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The Impact of Selecting an External Auditor Mix on Enhancing the Effectiveness of Joint Audits for Multinational Corporations

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Abstract: *This study investigates the influence of auditor composition on adherence to auditing standards within joint audit engagements for multinational corporations. Specifically, it examines how the integration of local and international auditors affects compliance with general, fieldwork, and reporting standards. Employing a descriptive-analytical approach with a quantitative research design, data were collected from a randomly selected sample of 52 external auditors serving multinational firms through a structured questionnaire. Ordinal regression analysis, performed via SPSS software, revealed that joint audit teams composed of both local and international auditors significantly enhance compliance across all measured standards. In contrast, teams composed exclusively of local auditors or exclusively of international auditors did not yield statistically significant improvements consistently. These findings underscore the importance of auditor diversity, suggesting that integrating international expertise with local knowledge is essential for strengthening audit quality and regulatory adherence in complex multinational environments.*

Keywords: Joint audit effectiveness; external auditor mix; auditing standards compliance; local auditors; international auditors

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INTRODUCTION

The adoption of joint audits is increasingly recognized as a strategic mechanism to enhance the reliability of financial reporting and mitigate financial distress among multinational corporations. Prior research indicates that joint audits can reduce financial reporting lags, thereby improving the timeliness and efficiency of disclosures (Aruobogha, Jones, Ogheneovo, Ogbolu, & Osevwe-Okoroyibo, 2024). In addition, evidence from Iraq suggests that joint audits contribute to reducing financial distress in the banking sector (Al-Salhi & Al-Tai, 2024). By engaging multiple auditing firms, joint audit practices not only elevate the quality of financial information but also bolster investor confidence—particularly in transparency-sensitive sectors (Al-Salhi & Al-Tai, 2024; Vuković Perduv, 2024). This collaborative approach enhances the robustness of financial evaluations and is increasingly critical for navigating complex regulatory environments (Aruobogha et al., 2024; Al-Salhi & Al-Tai, 2024).

Joint audits have evolved from being merely quality-enhancing tools to becoming regulatory requirements in several jurisdictions. For example, France mandates joint audits for large corporations and banks to ensure compliance with national standards and to promote accountability through heightened professional skepticism (Herbinet, 2025). This approach also facilitates benchmarking and knowledge sharing—a phenomenon often described as "coopetition"—where diverse audit teams collaboratively address the multifaceted reporting requirements of multinational enterprises. Nonetheless, the success of joint audits depends on robust communication frameworks and effective governance structures to reconcile methodological differences among participating firms (ICAEW, 2019). Moreover, segmented evaluations within joint audits can enhance risk management by enabling auditors to focus on specific areas of expertise (Herbinet, 2025).

Importance of Auditor Selection

The selection of external auditors is a critical determinant of the integrity and effectiveness of the audit process, especially for multinational corporations. Auditors are expected to demonstrate independence, possess specialized expertise, and adhere to rigorous ethical standards to ensure high-quality audits that safeguard stakeholder confidence and market integrity (Vandennieuwenhuysen, 2024; Akuoko-Sarpong, Gyasi, & Affram, 2024; Febrianisa & Kuntadi, 2024). Audit committees play an essential role in this selection process by evaluating audit firms based on their qualifications and experience, thereby mitigating risks related to fraud and mismanagement (Sanjay, 2024). Moreover, expanding the pool of auditors beyond a few dominant firms can stimulate competition, improve service quality, and increase accountability (Vandennieuwenhuysen, 2024; Bezverkhyi & Poddubna, 2024). Balancing auditor independence, expertise, and regulatory oversight is thus pivotal,

with the auditor selection process requiring careful consideration of both technical competencies and interpersonal dynamics (Akuoko-Sarpong et al., 2024; Febrianisa & Kuntadi, 2024).

The composition of a joint audit team—whether comprising solely local auditors, a mix of local and international auditors, or local auditors affiliated with international firms—plays a significant role in influencing audit effectiveness. Evidence indicates that joint engagements, particularly in jurisdictions with rigorous inspection regimes, can lead to improved audit quality through enhanced knowledge transfer and oversight (Fu & Kim, 2024). In addition, local audit firms affiliated with the Big Four have been shown to reduce information asymmetry, thereby positively influencing capital structure decisions in emerging markets (Kurniawati, Van Cauwenberge, & Vander Bauwhede, 2020). Furthermore, the effectiveness of external auditors in relying on internal audit functions is contingent on the quality of corporate governance and internal control systems, which may vary with the auditor's experience and affiliations (Quick & Henrizi, 2019). Collectively, these findings emphasize the critical role of auditor combinations in determining audit quality and influencing organizational outcomes.

