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THE IMPACT OF AI (ARTIFICIAL INTELLEGENGE) ON AUDIT

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Abstract

This article fully explains the connection between AI and Audit systems in today's modern world. If we look at the fields of sciences that AI did not get involved, only a few we can count due to its advancements over the period of time. However, it is desirable to know what role Ai is playing in Auditing, and what benefits the auditors can get from applying AI into the process of auditing, especially you may wonder if it is reliable or not to trust AI in sharing internal data of a specific company or letting it detect its frauds and get some clear recommendations to tackle the issues happening in the company's business cycle.

Keywords: AI, Audit, Accounting system

Introduction

AI is altering the way auditors and accountants make reports and analyze the business companies' accounting system. It used to be a challenging task for auditors to analyze the risk assessment and decide what to do and provide clear explanations and recommendations due to a wide range of data set they would get from internal staff of a specific companies. To get better results which are guaranteed to be ended up by successful outcomes, auditing companies are

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getting help from AI, because AI tools can analyze, sum up or categorize all research data, whether it involves data from an extended period of time or inverse, from the company they are working for. "Our research conducted amongst 1800 financial reporting executives across major economies around the world shines a new light on these key questions — and finds that we are standing on the cusp of a genuine financial reporting revolution: moving from the 'digital age' to the 'AI age' in which nothing will ever be quite the same again" (KPMG International). Additionally, auditing firms and companies should train auditors and accountants to learn how to deal with AI in working process and should attract more investors into it. Even though it takes some time to get used to AI in those firms, it comes with positive changes and developments eventually.

Literature review

AI itself is a wider topic to discuss as there is no any field of science that AI did not visit. Therefore, finding it interesting, some professors from different backgrounds tried to discuss and explain the effects of AI in auditing process. Anna Karmańska (*2022*) did some research about the positive results of AI after applying it into accounting and auditing spheres. According to the respondents, who were accounting and audit professionals and students adopting AI can increase audit effectiveness and efficiency thanks to accuracy, precision, and rational decision making. AI is also beneficial in the automation of repetitive processes, especially in phases that require the performance of rules-based and time-consuming tasks and extract information from unstructured data such as contacts, emails, and social media. Moreover, AI can enhance communication and provide better service for clients.[1] *Julia Kokina a, Shay Blanchette a, Thomas H. Davenport b, Dessislava Pachamanova c* discussed challenges and opportunities for artificial intelligence in auditing[2]. Anastassia Fedyk & James Hodson, & Natalya Khimich & Tatiana Fedyk tried to find out whether

[1] Karmańska, Anna. "Artificial Intelligence in audit." *Prace Naukowe Uniwersytetu Ekonomicznego We Wrocławiu* 66.4 (2022): 87-99

[2] Kokina, Julia, et al. "Challenges and opportunities for artificial intelligence in auditing: Evidence from the field." *International Journal of Accounting Information Systems* 56 (2025): 100734

application of AI in auditing process is efficient or not.[3] Yingying Zhang, Feng Xiong, Yi Xie, Xuan Fan and Haifeng Gui also tried to explore the impact of Artificial Intelligence and blockchain on the accounting profession.[4]

Research methodology

This research used a qualitative approach, following by case-evidence and comparative analysis to discover the application of Artificial Intelligence (AI) in auditing activities. The primary task was to AI tools can alter the way auditors used to work in, including the clear representation of differences between traditional and modern (AI based) methods in auditing processes.

Analysis and results

AI can also perform more targeted information gathering. In her audits, Patricia Willhite, CPA, senior audit manager at 200-employee firm CapinCrouse, uses DataSnipper, an intelligent automation platform that uses Excel, to link significant volumes of data from distinct PDFs from a client workbook into one testing workbook. Auditors can then use automated formulas to identify an irregularity. Clicking on a cell takes the reviewer to the underlying source document, where they can check data accuracy, and any user can easily see where the data came from (see the image "Hyperlinking to Underlying Source Documents," below). In using it, "we've reduced testing and training time and improved quality, all quite substantially," Willhite said. There are some outcomes auditors or auditing firms can get from using AI:

1. **Enhanced efficiency.** AI streamlines auditing by automating time-consuming tasks like data entry and analysis. Auditors can redirect their focus to more valuable activities, expediting audits with reduced resource needs. This efficiency not only accelerates the audit process but also lowers overall costs.
2. **Provision of more data as audit evidence.** The incorporation of machine learning and AI allows auditors to extract meaningful information from various

[3] Fedyk, Anastassia, et al. "Is artificial intelligence improving the audit process?." *Review of Accounting Studies* 27.3 (2022): 938-985.
[4] Zhang, Yingying, et al. "The impact of artificial intelligence and blockchain on the accounting profession." *Ieee Access* 8 (2020): 110461-110477.

