Research on Enterprise Digital transformation and Audit Quality -- Based on the perspective of corporate governance

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Abstract. The digital trend has promoted enterprise transformation, improved corporate governance efficiency, and can promote high-quality development of enterprises. This paper uses the text analysis method to measure the Digital transformation of enterprises. Taking Shanghai and Shenzhen A-share listed companies from 2010 to 2020 as the research sample, this paper examines the impact of Digital transformation on audit quality and its mechanism, and studies the relationship between the two from the perspective of corporate governance. The study found that enterprise Digital transformation can significantly improve the quality of enterprise audit. The mechanism test shows that the Digital transformation of enterprises promotes the audit quality by improving the internal information transparency of enterprises and alleviating agency costs. From the perspective of corporate governance, internal management power and external legal perspective can positively regulate the relationship between the two. This article provides theoretical support and operational evidence for improving the quality of corporate auditing and promoting the development path of corporate auditing quality from the perspective of corporate governance.

Keywords: Enterprise Digital Transformation; Corporate Governance; Audit Quality

1 Introduction

The report of the 20th National Congress of the Communist Party of China proposes to accelerate the development of the digital economy and promote the deep integration of the digital economy and the real economy. Developing the digital economy is a strategic choice to seize the new opportunities of technological revolution and industrial

transformation, and promoting the integration of the digital economy and the real economy is an important aspect of promoting high-quality development of China's economy. According to estimates and predictions from International Data Corporation in 2021, by 2022, the economic value brought by digitization will account for 65% of global GDP, and the economy will still follow the path of digitization. Most companies will create greater corporate value through the combination of digitization and sustainability; By 2025, in the face of global market economic turmoil, 75% of enterprise management will rely on digital platforms and ecosystem capabilities to drive the value enhancement of enterprises in order to adapt to the new market environment and ecosystem. Enterprise Digital transformation is just the measure to implement and implement the above spirit.

Digital transformation has changed the business model and management process of enterprises, which can improve the efficiency and competitiveness of enterprises, and may also have an impact on the efficiency and effectiveness of audit work. By studying the impact of Digital transformation on audit work, we can better evaluate the impact of Digital transformation on audit work, including the impact on the efficiency and effectiveness of audit work [1]. In a positive sense, enterprises will use digital technologies such as Big data to provide more valuable information, reduce the cost of information search, provide multi-dimensional and visual annotations, and improve the transparency of financial accounting information; In a negative sense, the implementation of digital technologies such as Big data or Internet business models by enterprises will bring more Strategic risk, and will also bring great uncertainty to the confirmation, measurement, recording and reporting of enterprises, thus increasing the Audit risk faced by auditors. So, whether digitalization of enterprises will have an impact on audit quality, and further, whether the higher the degree of digitalization of enterprises, the higher the audit quality, remains to be empirically tested, which will also be the focus of this paper's research.

Among them, corporate governance, as an important issue in China's economic system reform and enterprise development, is related to enterprise performance and even high-quality development of the national economy. The efficiency of corporate governance may be affected by the Digital transformation of enterprises. High quality auditing, as an external governance mechanism, is conducive to improving the shortcomings of the existing economic system, identifying opportunistic behavior among management, alleviating agency conflicts, and improving corporate governance levels.

Based on the above realistic and theoretical background, this paper studies the impact of Digital transformation on high-quality audit and its mechanism from the perspective of corporate governance. This paper uses the research strategy of combining theoretical analysis and empirical analysis to explore the relationship between the two. On the basis of exploring the relationship between the two, this paper studies the mechanism of Digital transformation and high-quality audit; Study the moderating effects of heterogeneity characteristics such as property rights nature, equity concentration, and enterprise size on this impact. Through the above theoretical and empirical analysis, the aim is to provide empirical insights for the government to improve audit governance level, and for enterprises to improve audit quality and governance efficiency.