Objectives of the Study

The primary objective of this study is to examine the impact of various auditor configurations on the effectiveness of joint audits in multinational corporations. In doing so, the study seeks to identify best practices in auditor selection that enhance the quality and reliability of financial statements across diverse regulatory frameworks. The research explores the distinct benefits of different auditor configurations, including local–local, local–international, and local-affiliated-with-international pairings. While local auditors provide in-depth insights into regional economic conditions and regulatory nuances, international auditors contribute a broader perspective essential for compliance with global standards such as the International Financial Reporting Standards (IFRS) and for addressing complex issues such as tax compliance (TIGTA, 2024). An additional objective is to assess how auditor selection influences adherence to Generally Accepted Accounting Principles (GAAP). The study further incorporates stakeholder perspectives to determine how various audit team compositions affect accountability and transparency in financial reporting. The findings aim to provide actionable insights for multinational corporations, thereby guiding them in selecting auditor combinations that not only fulfill compliance requirements but also enhance audit quality as a strategic asset for reinforcing corporate integrity and fostering stakeholder trust.

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LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Types of External Auditor Combinations in Joint Audits

Local–Local Auditor Combination

In joint audit engagements where both participating firms are domestic, the local–local auditor combination leverages deep regional knowledge and a comprehensive understanding of local regulatory frameworks. Unlike dual audits—where one firm may supervise the fieldwork of another—this configuration allows each auditor to independently perform distinct segments of the audit, thereby reducing redundancy and enhancing overall quality (Herbinet, 2025). In certain jurisdictions, such as France, legal mandates require joint audits to stimulate competition among smaller firms (Herbinet, 2025). However, challenges may arise from differing audit philosophies, necessitating early alignment on conflict resolution protocols (ICAEW, 2019). The "four eyes" principle, inherent in this approach, enhances accountability through mutual review, while periodic rotation of responsibilities helps mitigate risks of over-familiarity (Mazars, 2025).

Local–International Auditor Combination

The local–international pairing integrates local auditors' understanding of regional regulatory requirements and cultural nuances with the global technical expertise of international auditors. Local auditors primarily ensure compliance with local regulations, while international firms contribute to adherence with standards such as Generally Accepted Accounting Principles (GAAP) (Herbinet, 2025). This combination reinforces the "four eyes" principle and tends to boost stakeholder confidence. Nonetheless, methodological differences—such as variations in sampling techniques versus substantive testing approaches—necessitate robust communication and coordinated planning (PwC, 2017; ICAEW, 2019).

Local–Affiliated-with-International Auditor Combination

This hybrid model integrates the regional expertise of local auditors with the broader technical resources provided by international audit networks. In such arrangements, local auditors manage compliance with domestic regulatory frameworks, whereas their international affiliates ensure adherence to global reporting standards, such as the International Financial Reporting Standards (IFRS) (Herbinet, 2025). Challenges in this configuration may include discrepancies in governance structures and operational protocols, thereby necessitating clearly defined roles and responsibilities (ICAEW, 2019). The synergy between global and local risk management practices in this model can lead to enhanced audit quality.

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Compliance with General Auditing Standards

Research indicates that joint audits do not inherently alter compliance with overarching auditing principles such as independence, integrity, or professional competence. Ethical behavior and technical expertise tend to remain consistent across different auditor combinations (Azibi & Velte, 2015; Sarwar, Hussian, Shakir, & Ali, 2024). Moreover, while joint audits may augment local auditors' experiential knowledge, they do not directly modify adherence to these fundamental standards (Al Sharabi, AL Hobaishi, & AL Mehgani, 2024).

Compliance with Fieldwork Auditing Standards

Fieldwork auditing standards—encompassing risk assessment, evidence collection, and related procedures—appear to be more strongly influenced by the quality of coordination and internal control systems than by the auditor mix per se. Although free-riding risks in partnerships involving firms of disparate sizes could potentially diminish the precision of evidence gathering, such risks do not typically result in outright non-compliance with fieldwork standards (Deng, Lu, Simunic, & Ye, 2014; Chui, Pike, & Martin, 2024).

Compliance with Reporting Auditing Standards

The quality and clarity of audit reports are critical to financial transparency; however, auditor combinations do not appear to directly influence these reporting outcomes. While collaborative efforts in joint audits can improve the overall quality of financial reports, these improvements are generally attributable to enhanced communication and cross-checking rather than to the specific auditor mix (Al-Fetli & AL-Taie, 2022; Mnif & Salamn, 2022).

