



The Role of Industrial Specialization in Increasing Profits of Audit Firms in Algeria - A Field Study

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Abstract

This study aims to explore the role of auditors' focus in Algeria on companies operating in specific industrial specializations in increasing the profits of their offices. To achieve this objective, we designed and distributed a questionnaire in both paper and electronic formats to a sample of 62 accounting and auditing experts active in Algeria. The study found a significant role for industrial specialization in increasing the profits of audit offices in Algeria by reducing the cost of the auditing process and enhancing client portfolio growth.

✓ **Keyword:** Industrial specialization, Audit firms' profits, Auditing process cost.

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1. INTRODUCTION

The necessity for practicing the auditing profession emerged and evolved in response to the demand for its services in the financial and business community by users of financial statements. In light of this demand, the profession becomes active, offering services to meet the need for instilling confidence in financial statements. In Algeria, this service is provided either individually by auditors as natural persons through an auditing office (accounting firm) or collectively with other practitioners as legal entities in the form of joint-stock companies or limited liability companies only, or in the form of civil companies ([Law 10-01, 2010, p. 46](#)).

The provision of auditing services in Algeria is exclusively carried out by licensed professionals holding the professional card for auditors, allowing them to practice the profession ([Executive Decree 11-30, 2011, p. 07](#)). In recent years, the auditing services market in Algeria has witnessed significant expansion in terms of both demand and supply. In terms of supply, the professionals' list issued by the National Council of Accountants for the year 2023 indicates the presence of 3186 auditors and 16 auditing firms ([Ministry of Finance Decree Number 75, 2023](#)). In contrast, these numbers pointed to the existence of 1706 auditors and only two auditing firms in 2014. This represents an 86% increase in the number of auditing offices and an 80% increase in the number of auditing firms.

As for demand, it has not grown at the same pace as the supply. The number of companies in Algeria increases from year to year but with lower percentages compared to the increase in the number of auditors. Statistics indicate the presence of 200,000 active companies in 2014 and 250,000 in 2020, representing a growth rate of 40%.

In light of these conditions, competition among auditors has intensified to secure market share and build a client portfolio that generates profits, especially with the rising costs of the auditing process, including team salaries, rent expenses, travel expenses, and more. Consequently, each auditor strives to attract as many companies as possible and contract with them based on a strategy of often reducing or even undercutting audit fees, especially since fees are now unrestricted, and their determination is left to the auditor and the audited company ([Law 10-01, 2010, p. 37](#)). This is in contrast to the situation before 2010 when fees were regulated by a schedule. This situation has caused disorder in the auditing services market in Algeria, especially in the absence of ethical guidelines for the auditing profession in the country.

Reducing audit fees should not come at the expense of the quality of auditing services or the reputation and trust of the financial community in them. Therefore, through this research, we have considered shedding light on an alternative strategy that ensures auditors achieve their profit goals while maintaining the quality of auditing services and the reputation of the profession. This strategy involves industrial specialization, where the auditor focuses on auditing a specific type or types of activities (public works, pharmaceutical industry, services, etc.) by investing in what distinguishes them from others in terms of qualifications and expertise that align with the specific nature of these activities. This expertise is acquired through continuous and repeated audits of these activities. In this

way, the auditor can provide high-quality services with less effort and resources, offering reasonable fees that allow them to compete in the market by reducing the costs of the auditing process and, consequently, ensuring an acceptable profit margin between the cost of auditing and the returns represented by the fees.

1.1 Study problem

The problem of this study can be formulated in the following main question:

What is the role of the auditor's focus on auditing companies active in a specific industry in increasing the profits of audit firm?

The following sub-questions fall under this problem:

- How does the industrial specialization of the auditor impact the reduction of auditing process costs?
- How does the industrial specialization of the auditor contribute to increasing market share and enhancing the client portfolio?
- What is the impact of the industrial specialization of the auditor on the return of auditing, represented by the auditor's fees?

1.2 Study objectives

The primary objective of this research is to explore the impact of the industrial specialization of auditors in Algeria, focusing on auditing companies operating in specific industrial sectors, on reducing legal audit fees (accounting firm fees). This is accomplished by highlighting the significance of industrial specialization in lowering audit costs, maintaining the client portfolio, and strengthening it with new clients. This, in turn, helps auditors reduce audit fees, making it a competitive advantage in the auditing services market.

1.3 Study importance

In terms of the importance of the research topic, it lies in the magnitude of the benefits derived from the results and the diverse stakeholders who stand to gain from them. The first stakeholder is the Algerian auditor, as realizing the importance of specializing in specific economic activities aligned with their qualifications and expertise enables them to control costs, increase fees, and reinforce their client portfolio. This allows them to maximize their profits. The second stakeholder is the National Chamber of Accountants, as the research results may draw their attention to the importance of encouraging auditors to adopt a professional specialization strategy. This may help resolve disputes regarding issues such as the insufficient audit fees and price undercutting.