2   Theoretical analysis and research hypotheses

2.1   Enterprise Digital transformation and audit quality

On the one hand, the Digital transformation of enterprises improves the audit quality by improving the transparency of accounting information. In other words, using these digital technologies can enrich the content of accounting information and increase its timeliness. For example, mastering the productivity of workers in the production work-shop, watching videos of real-time changes in inventory and the status of fixed assets. In addition, enterprises implementing digital technology have strong data analysis ca-pabilities, which can provide multi-dimensional and low-cost information. These visu-alized information facilitates investors and external certified public accountants to un-derstand the situation of the enterprise, thereby improving the transparency of account-ing information. Enterprises implementing digital technology can obtain more external source information, which increases the reliability of certified public accountant evi-dence, provides a channel for verifiability of audit evidence, and increases the verifia-bility of the obtained audit evidence. Therefore, implementing digital technology in enterprises can help certified public accountants obtain useful information during au-dits, increase information transparency, and help investors and customers identify po-tential risks. At the same time, it helps certified public accountants improve the relia-bility of audit information, increase the verifiability of information, reduce inspection risk, improve audit quality, and then reduce the Audit risk of the firm.

On the other hand, enterprise Digital transformation can alleviate agency conflicts and improve audit quality. At present, China is in the period of economic transfor-mation. The core of corporate governance is to solve the principal-agent problem caused by the separation of ownership and management. Digital transformation of en-terprises can improve information transparency and help external stakeholders to su-pervise information. External creditors and investors can timely and accurately grasp the financial and other non-financial information of the enterprise, exerting a supervi-sory role on the internal management of the enterprise. The pressure of external stake-holders can alleviate the Principal-agent problem between management and sharehold-ers. Managers are under pressure to convey information, reduce self-interest motiva-tion, and make decisions that align with stakeholders. When the certified public ac-countants audit the enterprises implementing the Digital transformation of enterprises, they can obtain more reliable information, and can verify the information obtained through multiple channels. In addition, external audit is an indispensable external cor-porate governance mechanism [2], which is a product of the principal-agent mechanism. The increase in agency costs will promote enterprises' demand for higher audit quality. In order to improve information transparency and alleviate agency conflicts, the Digital transformation of enterprises will increase the audit quality of certified public account-ants. Based on this, hypothesis H1 can be proposed:

H1: Enterprise Digital transformation can improve enterprise audit quality.

2.2 Enterprise Digital transformation, internal management power and audit quality

The relationship between enterprise Digital transformation and audit quality may be different under different corporate governance conditions. As a kind of corporate governance mechanism, management power may affect the relationship between Digital transformation and audit quality. The role of management varies among enterprises with varying degrees of digitization. When the enterprise's Digital transformation degree is high, the enterprise's information transparency is high, and the external stakeholders have a lot of useful information, which can positively supervise the enterprise's management. As the agent of the company's shareholders, the management's actions more reflect the will of the shareholders. The greater the power of management, the more likely it is to enhance information transparency under conditions of high digitization, thereby improving the quality of enterprise auditing. Instead of being constrained by external supervision agencies afterwards, the management will influence the company's audit hiring decisions in advance. On the contrary, when the enterprise's Digital transformation is relatively low, the management's behavior is more self serving. The greater the power of management, the more it will suppress the quality of corporate auditing. Therefore, the power of internal management can positively adjust the relationship between Digital transformation and audit quality. Based on the above analysis, this article proposes the following assumptions:

H2: The power of internal management can promote the positive correlation between enterprise Digital transformation and audit quality.

2.3 Enterprise Digital transformation, external legal protection and audit quality

As a kind of external governance mechanism, legal protection may affect the relationship between Digital transformation and audit quality. Nigam and Boughanmi (2016) [3] have shown that legal protection can effectively protect shareholder rights and suppress management agency behavior. In areas with strong legal protection, company shareholders can use legal means to supervise the management of the enterprise and alleviate agency conflicts between the two. In areas with weak legal protection, shareholders' use of legal means to supervise the management of enterprises is limited, and the behavior of the management reflects their own interests more, leading to a further decline in audit quality. Therefore, external legal protection can positively regulate the relationship between the Digital transformation of enterprises and audit quality. Based on the above analysis, this article proposes the following assumptions:

H3: External legal protection can promote the positive correlation between enterprises' Digital transformation and audit quality.

