

Firms' Perceptions towards the use of Information Technology in the Audit Process

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Abstract

The objective of this study is to study firms' perceptions towards the adoption of Information Technology in the Audit process. For this study, data has been collected through a questionnaire survey method from various 40 audit experts. For data analysis, descriptive statistics have been used. To check consistency regarding the respondent's opinion, the Coefficient of Variation (C.V.) has been administered. Results concluded that 60% of respondents agree that Management believes that IT has great potential for improvement for work efficiency and effectiveness in the audit process. In checking employees' perception towards the adoption of Information Technology in the Audit process 60% of employees believe that IT has great potential for improvement for work efficiency and effectiveness in the audit process. The opinion of managers and employees' perception of this variable has the same. Both believe that the use of Information Technology has improved work efficiency and effectiveness. Results found that 60% of respondents agree that the use of Information Technology in the audit process has a tool that helps in auditing work. Results also found advantages of the use of IT in audit process i.e. Makes audit tests faster, Makes audit quality better, Effective tool in doing a special audit, Reduce auditors workload, Minimize the cost of the audit.

Keywords: Audit, Information Technology, manager's perception, employee's perception.

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Introduction

An Information Technology (IT) audit is an audit of an organization's IT systems, management, operations, and related processes. An IT audit may be carried out in connection with a financial regularity audit or selective audit. As the records, services, and operations of many organizations are often highly computerized, there is a need to evaluate the IT controls in the course of an audit of these organizations. Many organizations are spending large amounts of money on IT because they recognize the tremendous benefits that IT can bring to their operations and services. However, they need to ensure that their IT systems are reliable, secure and not vulnerable to computer attacks.

An information system (IS) audit or information technology (IT) audit is an examination of the controls within an entity's Information technology infrastructure. These reviews may be performed in conjunction with a financial statement audit, internal audit, or another form of attestation engagement. It is the process of collecting and evidence of evaluating an organization's information systems, practices, and operations. Obtained evidence evaluation can ensure whether the organization's information systems safeguard assets, maintains data integrity, and are operating effectively and efficiently to achieve the organization's goals or objectives. It has important to check managers' and employees' perceptions towards the adoption of Information Technology in the audit process because the current time the use of IT in audit has a very low. In this context, this studv identifies managers and employees perception towards the adoption of Information Technology in the audit process and this study also identify the advantages of the adoption of Information Technology in the Audit process.

Review of Literature

For the batter understanding of Information Technology and it's used in Audit work. The following review of the literature has been done.

(Ahmi, et. al, 2014)¹ investigate the current IT adoption among internal auditors and to identify the factors that influence IT adoption or nonadoption. This study also highlights the importance of IT to auditors, especially in achieving audit effectiveness and efficiency. Indirectly it will enhance audit productivity that gives ultimate impact to the economy. (Ahmi, et. al, 2017)² paper examined the implementation of CAATTs by internal auditors in the public sector. They found that the implementation of CAATTs by internal auditors in the public sector is still low due to lack of expertise, high implementation, and maintenance cost, limited access to auditee's data, and most of them prefer to conduct the audit manually. (Ernest, $(2015)^3$ provides detailed information about the concept of auditing to its relevance in a





computerized accounting system. The study also gives a brief explanation of the terms computer, auditing, and computerized accounting systems. The study concluded that, although computerized accounting offers several more benefits than manual accounting, and the function of manual accounting will never go away completely. (Janvrin, et. al, 2009)⁴ investigated which computer-related audit procedures were used and whether two factors, control risk assessment, and audit firm size, influenced computer-related audit procedures uses. For data collection used a questionnaire survey method through 181 auditors representing Big 4, national, regional, and local firms. For analysis of data descriptive statistics has used. The result shows a clear linkage between auditors' control risk assessments and the nature of tests used concerning computer-related audit procedures. Results indicated that computer-related audit procedures are generally used when obtaining an understanding of the client system, business processes and testing computer controls. (Janvrin, et. al, 2008)⁵ explore audit with the use of IT and its perceived importance across several audit applications. A field-based questionnaire was used to collect data from 181 auditors representing Big

4, national, regional, and local firms. Our results indicated that auditors extensively use a variety of audit applications including analytical procedures, audit report writing, electronic work papers, Internet search tools, and sampling. Auditors perceive several applications as important (e.g., fraud review), but use them infrequently. Besides, IT specialists use is infrequent, even by auditors who examine clients with complex IT. (Moorthy, et. al, $2014)^6$ evaluates the role of information technology and how it affects the internal audit process in the organization. For the study data collected through secondary sources. Result concluded that effective use of audit technology tools is critical to the success of audit activity, but is only one step toward understanding the changes technology is bringing about in business and the auditing profession. Emerging technologies will continuously change the shape of an approach to business controls, and audit approaches and techniques must change accordingly.