2. Nature of Industrial Specialization for Audit Firms

The interest in the industrial specialization of auditors at the international level began in the late last century, thanks to market liberalization and increased competition in the auditing services market. In the 1980s, after auditing firms followed a strategy of attracting

clients from competing firms to increase their market share, a market contraction occurred due to a price war and a decrease in audit fees. This crisis led auditing firms to search for a new competitive strategy, which manifested in the industrial specialization of auditors (Mubarak, 2018, p. 64).

In the early 1990s, international auditing firms restructured their activities and marketed their various experiences in industrial specialization. With the beginning of the current century, global developments led to the growth of companies and the complexity of their business transactions and production processes, resulting in increased interest in industrial specialization (Mubarak, 2018).

In many advanced countries, the auditing profession is practiced with a high degree of understanding and planning based on the activity of the audited company, largely due to the specialization of auditors. The International Journal of Accounting, in a report titled "Specialization is the Key to Audit Firms," noted that approximately 88% of the auditors surveyed agreed that the main factor for their future success requires auditors to have functional or professional specialization (Shala, 2015, p. 31). Additionally, in 2007, the American Institute of Certified Public Accountants classified the industrial specialization of auditors as one of the top five issues that will impact the auditing profession in the twenty-first century (Issa, 2011, p. 48).

Professional experience is considered a preliminary step towards the specialization of auditors in a specific activity. Auditors begin by acquiring general experiences and skills related to the execution of the auditing process through auditing one or multiple companies for a sufficient period. Specialized professional experience is defined as the auditor's ability to perform complex and non-routine auditing tasks in a distinguished manner, relying on accumulated knowledge in a specific field and specific procedures for performing such tasks (Mubarak, 2018, p. 52). It is the possession of a broad range of specialized knowledge and skills acquired through specialization in auditing clients in a specific sector or performing specific tasks repeatedly (Tahir, 2011, p. 412).

Some define the professional specialization of auditors in industrial specialization as individuals with high expertise, well-trained, and equipped with specific training related to a specific industrial activity. They are appointed by auditing firms to conduct necessary audit operations in the specialized activity (Hassan & Omar, 2014, p. 27). In a concise definition, a auditor specializing in industry is one who receives training or is assigned specific tasks in certain sectors, making their performance distinctive in those sectors compared to other auditors (Issa, 2011, pp. 49-50).

In a comprehensive definition, industrial specialization for auditors can be defined as their ability to audit companies with homogeneous transactions and operations in a specific sector or specific sectors (communications, public works, pharmaceutical products, etc.) more effectively and efficiently than non-specialized auditors. This is due to their specialized training in auditing these companies and the accumulation of knowledge and experience through continuous and repeated audits (Abidin & Che Ahmad, 2001, p. 3).

Auditors' inclination towards adopting industrial specialization is not a goal in itself

but rather a tool to attempt to achieve a competitive advantage that distinguishes them from other auditors and competing auditing firms in terms of the quality of services they offer. This is based on their in-depth knowledge of a specific sector or sectors and their experience in it, in addition to the acceptable price that the client will bear due to the ability to control the cost of the auditing process and the possibility of reducing it. This is achieved by standardizing audit procedures across different companies within the same sector, enabling the auditor to carry them out in a routine manner with limited cost, effort, and time, relying on their accumulated expertise in the sector. Therefore, the trend towards industrial specialization in auditing is not random (Issa, 2011, p. 50), and not every accountant or auditing firm can specialize in specific industries or sectors (Abidin & Che Ahmad, 2001, p. 3). There must be homogeneity between the auditor's knowledge and accumulated experience and the characteristics of the sector or sectors in which they intend to specialize.

3. Analysis of Previous Studies and Formulation of Hypotheses

In order to understand the role of industrial specialization for auditors in increasing the profits of auditing firms, we conducted an analysis of several previous studies related to some of the study variables. We divided these studies into three parts. In the first part, we focused on studies that supported the idea that industrial specialization leads to a reduction in the cost of the auditing process. In the subsequent section, we explored studies that suggested that industrial specialization for auditors leads to an increase in market share. In the third part, we examined studies that identified the impact of the auditor's industrial specialization on audit fees. Based on this analysis, we formulated hypotheses at the end of each section that align with the findings.

3.1 Studies Related to the Reduction of Industrial Specialization for Audit Costs

In this section, we will analyze some of the previous studies that are associated with variables related to our study concerning the impact of the auditor's industrial specialization on reducing the cost of the auditing process. The aim is to leverage these studies in formulating the first hypothesis for our research.

- 1) The study of (Tani & Mezioud, 2021) in the title "*The Impact of the External Auditor's Qualitative Specialization on the Efficiency of the Audit Process: A Field Study*". Within the framework of this study, a survey was conducted to gather the opinions of a sample of auditors working in Médéa and Béjaïa regarding the contribution of industrial specialization in improving the efficiency of the audit process. The study designed a questionnaire to collect the necessary data from the sample, aiming to test its hypotheses. The study sample consisted of 32 auditors selected from the statistical population using a random sample. The findings revealed that the industrial specialization of auditors enhances the efficiency of the audit process. This improvement is attributed to the specialization aiding in understanding the nature and scope of the necessary resources to accomplish the task, thereby contributing to the reduction of auditing costs. This result aligns with the findings of a study by (Shala, 2015). It is recognized that employing auditors specialized in information technology to perform auditing tasks in a timely manner helps enhance the efficiency of the process. Furthermore, enhancing the reputation of auditing contributes to the efficiency of the audit process by providing

high-quality services, thereby elevating competitiveness among auditing firms. Additionally, the industrial specialization of auditors allows for the detection of earnings management cases, mitigating financial fraud, and avoiding financial errors in the short and medium term.