3   Research Design

3.1   Sample selection

This article selects the Shanghai and Shenzhen A-share data from 2010 to 2020 as the research sample. In addition, the following processing was carried out: (1) Due to the inability of enterprises whose main business is related to digitization to see their motivation for digitization, the study of Zhai Huayun and Li Qianru (2022) was used to exclude enterprises whose main business is related to software, including the Internet and computers; (2) Excluding financial listed companies; (3) Excluding ST and * ST enterprises; (4) Exclude companies with missing primary variables. After excluding the above data, * * samples were ultimately obtained. In addition, in order to control the impact of extreme values, all continuous variables in this article were subjected to a 1% tail reduction treatment. The data related to the explanatory variables in this article was obtained through text analysis, and the data related to the dependent variables and other control variables were obtained from the CSMAR database and CNRDS database.

3.2   Variable Definition

1. Digital transformation.

Referring to the practice of Hu Jie et al. (2022) [4], the text analysis method and word frequency statistics method are used as the proxy variable of the enterprise's Digital transformation, and the Natural logarithm is taken as the standard by adding 1.

2. Audit Quality (DACC).

High quality auditing can constrain opportunistic behavior of managers and improve the quality of corporate earnings. Referring to the research of Yang Di et al. (2021) [2], this paper uses the Natural logarithm of total audit fees as the proxy variable in the main regression. And Hribar et al. (2014) [5] pointed out that audit fees are the costs invested in the implementation of the audit process, and it is reasonable to measure audit quality. In the robustness test, accrued earnings management is used as the proxy variable, and the Jones model is used to calculate the absolute value of controllable accrued profits.

3. Model construction.

In order to study the impact of enterprise Digital transformation on audit quality, this paper draws on the ideas of Forst and Hettler (2018) [6], Hu Jie et al. (2022) [4] to build the following benchmark regression model (1):

$$DACC_{IT} = \alpha_0 + \alpha_1 Digit_{it} + \alpha 2 Size_{it} + \alpha_3 Lev_{it} + \alpha_5 Cashflow_{it} + \alpha_6 Growth_{it}$$
$$+ \alpha_7 SOE_{it} + \alpha_8 Topl_{it} + \alpha_9 Dual_{it} + \alpha_{10} Indep_{it} + \alpha_{11} Big4_{it} + \lambda_i + \mu_t + \varepsilon_{it} \quad (1)$$

In model (1), the explanatory variable is Digital transformation; The dependent variable is audit quality (DACC); I represents the enterprise, t represents the year; ε_{it} λ_i

Is an individual fixed effect, a μ_t time fixed effect, and a random perturbation term; The definitions of other control variables are detailed in Table 1. The parameters α_1 reflect the impact of enterprise Digital transformation on audit quality.

In order to test the mechanism, this article uses Wen Zhonglin et al. (2004) [7] three-step method to construct models (2) and (3) based on model (1).

$$InIC_{it} / Manfee_{it} = \beta_0 + \beta_1 Digit_{it} + \beta_2 Size_{it} + \beta_3 Lev_{it} + \beta_4 ROA_{it} + \beta_5 Cashflow_{it} + \beta_6 Growth_{it} + \beta_7 SOE_{it} + \beta8 Topl_{it} + \beta9 Dual_{it} + \beta_{10} Indep_{it} + \beta_{11} Big4_{it} + \beta_{11} Big4_{it} + \lambda_i + \mu_t + \varepsilon_{it} (2)$$

$$DACC_{it} = \chi_0 + \chi_1 Digit_{it} + \chi_2 InIC_{it} / Manfee_{it} + \chi_3 Size_{it} + \chi_4 Lev_{it} + \chi_5 ROA_{it} + \chi_6 Cashflow_{it} + \chi_7 Growth_{it} + \chi_8 SOE_{it} + \chi_9 Topl_{it} + \chi_{10} Dual_{it} + \chi_{11} Indep_{it} + \chi_{11} Indep_{it} + \chi_{12} Big4_{it} + \lambda_i + \mu_t + \varepsilon_{it} (3)$$

In model (2), the dependent variables are information transparency and agency cost. With reference to the scholar Hu Jie et al. (2021) [4], the agency cost of information transparency is the Natural logarithm of internal control quality. The proxy variable for proxy cost is the management fee rate (Manfee).

