, it enables anticipation and resolution of risks that would lead to the issuance of a qualified opinion.

Accordingly, these elements increase the probability of obtaining an unqualified audit report, which is perceived as a signal of financial information quality, thereby reducing the variability of opinions within the same sector. The Pseudo- $R^2$  of (0.1026) and the AUC of (0.678) indicate a good discrimination power ( $> 0.5$ ) between firms with and without reservations in the sample, thus suggesting that specialization and reputation only partially explain the quality of firms' financial information and the likelihood of receiving an unqualified opinion.

This is consistent with the results obtained in the non-Big4 sample, which show that specialization is not significantly associated with financial information quality, with a Pseudo- $R^2$  of 0.2338 and an AUC of 0.7457. These values indicates a strong relationship similar to that observed for the Big4, reinforcing the idea that other factors play a predominant role and can

compensate for the absence of sectoral specialization and Big4 reputation (DeFond & Zhang, 2014). Notably, inter-firm competition through the mobilization of effective control services and internal governance structures would consequently increase the probability of receiving an unqualified audit opinion. The control variable remains a significant determinant in financial information quality across both panels.

The results suggest that sectoral specialization leads to in-depth knowledge of financial information risks and their correction, to present unqualified audit reports as a signal of reliability intended for users. This allows avoiding tensions between companies due to the issuance of qualified audit reports and consequently leads to relational continuity that fosters the company's trust in the audit firm and minimizes transaction costs (Williamson, 1985) related to the process of searching for a new audit firm. These findings align with the proposition of signaling theory, which stipulates that auditor attributes, notably reputation with sectoral specialization, are signals of mastered accounting and financial issues. Thus, these results are consistent with the theoretical model and the stated hypothesis, and align with the results of prior research of (Jiang et al., 2025) which enables the accumulation of specialized experiences necessary for earnings management practices (Gramling & Stone, 1998; Hung et al., 2024) and frequent errors in financial statements (Michas et al., 2022), thereby leading to better financial information quality.

Moreover, the absence of significance for audit specialization within the non-Big4 panel may result from other confounding factors. Research suggests that audit opinion issuance depends not only on financial considerations but also on corporate governance structures and regulatory enforcement mechanisms. These findings support the conclusion that the hypothesis positing that industry specialization affects financial reporting quality is validated in the Big4 context.

**Table 6 : Logistic Regression Results**

	Big		Non-Big			
	Estimate	Pr(> z )	Coeff	Estimate	Pr(> z )	Coeff
(Intercept)	-10.8247	0.00784**		-8.6003	0.0333 *	
Specialization	3.1369	0.03637**		-1.4585	0.4583	
Firm size	0.5644	0.00315***		0.5349	0.0125 *	
pseudo-r2			0.1026			0.2338
HosmerLemeshow			0.1146			0,1375
AUC			0.678			0.7457
Coxsnell R2			0.1469			0.1840

Note: \*\*\*, \*\* and \* indicate significance at the 0.001, 0.01 and 0.05 level. This table includes the regression results on audit specialization.

**Source: Authors**

## Conclusion

This study enriches the literature by providing a nuanced perspective on the relationship between audit industry specialization and financial reporting quality, with a focus on the likelihood of obtaining an unqualified audit opinion. A key finding is that specialization is a determining factor only within the context of Big 4 firms. This specialization can be seen as an additional lever that complements the resources and competencies necessary for better audit planning, the setting of materiality thresholds tailored to industry-specific issues, and the anticipation of risks that may result in the issuance of qualified opinions as a signal regarding financial reporting quality.

Concurrently, the results also indicate, on the one hand, that industry specialization is not considered an explanatory variable in firms audited by non-Big4 auditors, and on the other hand, that the majority of firms audited by these firms receive unqualified audit opinions. Consequently, researchers and analysts should consider that other mechanisms facilitate the issuance of unqualified audit opinions. In this regard, we suggest that in emerging markets, institutions, legal frameworks, auditor-client relationships, and limited market concentration among firms may impact financial reporting quality, highlighting the need to use alternative indicators and proxies to enhance predictive power.

The implications of this study lie in elucidating for stakeholders (shareholders, investors, and regulators) the context in which industry specialization can act as a mechanism for guaranteeing financial reporting quality and in proposing recommendations to national and international audit firms. However, this study has limitations. The sample characteristics, particularly the sample size and the low variability of the dependent variable 84% of companies presenting unqualified opinions may limit the statistical power, thereby restricting the generalizability of the results to contexts similar to those of our study. Our findings call for further research to provide additional and broader evidence.

We conclude that specialization involves the integration of in-depth knowledge of sector-specific characteristics, reputation, and technical competence. This combination enhances both the ability to mitigate risks that may compromise the quality of financial and accounting information and stakeholders' confidence in the audit firm by delivery an audit report that accurately reflects the entity's financial position. For future research, additional variables could be incorporated into the econometric model to provide deeper insights and a more comprehensive understanding of the factors influencing audit quality and stakeholder confidence.

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