- 2) The study of (Mahmoud, 2019) in the title "*The Role of the External Auditor's Industrial Specialization in Mitigating Financial Corruption Practices*". This study aimed to identify the impact of adopting an industrial specialization strategy for auditors on mitigating financial corruption practices in Egyptian business organizations. The researcher tested hypotheses through a field study, utilizing a questionnaire distributed among three groups, totaling 115 respondents. The first group comprised 45 auditors from accounting and auditing offices. The second group included 31 members of audit committees in companies listed on the Egyptian Stock Exchange. The third group consisted of 39 investors in companies listed on the Egyptian Stock Exchange. The collected data were analyzed using statistical analysis software to test the study's hypotheses. The study provided evidence that there is a consensus among the sampled groups regarding the contribution of the auditor's industrial specialization strategy to detecting fraud, manipulation, and earnings management. The study highlighted that auditors' specialized knowledge about the nature of the client company's business contributes to more efficient and effective auditing processes. Additionally, it enhances auditors' understanding of accounting and financial systems in specialized sectors, allowing for the detection of financial fraud and the issuance of misleading financial reports. These findings align with the results of studies by (Tani & Mezioud, 2021) and (Shala, 2015). Moreover, industrial specialization helps improve the planning and estimation of audit risks by identifying items and accounts representing inherent risks. It positively influences the activation of corporate governance rules and principles, thereby reducing financial corruption practices. Furthermore, industrial specialization contributes to achieving disclosure and transparency of financial and non-financial information from the management perspective.
- 3) The study of (Shala, 2015) in the title "*The Impact of the Auditor's Industrial Specialization on Reducing the Cost of Audit Performance*". The study focused on determining the effect of industrial specialization in reducing the cost of the auditing process. The study examined both direct and indirect aspects related to the effort expended and the potential failures in the performance of the auditing process. The researcher utilized questionnaires distributed to auditors in the Syrian Arab Republic, analyzing a total of 89 questionnaires in specific sectors, including service companies, industrial companies, and banks in Syria. The study revealed a strong correlation between auditors adopting the industrial specialization strategy and a reduction in the effort required for audit performance. This reduction was achieved by specializing in enhancing the auditor's understanding of the client company's characteristics, reinforcing the associated professional qualities, and mitigating reservations about the continuity imposition. On one hand, the study indicated that auditors who adopt industrial specialization see it as a significant opportunity to enhance their capabilities, aiming to reduce factors contributing to audit failure. This is achieved by elevating professional

competence, strengthening auditor independence, and reducing the likelihood of overlooking material errors. On the other hand, the study emphasized that industrial specialization provides auditors with a greater ability to detect earnings management practices. Additionally, it grants them an advantage in accuracy when assessing the continuity of the audited client company.

The researchers believe that it is necessary to understand the extent to which the reduction of industrial specialization contributes to reducing the costs of the auditing process in Algerian companies, leading to an increase in the profits of auditing firms in Algeria. Therefore, based on the results of the aforementioned previous studies, we formulated the first hypothesis for the study as follows:

Industrial specialization of the auditor contributes to reducing the costs of the auditing process.

3.2 Studies Related to the Increase of Industrial Specialization in the Market Share in the Field of Auditing

This section is dedicated to analyzing some previous studies that specifically relate to the role of industrial specialization of auditing firms in increasing their market share. The aim is to formulate the second hypothesis for our study.

- 1) Study by (Hamouda, 2014) titled "*The Impact of Industrial Specialization Strategy by Auditors on Narrowing the Expectations Gap*" revealed the contribution of the industrial specialization strategy by auditors in narrowing the expectations gap in the audit environment. The study explored the impact of industrial specialization on the auditor's efficiency, independence, neutrality, and ability to identify and detect indicators of company discontinuity at the audit location, along with the appropriate form and content of the audit report. The researcher distributed 105 questionnaires to the study population, including auditors, financial managers, internal auditors, and investors. A total of 77 questionnaires were successfully retrieved, representing an approximate response rate of 73%. The study results indicated that industrial specialization of auditors contributes to narrowing the expectations gap. This is attributed to the increased professional competence of auditors specializing in the industry, supporting their independence and enhancing their ability to identify and detect indicators of company discontinuity at the audit location. These findings align with the results of a study by (Shala, 2015). Additionally, industrial specialization allows for precise adjustment of the form and content of the audit report to be adopted by auditors specializing in the industry.
- 2) Study by (Hassan & Omar, 2014) "*The Feasibility of Using Professional Specialization for Auditors in Enhancing the Audit Process Performance*". The study addressed the nature of the industrial specialization of auditors and identified the areas in which the industrial specialization strategy contributes to enhancing the performance of the audit process. The study employed a descriptive approach to examine these aspects. The study presented a set of results that align with the findings of most previous studies. Among the key outcomes, the application of industrial specialization benefits the profession by strengthening the market for audit services, elevating the level of professional

competition, experience, and performance. Additionally, it contributes to increasing auditors' ability to detect errors and fraud, improving the estimation of audit risks, and mitigating manipulative accounting practices. Industrial specialization also aids in narrowing the expectations gap and enhancing the quality of disclosure. The industrial specialization of auditors seeks to achieve differentiation from competitors in delivering services to clients, allowing them to attract and retain a larger clientele. This leads to an increase in audit fees and market share for specialized audit firms. Furthermore, industrial specialization significantly influences the enhancement of the reputation of specialized audit firms and their competitiveness.