Hypotheses Development

Based on the reviewed literature, the following hypotheses are proposed:

- **Main Hypothesis 1 (H1):** The selection of external auditor combinations in joint audits does not significantly affect compliance with general auditing standards (i.e., independence, integrity, and professional competence).
    - **Sub-Hypothesis 1.1 (H1.1):** Local–local auditor combinations do not have a significant effect on compliance with general auditing standards.
    - **Sub-Hypothesis 1.2 (H1.2):** Local–international auditor combinations do have a significant effect on compliance with general auditing standards.

  - **Sub-Hypothesis 1.3 (H1.3):** International–international auditor combinations do not have a significant effect on compliance with general auditing standards.
- **Main Hypothesis 2 (H2):** The auditor mix does not significantly influence adherence to fieldwork auditing standards (e.g., risk assessment, evidence collection).
  - **Sub-Hypothesis 2.1 (H2.1):** Local–local auditor pairs do not significantly affect compliance with fieldwork standards.
  - **Sub-Hypothesis 2.2 (H2.2):** Local–international auditor pairs significantly affect compliance with fieldwork standards.
  - **Sub-Hypothesis 2.3 (H2.3):** International–international auditor pairs do not significantly affect compliance with fieldwork standards.
- **Main Hypothesis 3 (H3):** The auditor combination does not significantly affect compliance with reporting auditing standards (i.e., accuracy and clarity of audit reports).
  - **Sub-Hypothesis 3.1 (H3.1):** Local–local auditor mixes do not significantly influence compliance with reporting standards.
  - **Sub-Hypothesis 3.2 (H3.2):** Local–international auditor mixes significantly influence compliance with reporting standards.
  - **Sub-Hypothesis 3.3 (H3.3):** International–international auditor mixes do not significantly influence compliance with reporting standards.

Theoretical Basis for the Hypotheses:
The null hypotheses are grounded in empirical findings suggesting that compliance with general auditing standards is primarily driven by ethical conduct rather than by the specific auditor mix (Kinasih, Widyaningsih, & Heryana, 2024). Fieldwork quality is largely determined by the efficacy of internal controls and the quality of coordination between auditors, rather than by the specific configuration of the audit team (Wehrhahn & Velte, 2024). Finally, improvements in reporting standards are more closely linked to the collaborative processes inherent in joint audits than to the auditor mix itself (Azzam, Alrabba, AlQudah, & Mansur, 2020). This theoretical framework posits that while auditor selection plays a role in shaping audit quality, factors such as ethical rigor, coordination, and methodological alignment are paramount.

RESEARCH METHODOLOGY

Study Design and Approach

This study adopted a descriptive-analytical approach to examine the impact of auditor mix on compliance with auditing standards in joint audit engagements. A quantitative research design was employed to systematically collect and analyze empirical data, thereby elucidating the relationship between auditor configurations and audit quality (Akuoko-Sarpong, Gyasi, & Affram, 2024).

Population and Sample

The target population comprised external auditors employed by audit firms that serve multinational corporations. A random sample of 52 external auditors was selected to ensure diverse representation and sufficient professional expertise in joint audit practices. This sampling strategy was implemented to enhance the generalizability of the study findings.

Data Collection Instrument

Primary data were gathered through a structured questionnaire developed based on established instruments from previous research (Akuoko-Sarpong et al., 2024; Febrianisa & Kuntadi, 2024). The questionnaire utilized a five-point Likert scale—an approach validated in numerous empirical studies (Azibi & Velte, 2015)—with respondents indicating their level of agreement with various statements (1 = Strongly Disagree to 5 = Strongly Agree). The instrument was designed to capture auditors' perceptions regarding the effectiveness of different auditor configurations in enhancing compliance with auditing standards.

Study Variables and Measurement

The study examined one independent variable and one dependent variable, each further divided into specific dimensions.

- **Independent Variable (X): Optimal Mix of External Auditors**
  The auditor mix was conceptualized as a categorical variable comprising three configurations:
  - **X_a (Local–Local Mix):** This configuration includes partnerships between two individual local auditors or between two local audit firms.
  - **X_b (Local–International Mix):** This configuration encompasses partnerships between a local auditor (or audit firm) and an auditor (or audit firm) affiliated with a global audit network.
  - **X_c (International–International Mix):** This configuration consists of partnerships between two auditors (or audit firms) affiliated with international audit networks.
    Each configuration was measured on a five-point Likert scale to assess its perceived effectiveness in improving audit quality.
- **Dependent Variables (Y): Compliance with Auditing Standards**
  Audit quality was operationalized through compliance with recognized auditing standards and was divided into three dimensions:
  - **Y_a (General Standards):** Compliance with overarching audit principles such as independence, integrity, and professional competence.