To verify hypotheses H2 and H3, following the approach of Zhang Linyi (2022) [8], management power and legal protection variables were added to the basic model. The specific model is shown in (4):

$$DACC_{it} = \delta_0 + \delta_1 Digit_{it} + \delta_3 Mediator_{it} \times Digit_{it} + \delta_4 Size_{it} + \delta_5 Lev_{it} + \delta_6 ROA_{it} + \delta_7 Cashflow + \delta_8 Growth_{it} + \delta_9 SOE_{it} + \delta_{10} Topl_{it} + \delta_{11} Dual_{it} + \delta_{12} Indep_{it} + \delta_{13} Big4_{it} + \lambda_i + \mu_t + \varepsilon_{it} (4)$$

In model (4), Mediator is the moderating variable. This article uses two variables, Manp and Law, to consider the moderating effect of the internal and external governance environment of the enterprise. Manp is the internal management power. Referring to the study by Liu Jianmin et al. (2019) [9], principal component analysis is used to synthesize the five indicators into management power indicators; Law is an external legal protection.

4   Empirical Results and Analysis

4.1   Correlation analysis

The correlation analysis of the main variables shows that the correlation coefficient between Digital transformation and audit quality (DACC and DACC1) is 0.165 and -0.018 respectively, and both are significant at the level of 1%. The above results further indicate that the Digital transformation of enterprises may promote the audit quality of enterprises, which preliminarily supports the hypothesis H1. The correlation coefficient between the main variables in Table 1 is basically controlled below 0.4, which indicates that there is no serious Multicollinearity problem between the main variables.

Table 1. Correlation analysis

	DACC	DACC1	Digit	Size	Lev	ROA
DACC	1					
DACC1	-0.054***	1				
Digit	0.165***	-0.018***	1			
Size	0.767***	-0.055***	0.057***	1		
Lev	0.367***	0.084***	-0.083***	0.513***	1	
ROA	-0.060***	-0.075***	0.033***	-0.014**	-0.355***	1
Growth	0.002	0.138***	0.041***	0.036***	0.038***	0.255***
SOE	0.198***	-0.057***	-0.176***	0.354***	0.297***	-0.112***
Top1	0.119***	-0.029***	-0.114***	0.199***	0.069***	0.110***
Big4	0.449***	-0.044***	-0.007	0.354***	0.114***	0.035***

	Growth	SOE	Top1	Big4
Growth	1			
SOE	-0.069***	1		
Top1	-0.00100	0.251***	1	
Big4	-0.00800	0.129***	0.148***	1

4.2   Digital transformation of enterprises and audit quality: benchmark test

In order to verify the H1 research hypothesis, this paper conducts regression analysis according to model (1). The coefficients of Digital transformation are 0.120 and 0.043 respectively, which are significantly positive at the 1% level. After adding the control variable, the coefficient of enterprise Digital transformation has declined to 0.023 and 0.007 respectively, but it is also significantly positive at the 1% level. The above regression results show that enterprises' Digital transformation will significantly affect audit quality, and enterprises implementing Digital transformation tend to pay higher audit fees and improve audit quality. The above regression results support hypothesis H1 in this article.

In the control variables, the coefficients of enterprise size, cash flow, dual, and firm size are significantly positive, indicating that the larger the enterprise size, the more sufficient the cash flow, and the larger the firm size, the better the audit quality of the enterprise. The proportion of shares held by the largest shareholder (Top1) is significantly negatively correlated with audit quality, indicating that the more dispersed the equity, the better the audit quality of the enterprise. These results are basically consistent with the conclusions of Forst and Hettler (2018) [6]. After adding control variables, the R2 values for OLS regression and fixed effects regression were 0.688 and 0.671, respectively, indicating a good fit of the model.