Therefore, the researchers believe that increasing market share and enhancing the client portfolio for audit firms in Algeria will inevitably lead to an increase in their profits. Based on the results of these previous studies, the second hypothesis of the study can be formulated as follows:

Industrial specialization of auditors increases the market share for audit firms and works to enhance the client portfolio.

3.3 Studies Related to the Impact of Industrial Specialization on Audit Fees

In this section, we analyzed some previous studies related to the variable under study, which is the industrial specialization of auditors affecting the fees for conducting the audit process. Based on this analysis, we can formulate the third hypothesis that aligns with our study.

- 1) Study by (Rahim & Mohamed, 2022) titled "*Study and Test the Impact of the Characteristics of Audit Firms and Their Clients on the Audit Fees of Non-Financial Companies Listed on the Egyptian Stock Exchange*" aimed to identify and test the impact of the characteristics of audit firms, including size and industrial specialization, on the audit fees of financial statements. The study utilized a sample of 250 annual observations covering 50 non-financial companies listed on the Egyptian Stock Exchange belonging to various sectors over a five-year period from 2015 to 2019. Hypotheses of the study were tested using statistical software, and the researchers concluded that there is a significant negative impact of the industrial specialization of audit firms on the audit fees of financial statements. Moreover, this study provided a different perspective compared to previous studies, suggesting that industrial specialization reduces the fees for the audit process, contradicting most of the available evidence in those earlier studies such as the study by (Hassan & Omar, 2014) and (Mushtahi, 2014). The study attributed this contradictory result to differences in the application environment, the nature of the methodology used, and the specific timeframe of the study.
- 2) Study by (Ibrahim, 2017) titled "*Industrial Specialization, Additional Audit Fees, and Audit Outcomes*" aims to diagnose and analyze the relationship between audit fees and the industrial specialization of audit firms that have audit engagements. The study covers the period from 2013 to 2016 with non-financial companies listed on the Saudi stock market. The total number of companies in the sample is 110, and the total number of

sample observations during the study period is 440. There are 28 audit firms during the study period. According to the study, there is a significant and meaningful relationship between additional audit fees for financial statements and the specialization of audit firms in the four industries: real estate management and development, basic materials industry, communications and transportation industry, and energy and public utilities and healthcare. The study also indicates that this relationship is not present in the other three industries: capital goods industry, food and long-term goods production industry, and retail food and consumer services and luxury goods industry. Based on the findings of previous studies, there seems to be a consensus on the positive impact of industrial specialization of auditors on increasing fees, as suggested by this study and studies by (Hassan & Omar, 2014) and (Mushtahi, 2014).

- 3) Study by (Mushtahi, 2014), titled "*Assessing the Degree of Sectoral Specialization of Audit Firms and its Impact on External Audit Fees*," aimed to reveal the impact of industrial specialization on the fees for performing the auditing process. The researcher in this study relied on 49 public joint-stock companies listed on the Palestine Stock Exchange from all sectors during the period from 2008 to 2012. The study indicates that the auditor's specialization in auditing a specific sector or more leads to an increase in fees when auditing clients belonging to that sector. Due to the quasi-complete similarity between the results of previous studies regarding the positive directional impact of industrial specialization of auditors on audit fees, this study confirms what was also found in studies by (Hassan & Omar, 2014) and (Ibrahim, 2017).

In light of the previous contradictory results of the studies discussed, regarding the positive and negative direction of the relationship due to differences in the application environment, the researchers believe that industrial specialization achieves an increase in audit returns, represented by auditor fees. This leads to an increase in the profits of Algerian audit firms. Consequently, the third hypothesis of the study can be formulated as follows:

Industrial specialization of auditors increases the fees for performing the auditing process.

4. Field Study

In this section, we will discuss the methodology of the study and its tools by attempting to translate the theoretical aspect into an applied form through conducting a field study on a sample of accounting experts and accountants. This will be achieved using a questionnaire to gather various opinions.