Using word generator software, the most frequent words that occurred in the review of literature have recognized in order to check the relevant review of this study is undertaken. By using this software, the following diagram is drawn.



Objective

To study firms' perceptions towards the adoption of Information Technology in the Audit process.

Sample Design

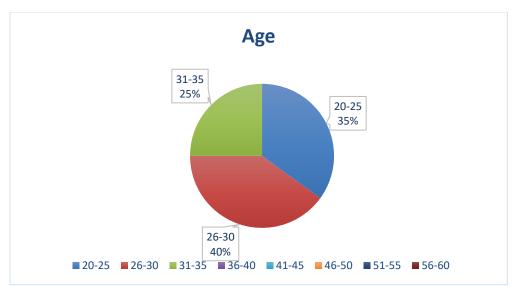
In order to check firms' perceptions towards the adoption of Information Technology in the Audit Process, the opinion of respondents has been obtained from the questionnaire survey method. Responses have obtained based on five points Likert measurement scale, from 40 respondents, belonging to various audit positions i.e. Partner, Senior Auditor, Consultant, Senior Manager, Junior Auditor, Junior Manager, Accountant, and Consultant. For data analysis, Descriptive Statistics have used. To check consistency regarding the respondent's opinion, the Coefficient of Variation (C.V.) has been administered. Data has been analyzed using MS Excel software.

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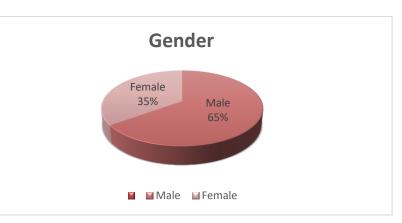


Demographic Profile of respondents

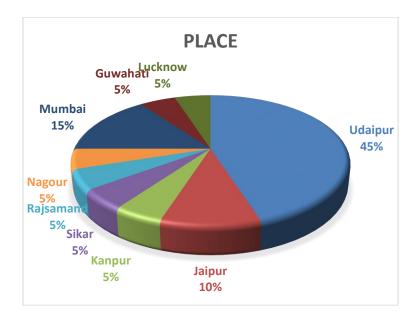
Age



• Gender



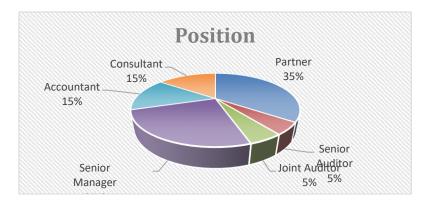
Place







• Position



Analysis and Discussion

• **Firms' Managers perception/attitude towards the adoption of Information Technology in Audit Process** The below table gives various managers perception lists, towards the adoption of Information Technology in the Audit Process. The responses of respondents are summarized in table no. 1.

Table 1: Managers Attitude towards the use of Information Technology in Audit.				
	No. of			
	Respondents	Percentage		
As compared to the availability of the new technology, it is possible	_			
to say that the firm does not adopt new technology as much as it				
could introduce as a new approach for work efficiency and				
effectiveness	40	30		
Management has the fear of the potential costs of adopting new				
technology	40	35		
Management believes that IT has great potential for improvement				
for work efficiency and effectiveness	40	60		
Management fail to budget for the education of the people who will				
be managing, operating, maintaining and using the new technologies	40	50		
Management believes that employees must continually update				
themselves to the use of technology	40	45		
Other Opinion	40	20		
Total	40			
	Own Calculation			

*Multiple answers are possible

Source: Own Calculation through Ms

Excel

Table no. 1 revel that out of 40 respondents, 60% of respondents agree that Management believes that IT has great potential for improvement for work efficiency and effectiveness. The second majority in out of 40, 50% of respondents believe that Management fails to budget for the education of the people who will be managing, operating, maintaining and using the new technologies. The other 45% of respondents agree that Management believes that employees must continually update themselves to the use of technology. 35% of respondents agree in Management has the fear of the potential costs of adopting new technology. Only 30% of respondents agree in as compared to the availability of the new technology, it is possible to say that the firm does not adopt new technology as much as it could introduce as a new approach for work efficiency and effectiveness.

• Firm's Employees perception/attitude towards the adoption of Information Technology in the Audit Process

The below table gives various employee perception lists, towards the adoption of Information Technology in the Audit Process. The responses of respondents are summarized in table no. 2.