4.3   Enterprise Digital transformation and Audit Quality: Mechanism Test

In order to further analyze the internal impact mechanism between enterprise Digital transformation and audit quality, according to the three-step mediation method proposed by Wen Zhonglin, models (2) and (3) are constructed on the basis of model (1) to comprehensively reflect the Mesomeric effect of enterprise information transparency and agency costs. The path analysis results of information transparency show that the relationship between Digital transformation and lnIC is tested. The coefficients of Digital transformation are 0.004 and 0.003, which are significantly positive at the level of 1% and 5% respectively. This shows that the increase of Digital transformation of enterprises leads to the increase of information transparency. The second step test of Mesomeric effect shows that Digital transformation of enterprises is significantly positively related to audit quality, and information transparency plays a part of intermediary role in the relationship between the two, passing the third step test of Mesomeric effect. Meanwhile, Sobel's test showed that the absolute value of Z was 3.41 and the P-value was 0.001, which is significant at the 1% level, indicating once again that information transparency passed the test. This shows that in the context of China's economic transformation, the Digital transformation of enterprises plays a role in promoting corporate governance, influencing corporate information transparency and improving corporate audit quality.

In the path analysis of agency costs, this article uses the management fee rate (Manfee) as the proxy variable for agency costs. The reason is that management fees can represent the degree of agency conflict between shareholders and management, and a high management fee rate indicates that shareholders' supervisory role is weak and the efficiency of corporate governance is low. In the test of the relationship between Digital transformation and Manfee, the coefficients of Digital transformation are -0.002 and -0.003, both of which are significantly positive at the 1% level. This shows that the rise of Digital transformation of enterprises can reduce agency costs, which passes the second step test of Mesomeric effect. The results show that the Digital transformation of enterprises is significantly positively correlated with audit quality, and agency costs play a part of intermediary role in the relationship between the two, passing the third step test of Mesomeric effect. At the same time, Sobel test shows that the absolute value of Z is 6.344, and the P value is 0.000, which is significant at the level of 1%, indicating that the Mesomeric effect of agency cost passes the test.

4.4   Enterprise Digital transformation, Corporate Governance and Audit Quality

In order to verify hypothesis H2, this article collected management data for regression and referred to Liu Jianmin et al. (2019) [9]'s measurement method for management power. Five indicators were selected to synthesize management power. The five major indicators are the tenure of the general manager (Tenure), whether the two positions are combined (Dual), the proportion of independent directors (Indep), the proportion of management shareholding (Mshare), and the size of the board of directors (Board). This article puts the management power (Manp) and the multiplication term (Digit * Manp)

[10] into the regression equation for the full sample data. This article takes the median of management power as the dividing point and divides the sample into two sub samples. The regression results show that internal management power is less than the median; The regression results show that the power of department management is greater than the median. The results show that the coefficient of Digital transformation is significantly positive, indicating that after considering the power of internal management, Digital transformation still has a significant positive correlation with audit quality. The coefficient between management power (Manp) and audit quality is significantly negative at the 1% level, indicating that management power can suppress audit costs. In the sub sample group with high internal management power, the coefficients of Digital transformation are significantly positive, which also shows that the higher the management power, the more restrained the audit fees.

To verify hypothesis H_3, this article collected data on external legal protection for regression, and the results are shown in Table 2. This article refers to the research of Zhang Linyi (2022) [8] and selects "the development of market intermediary organizations and the legal environment" in the Chinese marketization index by Wang Xiaolu et al. (2021) [11] as the proxy variable for environmental protection (Law). This article puts the external legal protection (Law) and the multiplication term (Digit * Law) into the regression equation for the full sample data. This article takes the median of external environmental protection as the boundary point and divides the sample into two sub samples. The results show that the coefficients of the intersection and multiplication terms are significantly positive, indicating that external environmental protection to some extent promotes the relationship between the two. The coefficients of external environmental protection (Manp) and audit quality, 0.002 and 0.001, are significantly positive at the 1% and 5% levels, indicating that external environmental protection can improve audit quality. In the sub sample group with high external legal protection, the coefficients of Digital transformation are significantly positive, which also indicates that the better the external environmental protection is, the better the audit quality will be. The results show that external environmental protection will play a positive moderating role in the relationship between enterprise Digital transformation and audit quality.