4.1 Study Methodology and Tools

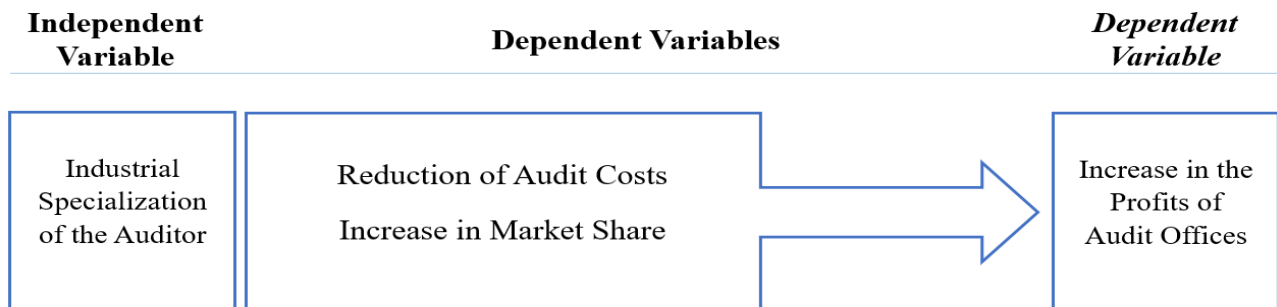
In this section, we will describe the members of the study community and the sample, as well as the procedures we relied on to prepare the study tool used to collect the required primary data for statistical processing and analysis to achieve results that meet the purpose of this study.

4.1.1 Study Model

Based on the study's problem, we developed the schematic diagram of the study model

that illustrates the relationship between the independent variable represented by the industrial specialization of auditors and the dependent sub-variables derived from the main dependent variable represented in the increase in the profits of audit firms. This is illustrated in the following figure:

Fig.1. Schematic diagram of the study model



Source: Prepared by the researchers based on the theoretical framework of the study.

4.1.2 Study Population and Sample

The target population consists of audit practitioners in Algeria, including accounting experts and accountants. It is worth noting that the study community for professionals is regulated through the decree issued by the Ministry of Finance, which specifies the lists of registered professionals for the year 2023. These lists are available on the official website of the National Council of Accountants. Accordingly, the number of accounting experts is 333, in addition to 10 legal entities, while the number of accountants reached 2,853, with 6 legal entities ([Ministry of Finance Decree Number 75, 2023](#)). The study sample was randomly selected from the target study community, distributing around 150 questionnaire forms to the targeted group, resulting in the retrieval of 62 valid questionnaires for analysis.

4.1.3 Data Collection and Processing Tools

We utilized a questionnaire model structured into two sections. The first section contains general information about the study sample to identify its characteristics, including educational qualifications, profession or job, professional experience, the field of audit service provision, the number of audited companies within the specialization. The second section consists of 18 statements divided into three axes. For data analysis, we relied on Microsoft Excel and the Statistical Package for the Social Sciences (SPSS Version 24). To determine the overall trend of the study sample's responses and assess the agreement level with the general trend statements, we employed a five-point Likert scale.

Additionally, we tested the reliability and validity of the questionnaire to ensure the data's accuracy using the Statistical Package for the Social Sciences (SPSS Version 24). The Cronbach's alpha coefficient, representing the questionnaire's reliability, was calculated as 0.704, indicating a high and positive value, signifying stable questionnaire data that can be

analyzed. Moreover, the square root of the Cronbach's alpha coefficient was estimated at 0.839, a value close to one, indicating the questionnaire's validity.

4.2 Presentation and Analysis of Field Study Results

This section encompasses the examination of the general information characteristics of the study sample and the analysis of the obtained results. To achieve this, we conducted statistical processing of the collected data through the questionnaire using the Statistical Package for the Social Sciences (SPSS Version 24).

4.2.1 Presentation and Analysis of Sample Characteristics Results

In this section, we will present the data results related to the general information of the study sample using frequencies and percentages to illustrate its characteristics. This will help determine the nature and type of the acquired data, which is elucidated in the following five tables:

A. Academic Qualifications:

Looking at Table (01), we observe that the accountants and auditors holding a Master's degree and a Bachelor's degree constitute 27.4% and 30.6%, respectively. Regarding those with a Ph.D., their percentage is estimated at 29%. Additionally, there is a percentage of veteran accountants and auditors holding a professional certificate, amounting to 8.2%. Furthermore, individuals with a Master's degree include some accountants, accounting for approximately 4.8%. This implies that the majority of the sample possesses qualifications at a satisfactory level, enhancing the reliability of the collected data.

Table 1. Statistical Description of the Study Sample concerning Academic Qualifications

Index	Category	Frequency	Percentage
AcademicQualifications	Doctorate	18	%29.00
	Master's Degree	3	%4.80
	Master	17	%27.40
	Bachelor's Degree	19	%30.60
	Professional Certificate	5	%8.20
Total		62	%100

Source: Prepared by the researchers based on SPSS program outputs

B. Occupation or Position:

It is evident from Table (02) that the majority of the study sample consists of accountants, totaling 50 individuals, with a percentage of 80.6%. Meanwhile, accountants with expertise amount to 12 individuals, constituting 24.5%.

Table 2. Statistical Description of the Study Sample concerning Occupation or Position

Index	Category	Frequency	Percentage
Occupation or Position	Accounting Expert	12	19.40%
	Accountant Manager	50	80.60%
Total		62	% 100

Source: Prepared by the researchers based on SPSS program outputs

C. Professional Experience:

Observing Table (03), we note that the percentage of individuals with less than 5 years of professional experience is 22.6%. Those with professional experience ranging from 5 to 10 years and over 16 years are at percentages of 29% and 16.1%, respectively. Additionally, the professional experience ranging from 11 to 16 years accounts for 32.3%, indicating sufficient professional experience for accurate and objective questionnaire responses.