- **Y_b (Fieldwork Standards):** Adherence to procedural and operational guidelines during the audit fieldwork phase, including risk assessment and evidence collection.
- **Y_c (Reporting Standards):** The quality, accuracy, and transparency of audit reports.

Each dimension was measured using a five-point Likert scale. This classification aligns with recognized frameworks in auditing practice, such as those outlined in AS 2110 and AS 2201 (AS 2110, 2025; AS 2201, 2025).

Data Analysis Procedures

Data collected from the questionnaires were analyzed using SPSS version 22.0. Descriptive statistics—including mean, standard deviation, minimum, and maximum values—were computed to summarize the data and assess response distribution. To examine causal relationships between the auditor mix configurations and compliance with auditing standards, ordinal regression analysis (PLUM) was employed. PLUM was selected due to its robustness in handling ordinal data and has been effectively utilized in previous auditing studies (Deng, Lu, Simunic, & Ye, 2014). Hypotheses were tested at a significance level of $\alpha = 0.05$, with model coefficients and corresponding p-values evaluated to determine the impact of each auditor configuration.

RESULTS AND HYPOTHESIS TESTING

Descriptive Statistics

Descriptive statistical analysis was conducted to examine the distribution of responses for both the independent and dependent variables. Table 1 summarizes the key statistics computed from the 51 valid responses:

Table 1. Descriptive Statistics of Study Variables

Variable	N	Min	Max	Mean	Std. Deviation
General Standards (Y_a)	51	3.00	5.00	4.06	0.544
Fieldwork Standards (Y_b)	51	2.86	5.00	4.05	0.434
Reporting Standards (Y_c)	51	2.33	5.00	4.10	0.579
Local–Local Mix (X_a)	51	2.67	5.00	3.64	0.541
Local–International Mix (X_b)	51	3.00	5.00	4.39	0.603
International–International Mix (X_c)	51	3.00	5.00	4.39	0.635

These descriptive statistics indicate a strong overall adherence to auditing standards, with mean scores above 4.0 across the three dimensions (general, fieldwork, and

reporting). Additionally, respondents perceived the local–international and international–international auditor configurations as more effective (both with mean values of 4.39) compared to the local–local mix (mean value of 3.64).

Hypothesis Testing Using Ordinal Regression Analysis

To test the study hypotheses, ordinal regression analysis (PLUM) was employed using SPSS version 22.0. The analysis examined the effects of the auditor mix (X_a, X_b, X_c) on each dimension of compliance with auditing standards (Y_a, Y_b, Y_c). A significance level of $\alpha = 0.05$ was used throughout the analyses.

Testing Hypothesis 1: Compliance with General Auditing Standards

Hypothesis (H1): The selection of external auditor combinations in joint audits does not significantly affect compliance with general auditing standards.

Table 2. Ordinal Regression Results for General Standards (Y_a)

Hypothesis Component	Independent Variable	Estimate	Wald Statistic	Sig.
H1.1	Local–Local Mix (X_a)	0.466	0.830	0.362
H1.2	Local–International Mix (X_b)	1.182	4.455	0.035
H1.3	International–International Mix (X_c)	-0.144	0.073	0.787

Interpretation:

- **Sub-Hypothesis 1.1:** The local–local mix (X_a) does not have a statistically significant effect on general standards ($p = 0.362$).
- **Sub-Hypothesis 1.2:** The local–international mix (X_b) has a statistically significant positive effect on general standards ($p = 0.035$).
- **Sub-Hypothesis 1.3:** The international–international mix (X_c) does not have a statistically significant effect on general standards ($p = 0.787$).

Thus, H1 is partially supported, as only the local–international mix significantly influences compliance with general auditing standards.

Testing Hypothesis 2: Compliance with Fieldwork Auditing Standards

Hypothesis (H2): The auditor mix does not significantly influence adherence to fieldwork auditing standards.