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	No. of	
	Respondents	Percentage
As compared to the availability of the new technology, it is possible to say that		
the firm does not adopt new technology	40	20
employees have the fear of the potential disadvantages of adopting new		
technology like displacement, training, and maintenance	40	35
Employees believe that IT has great potential for improvement for work		
efficiency and effectiveness	40	60
Employees fear the adoption of new technology because of a lack of the		
required educational background	40	50
Employees believe that continually updating oneself to the use of technology	40	35
Total	40	

*Multiple answers are possible Source: Own Calculation through Ms Excel

The above table no. 2 lists show Employees' or staffs attitudes towards the adoption of Information Technology in the audit process. Out of 40 Respondents, 60% of respondents consent that employees believe that IT has great potential for improvement for work efficiency and effectiveness. The second highest 50% of respondents believe that Employees has fear the adoption of new technology because of the lack of the required educational background. 35% of respondents agree that employees have the fear of the potential disadvantages of adopting new technology like displacement, training and maintenance and Employees believe that continually updating oneself to the use of technology. On the other hand, only 20% of respondents believe that as compared to the availability of the new technology, it is possible to say that the firm does not adopt new technology.

Utilization of IT techniques and special software for Audit work.

The below table gives the opinion of respondents about the utilization of IT techniques and special software for Audit work. The responses of respondents are summarized in table no. 3.

Table: 3 Utilization of IT techniques and special software for Audit work.		
	Percentage	
Disturb the actual work	0	
A tool for work	25	
An unavoidable part of work	15	
A tool that helps at work	60	
Total	100	

Source: Own Calculation through Ms Excel

The above table 3 reveals that, the opinion of respondents regarding the effect of utilization of IT techniques in work. Results reveal that out of 40 respondents, 60% of respondents believe that the use of information technology is a tool that helps at audit work. 25% of respondents believe that the utilization of IT is a tool for effective work. Only 15% of respondents agree that IT adoption has an unavoidable part of work.

Advantages of the adoption of Information Technology

Table 4 lists various advantages of the use of Information Technology in the audit process. The responses of respondents are summarized in table no. 4.

Table: 4 Advantages of the use of Information			
Technology	Mean	C.V.	Rank
Makes audit tests faster	4.15	15.95577	1
Makes audit quality better	4.05	16.72781	2
An effective tool for doing a special audit	4.05	14.74077	2
Reduce auditors workload	3.975	22.42003	3
Minimize cost of audit	3.75	16.81134	4

Source: Own Calculation through Ms Excel





Concluding Remark

An information system (IS) audit or information technology (IT) audit is an examination of the

controls within an entity's Information technology

infrastructure. In this context, it is important to

identify managers' and employee's perceptions of

the adoption of Information Technology in the

audit process. The objective of this study is to

study firms' perceptions towards the adoption of Information Technology in the Audit process.

Results concluded that 60% of respondents agree

that Management believes that IT has great

potential for improvement for work efficiency and effectiveness in the audit process. In checking

employees' perception towards the adoption of Information Technology in the Audit process 60%

of employees believe that IT has great potential for

improvement for work efficiency and effectiveness

in the audit process. The opinion of managers and

employees' perception towards this variable has the same. Both believe that the use of Information

Technology has improved work efficiency and

respondents agree that the use of Information

Technology in the audit process has a tool that

helps in auditing work. Results also found advantages of the use of IT in audit process i.e.

Makes audit tests faster, Makes audit quality better,

Effective tool in doing a special audit, Reduce

auditors workload, Minimize the cost of the audit.

of

effectiveness. Results found that 60%

The above table 4 presents various advantages of the use of Information Technology in audit work. To get the opinion of the respondents regarding their preference for various advantages, opinion has been collected through a questionnaire. Out of 5 advantages, respondents believe that auditors use IT in the audit process will make audit tests fast. It is evident by the highest mean score i.e. 4.15. The second most important advantage which that the use of IT in audit work makes audit quality better and IT audit is an effective tool for doing a special audit. It is evident by the second highest mean score i.e. 4.05. Respondents believe that the use of IT in the audit process has reduced auditors' workload. It is evident by the third-highest mean score i.e. 3.975. The last advantages and respondents believe that the use of IT in the audit process has minimized the cost of the audit. It is evident by the fourth highest mean score i.e. 3.75. Result also found there is no consistency regarding the respondent's opinion regarding the advantages of the use of Information Technology in the Audit Process. It is evident by the Coefficient of variance (C.V.) Based on the mean score, advantages of the use of Information technology in the audit process are identified-

- Makes audit tests faster
- Makes audit quality better
- An effective tool for doing a special audit
- Reduce auditors workload
- Minimize the cost of the audit

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