Table 3. Statistical Description of the Study Sample concerning Professional Experience

Index	Category	Frequency	Percentage
Professional Experience	Less than 5 years	14	22.60%
	to 10 years	18	29.00%
	to 16 years	20	% 32.30
	years 16 More than	10	% 16.10
Total		62	% 100

Source: Prepared by the researchers based on SPSS program outputs

D. Engagement in Auditing Services:

Examining Table (04), the majority of the study sample conducted auditing tasks in service companies, representing 35.5%. Some individuals from the study sample audited industrial companies, accounting for 16.1%. The study sample providing audit services to commercial companies constituted 25.8%, while those auditing the banking and insurance sectors reached 22.6%. These percentages indicate that the study sample specializes in auditing specific sectors.

Table 4. Statistical Description of the Study Sample concerning Engagement in Auditing Services

Index	Category	Frequency	Percentage
Engagement in Auditing Services	Service Companies	22	35.50%
	Industrial Companies	10	16.10%
	Commercial Companies	16	25.80%
	Banks and Insurances	14	% 22.60
Total		62	% 100

Source: Prepared by the researchers based on SPSS program outputs

E. Number of Audited Companies within the Specialization:

Table (05) indicates that the percentage of the study sample that audited only one company within the specialization is 27.5%, while the percentage for the study sample that audited two companies in the specialization reached 30.6%. Additionally, the study sample that engaged in auditing within the specialization for more than three companies accounted for 41.9%. These percentages are considered acceptable, given that Algerian audit firms provide auditing services in similar companies with a limited number due to the lack of necessary resources. These percentages also suggest that Algerian audit firms, by conducting audits within the specialization, contribute to reducing the costs of the auditing process, leading to increased profits for these firms.

Table 5. Statistical Description of the Study Sample concerning the Number of Audited Companies within the Specialization

Index	Category	Frequency	Percentage
Number of Audited Companies	One Company	17	27.50%
	Two Companies	19	30.60%
	Three Companies or more	26	41.90%
Total		62	% 100

Source: Prepared by the researchers based on SPSS program outputs

4.2.2 Study of the Results of Questionnaire Responses

After obtaining the responses related to the questionnaire statements and statistically processing them using the SPSS program, we will proceed to present and analyze the statements of the three axes using statistical indicators, including the mean, standard deviation, and the overall trend of the study.

A. Presentation and Analysis of the Results of the First Axis:

In this section, we will present the results of the first axis regarding the contribution of industrial specialization to auditing firms in reducing the costs of the audit process. This is illustrated in the following table, which shows the trends in the responses of the study sample for analysis based on statistical indicators.

Table 6. Results of the Study Sample's Opinions on the Contribution of Industrial Specialization to Auditor in Reducing Audit Costs

Phrases	Mean (Average)	Standard Deviation	Direction (Trend)
Specialized audit firms require less time to understand the client's accounting system.	2.03	0.82	Agree
Industrial specialization of auditors helps reduce the effort required to perform the audit process.	2.38	1.01	Agree
Industrial specialization allows auditors to streamline analytical procedures compared to similar companies.	2.37	1.05	Agree
The industrial specialization of auditors reduces the need for expert assistance due to their frequent personal interaction and understanding of the client's business.	2.22	0.89	Agree
Industrial specialization equips auditors with skills to detect	2.06	0.88	Agree

substantive distortions.			
Industrial specialization enables auditors to uncover profit management techniques.	2.22	1.01	Agree
Statistical indicators for the phrases of the first axis as one unit.	2.21	0.54	Agree

Source: Prepared by the researchers based on SPSS program outputs

From Table No. (06), it can be observed that the general trend of the study sample focuses on agreeing with all the statements comprising the first axis, labeled the contribution of industrial specialization to the auditor in reducing audit costs. The mean value for the axis as a whole is 2.21, which is a high value belonging to the agree category. The mean values for individual responses to each statement range between 2.03 and 2.38. Additionally, the standard deviation for the axis as a whole is 0.54, while the standard deviation values for each statement individually range between 0.82 and 1.05. These values indicate a consensus among the study sample's responses, confirming the significant contribution of industrial specialization to auditors in reducing various costs associated with the audit process, including training and development costs, as affirmed by experts.

B. Presentation and Analysis of the Results of the Second Axis:

In this section, we will present the results of the second axis regarding the extent to which specialization assists auditors in increasing the market share of auditing firms. This is illustrated in the following table, which shows the trends in the responses of the study sample for analysis based on statistical indicators.