Table 3. Ordinal Regression Results for Fieldwork Standards (Y_b)

Hypothesis Component	Independent Variable	Estimate	Wald Statistic	Sig.
H2.1	Local–Local Mix (X_a)	1.394	6.620	0.010
H2.2	Local–International Mix (X_b)	1.298	5.271	0.022
H2.3	International–International Mix (X_c)	-0.509	0.894	0.345

Interpretation:

- **Sub-Hypothesis 2.1:** The local–local mix (X_a) has a statistically significant effect on fieldwork standards (p = 0.010).
- **Sub-Hypothesis 2.2:** The local–international mix (X_b) also has a statistically significant effect on fieldwork standards (p = 0.022).
- **Sub-Hypothesis 2.3:** The international–international mix (X_c) does not significantly affect fieldwork standards (p = 0.345).

Thus, H2 is partially rejected since both local–local and local–international configurations significantly influence compliance with fieldwork auditing standards.

Testing Hypothesis 3: Compliance with Reporting Auditing Standards

Hypothesis (H3): The auditor combination does not significantly affect compliance with reporting auditing standards.

Table 4. Ordinal Regression Results for Reporting Standards (Y_c)

Hypothesis Component	Independent Variable	Estimate	Wald Statistic	Sig.
H3.1	Local–Local Mix (X_a)	0.602	1.388	0.239
H3.2	Local–International Mix (X_b)	2.172	13.051	0.000
H3.3	International–International Mix (X_c)	-0.916	2.855	0.091

Interpretation:

- **Sub-Hypothesis 3.1:** The local–local mix (X_a) does not significantly affect reporting standards (p = 0.239).
- **Sub-Hypothesis 3.2:** The local–international mix (X_b) has a statistically significant positive effect on reporting standards (p = 0.000).
- **Sub-Hypothesis 3.3:** The international–international mix (X_c) does not significantly influence reporting standards (p = 0.091).

Thus, H3 is partially supported, with only the local–international mix significantly impacting compliance with reporting standards.

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Regression Equations

The estimated regression equations for the three dimensions of auditing standards are as follows:

For General Standards (Hypothesis 1):

$$y_a = \beta 0 + 0.466x_a + 1.182x_b - 0.144x_c$$

For Fieldwork Standards (Hypothesis 2):

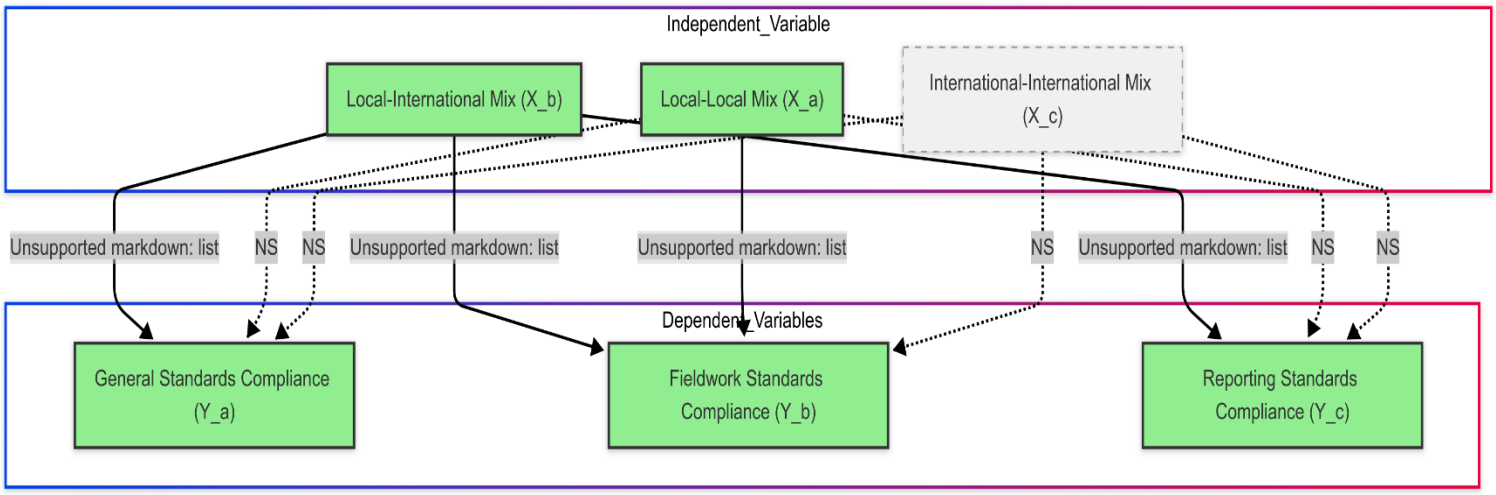
$$y_b = \beta 0 + 1.394x_a + 1.298x_b - 0.509x_c$$

For Reporting Standards (Hypothesis 3):

$$y_c = \beta 0 + 0.602x_a + 2.172x_b - 0.916x_c$$

These equations represent the effect of the auditor mix on compliance with various auditing standards. The coefficients represent the estimated impact of each mix combination on the compliance dimensions. The statistical analysis was conducted using PLUM - Ordinal Regression, and the results offer valuable insights into the optimal auditor mix for enhancing compliance in joint audits.