Table 2. Digital Transformation of Enterprises, Internal Management Powers, and Audit Quality

	(1)	(2)	(3)	(4)	(5)	(6)
			Low power of internal management		High power of internal management	
	Full sample					
Digit	0.023***	0.006**	0.030***	0.005	0.017***	0.006*
	(8.77)	(2.56)	(7.35)	(1.34)	(5.06)	(1.77)
Manp	-0.028***	-0.081***				
	(-3.37)	(10.56)				
Digit*Manp	-0.002	0.006***				
	(-0.74)	(3.34)				
Size	0.373***	0.344***	0.397***	0.376***	0.350***	0.307***
	(136.55)	(87.33)	(104.26)	(62.56)	(92.50)	(51.70)

Lev	0.077***	0.0210	0.00800	-0.066***	0.141***	0.073***
	(4.71)	(1.33)	(0.33)	(-2.80)	(6.40)	(3.20)
ROA	-0.817***	-0.416***	-0.857***	-0.381***	-0.827***	-0.359***
	(-15.66)	(-11.80)	(-10.44)	(-6.86)	(-12.43)	(-7.62)
Cashflow	0.284***	0.194***	0.303***	0.179***	0.263***	0.180***
	(6.97)	(7.62)	(5.05)	(4.88)	(4.82)	(5.01)
Growth	0.00100	-0.00100	0.000	-0.00300	0.005	0.000
	(0.19)	(-0.23)	(-0.03)	(-0.52)	(0.53)	(0.05)
SOE	-0.070***	0.028***	-0.064***	0.033**	-0.052***	0.0190
	(-11.26)	(2.74)	(-7.98)	(2.24)	(-5.28)	(0.99)
Top1	-0.060***	-0.080***	-0.140***	-0.00600	0.00700	-0.184***
	(-3.47)	(-3.37)	(-5.52)	(-0.18)	(0.31)	(-4.78)
Dual	0.044***	0.060***	0.086***	0.033***	0.016**	0.014**
	(5.97)	(8.90)	(5.07)	(2.61)	(2.43)	(2.18)
Indep	0.426***	0.535***	-0.0330	0.0180	0.215***	0.0780
	(5.68)	(7.34)	(-0.21)	(0.16)	(3.66)	(1.36)
Big4	0.609***	0.313***	0.594***	0.342***	0.633***	0.250***
	(57.66)	(23.41)	(42.61)	(19.19)	(38.26)	(11.03)
Constant term	5.066***	5.658***	4.775***	5.061***	5.594***	6.700***
	(77.63)	(49.50)	(48.09)	(21.52)	(61.50)	(42.09)
YEAR	YES	YES	YES	YES	YES	YES
IND	YES	YES	YES	YES	YES	YES
N	27903	27903	13951	13951	13952	13952
R2	0.688	0.672	0.697	0.662	0.672	0.653

4.5   Robustness testing

1. Endogeneity testing.

In order to solve the endogenous problem of missing variables and mutual causality, this paper uses the Instrumental variables estimation method to further test. With reference to the research of Shen Weicheng (2019) [12], this paper selects the endogenous variable Lag Phase I (L. Digit) and the average value of Digital transformation of the same industry and enterprises in the same year (AveDigit) as Instrumental variables estimation. First of all, the weak Instrumental variables estimation test results show that the F values are 15572.7 and 3824.5, respectively, greater than 10, rejecting the original hypothesis of the weak Instrumental variables estimation. The over identification test P value is greater than 0.1, which also indicates that the Instrumental variables estimation is exogenous. The above results show that the Instrumental variables estimation selected in this paper are appropriate. In the first stage, Digital transformation was used as the explanatory variable, and Instrumental variables estimation (L.Digit and AveDigit) were used as the explanatory variables for regression. It can be seen that the average value of enterprises' Digital transformation (L.Digit) and Digital transformation (AveDigit) lagging behind by one period are significantly positive at the level of 1%. Then the prediction value of the first stage is brought into the second stage for regression, and the results show that the Digital transformation and Audit Quality

(DACC) of enterprises are significantly positively correlated at the level of 1%, which is consistent with the previous conclusions. That is, the increase of enterprises' Digital transformation can lead to the increase of enterprises' audit quality, which again verifies the hypothesis H1.