Table 7. Results of the Study Sample's Opinions on the Assistance of Industrial Specialization to the Auditor in Increasing Market Share

Phrases	Mean (Average)	Standard Deviation	Direction (Trend)
Adopting industrial specialization for the auditor achieves excellence over competitors in providing services to clients, offering greater opportunities to meet their needs.	1.67	0.59	Strongly agree
Industrial specialization of the auditor contributes to increasing the number of clients and retaining them by providing higher-quality services, allowing for a reduction in the likelihood of audit failure.	1.72	0.79	Strongly agree
Industrial specialization of the auditor helps reduce audit risks and inherent danger risks, making companies prefer contracting with them.	1.74	0.74	Strongly agree
Industrial specialization of the auditor allows for the timely completion of audit work and the submission of reports.	1.80	0.78	Agree
Industrial specialization of the auditor contributes to a good assessment of the company's sustainability.	1.93	0.86	Agree
The industrial specialization of the auditor supports the adoption of a merger policy between audit	2.14	0.86	Agree

offices, increasing their market share and competitiveness.

Statistical indicators for the phrases of the second axis as one unit.	1.83	0.48	Agree
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Source: Prepared by the researchers based on SPSS program outputs

Table No. (07) indicates that the opinions of the study sample focus on agreement with half of the statements comprising the second axis, while the other half of the statements received strong agreement. This is reflected in the mean value for the axis as a whole, which is calculated as 1.83 and falls within the second category of the Likert five-point scale. The mean values for individual responses to each statement range between 1.67 and 2.14. Additionally, the standard deviation for the axis as a whole is 0.48, while the standard deviation values for each statement individually range between 0.59 and 0.86. Therefore, the responses of the study sample are consistent, confirming that industrial specialization for auditors indeed helps increase market share.

C. Presentation and Analysis of the Results of the Third Axis:

In this section, we will present the results of the third axis regarding the impact of the industrial specialization of auditors on increasing the fees generated when conducting the audit process for various client companies. The following table illustrates the trends in the responses of the study sample for analysis.

Table 8. Results of the Study Sample's Opinions on the Impact of the Auditor's Industrial Specialization on Increasing Audit Fees

Phrases	Mean (Average)	Standard Deviation	Direction (Trend)
Industrial specialization of the auditor contributes to increasing the negotiating power for audit fees.	1,69	0,93	Strongly agree
Relying on an auditor specialized in the industry enhances confidence in audit services.	1,79	0,88	Strongly agree
Industrial specialization of the auditor leads to an increase in the reputation and improvement of the reputation of auditing offices.	1,90	0,86	Agree
The diversity and abundance of services provided by the auditor specialized in the industry, such as auditing, financial statement preparation, and advisory services.	1,93	0,78	Agree
Industrial specialization contributes to auditing offices elevating the level of professional expertise, qualifying them to deliver services with high quality.	2,04	0,87	Agree
Adopting an industrial specialization strategy for auditors leads auditing offices to bear high investments.	1,70	0,77	Strongly agree
Statistical indicators for the phrases of the third axis as one unit.	1,84	0,46	Agree

Source: Prepared by the researchers based on SPSS program outputs

Table No. (08) indicates that the general trend of the opinions of the study sample focuses on agreement regarding the third axis labeled "The Impact of the Auditor's Industrial Specialization on Increasing Audit Fees." Three statements fall within this axis in

terms of agreement, while another three statements also fall within the same axis but show strong agreement. This is attributed to the mean value for the axis as a whole, which is 1.84. Additionally, the mean values for each statement individually range between 1.69 and 2.04. The small values of the standard deviation indicate that the responses of the study sample are not dispersed. The standard deviation for the axis as a whole is 0.46, and the standard deviation for each statement individually ranges between 0.77 and 0.93.

4.3 Testing Study Hypotheses

In this section, we will address the testing of hypotheses using a one-sample T-test. The aim is to discover statistically significant differences in the average of the population chosen for the study sample by comparing it with the assumed mean (Test Value = 3). In the case of a positive impact, indicating that the alternative hypothesis is realized, when $0.05 \geq \text{sig} (\alpha)$. Meanwhile, if $0.05 \leq \text{sig} (\alpha)$, it suggests that the null hypothesis is realized.

4.3.1 Testing the First Hypothesis

The first hypothesis pertains to the extent to which the industrial specialization of auditors contributes to reducing various costs resulting from the audit process of client companies. This is aimed at increasing the profits of Algerian audit firms. Accordingly, both the null hypothesis (H0) and the alternative hypothesis (H1) are formulated as follows:

- **Null Hypothesis (H0):** Industrial specialization of auditors does not contribute to reducing the costs of performing the audit process.
- **Alternative Hypothesis (H1):** Industrial specialization of auditors contributes to reducing the costs of performing the audit process.

The table below includes the results of the one-sample T-test for this hypothesis.

Table 9. T-Test for the Contribution of Industrial Specialization in Reducing Audit Costs

	Test Value = 3					
	T	Ddl	Sig (Two-tailed)	Average Difference	95% Confidence Interval for the Difference	
					Lower	Upper
First axis	-11.208	61	0.000	-0.782	-0.92	-0.64

Source: Prepared by the researchers based on SPSS program outputs

Table 09 indicates that $0.05 \geq \text{sig} (\alpha)$, with a value of 0.000. This implies the presence of a statistically significant difference. Therefore, we reject the null hypothesis and accept the alternative hypothesis, which suggests that the industrial specialization of auditors contributes to reducing the costs of performing the audit process. This aligns with the findings of most previous studies, allowing for the generalization of results related to the first axis to the study population.