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sources, expanding the scope and context of evidence. Auditors are no longer constrained by the evidence provided by auditees, providing a richer foundation for their assessments.

3. **Improved risk assessments.** Incorporating AI in audit process enhances risk assessments through in-depth analysis of diverse financial data. This insight enables auditors to concentrate efforts on areas with higher risks of material misstatement, ensuring a more targeted and effective audit approach.

4. **Data-driven insights.** AI's ability to uncover patterns in large datasets provides auditors with valuable, data-driven insights. This not only aids in making informed decisions but also allows auditors to offer more meaningful services to clients by identifying potential fraud that may be challenging to detect manually.

5. **Enhanced audit quality.** AI elevates audit quality by continuously learning and adapting to datasets, reducing the likelihood of errors or omissions. Quality control checks are enhanced, and AI's ability to swiftly and accurately evaluate massive volumes of data contributes to the overall improvement in audit quality.

6. **Cost reduction.** Automation through AI significantly reduces the time required for audits, contributing to a substantial decrease in overall audit costs. AI also identifies areas where testing should be concentrated, streamlining the audit process and further contributing to cost reduction.

1-diagram. Benefits of leveraging AI in Auditing [5]

[5] www.highradius.com

Furthermore, AI has been showing itself as one of the most reliable and accurate system to use in even more serious situations, it is right to say that sometimes emotions also play a crucial role in decision making processes, risk assessment and planning on preparation to upcoming periods. Auditors and accountants used to prepare all reports to both internal and external users on their own, using the method called "Traditional Audit Approach". However, now it is possible and even AI based system has been used in many firms, and proved itself to be an efficient employee. Comparison of both traditional and AI based approaches in Audit companies or during auditing processes is shown below on a table.

1-table Comparison of both traditional and AI based approaches in Audit companies[6]

Phase	Assisted approach to AI systems	Traditional Audit Approach
Planning	Analysis of large amounts of data related to the company's organizational structure and its accounting and financial system.	The auditor collects and analyzes information related to the company's organizational structure and its accounting and financial system.
Contract	Following the previous phase, the level of risk is estimated, as well as the estimate of hours needed to work.	A commitment letter is prepared by the auditor, based on the estimated audit risk.
Identification of risk factors	Pattern detection and analysis to identify risk factors.	The auditor aggregates the information and uses his professional judgement to identify risk factors
Control risk assessment	Monitoring of controls continuously.	Review of costumer's CI policies and procedures. Test the controls.
Substantive Tests	Conducting detailed tests continuously and on 100% of the population, performed on the company's financial position (balance sheet). Several economic years can be analyzed. Continuous pattern recognition.	Details tests are carried out by sampling, where their nature, extent and timing depend on the IC tests. They are run only over one economic year. Analytical procedures are performed.
Evidence Assessment	This phase is integrated into the previous phase.	The auditor assesses the sufficiency and clarity of the evidence gathered with a view to obtaining reasonable assurance of the entity's financial position.
Audit report	The audit report can be continuous rather than categorized (clean, qualified, adverse)	Based on the information collected in the previous phase, a clean, qualified or adverse opinion is issued.

[6] Fonte: Adaptado de Issa, H., Sun, T., & Vasarhelyi, M. A. (2016).

Conclusion and recommendations:

Integration of Artificial Intelligence (AI) in auditing is rapidly altering the possession of auditors and accountants by improving the accuracy, efficiency and risk assessment abilities. AI tools, such as machine learning, language processing and data analytics are enabling auditors to categorize a vast amount of data and gain deeper insights which used to be a bit difficult to process through traditional approach. Whereas AI cannot deal with human judgement and professional skepticism when needed, it can serve as a powerful tool to support auditors in reporting high quality audits, reports and documents. Many auditors may consider that AI can replace their possession at work and they would be left behind without any job in the future which is totally incorrect. Instead, audit firms should train auditors to be able to deal with AI systems in their process and provide deeper knowledge about their benefits and functions to use on points, however full trust towards AI may not head us to successful results eventually at some points, therefore keeping it always under control of the government.

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