2. Considering the influence of regional factors.

Referring to the research of Zhai Huayun and Li Qianru (2022), the samples from Beijing, Shanghai, Guangzhou, and Shenzhen were excluded for regression analysis. The reason is that enterprises' Digital transformation will be affected by the level of urban development. First tier cities have good infrastructure, and enterprises' implementation of Digital transformation will be less hindered. The regression results are shown in Table 3. It can be seen from the results that the coefficient of Digital transformation is still significantly positive, indicating that the research conclusions are not affected by the level of urban development.

Table 3. Reduced Samples

	（1）	（2）	（3）	（4）
	Mixed effect model		Fixed effect model	
Digit	0.110***	0.023***	0.045***	0.006**
	(24.08)	(7.15)	(13.23)	(2.17)
Size		0.362***		0.360***
		(110.11)		(76.14)
Lev		0.099***		-0.00600
		(4.97)		(-0.34)
ROA		-0.772***		-0.450***
		(-12.05)		(-10.44)
Cashflow		0.340***		0.205***
		(6.87)		(6.62)
Growth		0.00300		0.00200
		(0.35)		(0.44)
SOE		-0.077***		0.031***
		(-10.83)		(2.60)
Top1		-0.061***		-0.0370
		(-2.86)		(-1.34)
Dual		0.018***		0.011*
		(2.62)		(1.86)
Indep		-0.00900		-0.101**
		(-0.16)		(-2.01)
Big4		0.599***		0.339***
		(39.23)		(18.77)
Constant term	13.070***	5.496***	13.151***	5.504***
	(235.64)	(70.58)	(341.07)	(51.72)
YEAR	YES	YES	YES	YES
IND	YES	YES	YES	YES
N	18834	18829	18834	18829
R^2	0.223	0.643	0.539	0.683

5   Conclusion and inspiration

In recent years, with the improvement of digital technology level, the deep integration of digital technology and audit quality has become a major decision for enterprises to achieve high-quality development. Based on the data of A-share listed companies in Shanghai and Shenzhen from 2010 to 2020, this paper empirically tests the impact of Digital transformation on audit quality and its mechanism from the perspective of corporate governance. The empirical test results show that: first, the Digital transformation of enterprises has a significant role in promoting audit quality, and this conclusion is still reliable after a series of robustness tests; Second, enterprises' Digital transformation can promote audit quality by improving information transparency and alleviating agency conflicts; Third, from the perspective of internal and external corporate governance, it is found that both internal management power and external legal protection will play a positive moderating role in the relationship between Digital transformation and audit quality.

Based on the above research conclusions, this article proposes the following suggestions: Firstly, implementing digital technology in enterprises can help improve audit quality. The conclusion of this article indicates that accelerating the digitalization process of enterprises can improve audit quality. Enterprises should improve their ability to respond to changes in decision-making, and establish a digital platform that can support real-time perception of changes, real-time analysis of changes, real-time formulation of optimal decisions, and automatic implementation of decisions. Secondly, pay attention to the impact of internal and external governance mechanisms on the relationship between enterprise Digital transformation and audit quality. Enhancing the tenure of managers, promoting the integration of two positions, increasing the proportion of independent directors, increasing the shareholding ratio of management, and increasing the size of the board of directors can increase the power of management, thereby increasing the audit quality of the enterprise. At the same time, strengthening the role of external laws and enhancing external supervision mechanisms is beneficial for audit quality and the quality of company financial reports.

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