4.3.2 Testing the Second Hypothesis

The second hypothesis suggests that the industrial specialization of auditors increases the market share of audit offices and enhances the client portfolio through various measures, including increasing and retaining the number of audit clients. Accordingly, both the null hypothesis (H0) and the alternative hypothesis (H1) are formulated as follows:

- **Null Hypothesis (H0):** The industrial specialization of auditors does not increase the market share of audit offices.
- **Alternative Hypothesis (H1):** The industrial specialization of auditors increases the market share of audit offices.

The table below presents the results of the one-sample T-test for this hypothesis.

Table 10. T-Test for the Impact of Industrial Specialization on Increasing Market Share

	Test Value = 3					
	T	Ddl	Sig (Two-tailed)	Average Difference	95% Confidence Interval for the Difference	
					Lower	Upper
Second axis	-18.756	61	0.000	-1.161	-1.28	-1.03

Source: Prepared by the researchers based on SPSS program outputs

Table 10 indicates that $0.05 \geq \text{sig } (\alpha)$, with a value of 0.000, indicating a statistically significant difference. Therefore, we reject the null hypothesis and accept the alternative hypothesis, suggesting that the industrial specialization of auditors increases the market share of audit offices. This result allows for the generalization of findings related to the second axis to the study population, explaining that the obtained results reflect reality.

4.3.3 Testing the Third Hypothesis

This hypothesis suggests that the industrial specialization of auditors leads to an increase in the fees for the auditing process because it enhances the negotiability of auditors on these fees, resulting in increased profits for Algerian audit offices. Therefore, the null hypothesis (H0) and the alternative hypothesis (H1) are formulated as follows:

- **Null Hypothesis (H0):** Industrial specialization of auditors contributes to reducing the fees for performing the auditing process.
- **Alternative Hypothesis (H1):** Industrial specialization of auditors contributes to an increase in the fees for performing the auditing process.

The table below presents the results of the one-sample T-test for this hypothesis.

Table 11. T-Test for the Impact of Industrial Specialization on Increasing Audit Fees

Test Value = 3						
	T	Ddl	Sig (Two-tailed)	Average Difference	95% Confidence Interval for the Difference	
					Lower	Upper
Third axis	-19.657	61	0.000	-1.153	-1.27	-1.03

Source: Prepared by the researchers based on SPSS program outputs

Within the results achieved in Table 11, we observe that $0.05 \geq \text{sig} (\alpha)$, with a value of 0.000, indicating a statistically significant difference. Therefore, we reject the null hypothesis and accept the alternative hypothesis, suggesting that industrial specialization of auditors contributes to an increase in the fees for performing the auditing process. Through the obtained result, the findings related to the third axis can be generalized to the study population, reflecting the reality.

4.4 Discussion of Results

Through diagnosing and addressing the issues in both theoretical and practical aspects, it becomes evident that the three hypotheses of the study are achieved and aligned with the majority of previous studies. This indicates that the results reflect reality and are generalizable to the study population, as follows:

- Responses from the study sample align with the consensus on the contribution of industrial specialization of auditors to reducing various costs of the auditing process.
- Auditing professionals agree that industrial specialization achieves an increase in the market share for audit offices.
- There is a positive impact of industrial specialization of auditors on the fees for the auditing process. This result is logical and has been found in studies such as those by (Hassan & Omar, 2014) and (Mushtahi, 2014), among others.

5. CONCLUSION

It is known that auditing profits equal the difference between the returns of auditing, represented by fees, and the costs of the auditing process. As a result, reducing these costs and increasing auditing fees will inevitably lead to an increase in the profits of auditing offices. This is what we have concluded through testing the three hypotheses. Therefore, we will clarify the achieved results as follows:

- The role of industrial specialization of auditors appears in increasing auditing profits by contributing to reducing the costs of the auditing process. This reduction is achieved by decreasing the effort and time required to carry out this process by specialized auditors. It also occurs when reducing the reliance on experts and avoiding repetitive analytical procedures in similar companies.
- Adopting industrial specialization of auditors achieves an increase in the profits of

auditing offices by increasing their market share. This is based on increasing the number of clients and retaining them by providing distinguished services that meet their needs, thus reducing the likelihood of audit failure.

- Industrial specialization of auditors leads to an increase in auditing profits by raising the fees resulting from the auditing process. This is achieved by increasing trust in the provided services and negotiating power resulting from the reputation and good standing of auditing offices, gained through high investments.

Given the numerous advantages of using industrial specialization in the field of auditing, we propose a set of recommendations that highlight the general necessity of adopting it in Algerian auditing offices, including:

- Raising awareness among professionals in Algeria about the importance of adopting industrial specialization, which contributes to increasing auditing profits.
- Making it mandatory for Algerian auditing offices to adopt a merger policy to achieve the components of specialization in various industries, leading to an increased market share in the auditing field.
- Modifying the regulations governing the auditing profession in Algeria to align with the practice of industrial specialization in auditing processes.

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