Thus, the researchers were able to crystallize the final regression model, which shows the impact between the study variables in the following figure:



- Source:(Authers,2025.)

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Summary of Findings

The results indicate that the local–international auditor mix (X_b) consistently exhibits a significant positive impact on compliance with general, fieldwork, and reporting standards. In contrast, the local–local mix (X_a) significantly affects fieldwork standards but does not influence general or reporting standards, while the international–international mix (X_c) does not exhibit a significant impact in any of the examined dimensions. These findings are in line with prior empirical research, which highlights the importance of combining local knowledge with international expertise to enhance audit quality (Deng, Lu, Simunic, & Ye, 2014; Fu & Kim, 2024).

CONCLUSION AND RECOMMENDATIONS

Conclusion

This study investigated the impact of external auditor mix on the effectiveness of joint audits for multinational corporations by examining how different configurations influence compliance with general, fieldwork, and reporting auditing standards. Employing a descriptive-analytical design and quantitative methodology, data collected from 52 external auditors were analyzed using ordinal regression (PLUM). The findings indicate that the local–international auditor mix consistently yields a significant positive effect on compliance across all measured dimensions. In contrast, while the local–local configuration significantly enhances compliance with fieldwork standards, it does not have a statistically significant impact on general or reporting standards. Similarly, the international–international mix did not demonstrate a significant influence in any of the audited dimensions.

These results underscore the critical role of auditor diversity in enhancing audit quality. The integration of international expertise with local regulatory knowledge appears to address the multifaceted challenges associated with multinational financial reporting. Consequently, joint audits that incorporate a balanced combination of local and international auditors foster a higher degree of regulatory compliance and overall audit quality—a finding that aligns with prior empirical research (Deng et al., 2014; Fu & Kim, 2024).

Recommendations

Based on the study's findings, several recommendations can be made for both practitioners and policymakers:

1. **Adopt a Mixed Auditor Approach:**
   Multinational corporations should consider prioritizing joint audits that combine local and international auditors. This mix leverages the

complementary strengths of local auditors' in-depth regulatory and cultural insights with the technical proficiency and global standards adherence of international auditors (Herbinet, 2025; TIGTA, 2024).

2. **Strengthen Auditor Selection Processes:**
   Audit committees should implement rigorous selection procedures to ensure that chosen audit teams exhibit a balanced mix of expertise. Emphasis should be placed on evaluating both technical competencies and the ability to collaborate effectively across diverse audit environments (Akuoko-Sarpong, Gyasi, & Affram, 2024; Vandennieuwenhuysen, 2024).
3. **Enhance Communication and Coordination Mechanisms:**
   Given the methodological differences between auditors from diverse backgrounds, it is essential to establish robust communication channels and coordination protocols. Such measures will help reconcile differences in audit approaches, thereby reducing the risk of miscommunication and enhancing overall audit effectiveness (ICAEW, 2019).
4. **Invest in Ongoing Training and Development:**
   Continuous professional development programs should be implemented for both local and international auditors. Training initiatives focused on international standards and emerging audit technologies can further strengthen the capacity of joint audit teams to address the evolving challenges of multinational financial reporting (Al Sharabi, AL Hobaishi, & AL Mehgani, 2024).
5. **Encourage Further Research:**
   Future research should explore additional factors that influence joint audit effectiveness, including the role of regulatory frameworks, firm size, and the impact of technological advancements on audit processes. Expanding the scope of research in these areas may yield deeper insights into the mechanisms that underpin successful auditor collaborations (Deng et al., 2014).

Final Remarks

In conclusion, this study contributes to the literature by highlighting the strategic importance of auditor diversity in joint audits. The evidence suggests that a judicious mix of local and international auditors can significantly enhance compliance with auditing standards, thereby improving financial reporting quality and regulatory adherence in multinational settings. As multinational corporations navigate increasingly complex financial landscapes, the adoption of mixed auditor configurations emerges as a viable strategy for achieving higher audit quality and safeguarding stakeholder interests.

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