Global Management: International Journal of Management Science and Entrepreneurship

E-ISSN: 3063-6256
P-ISSN: 3048-4170

Research Article

Transforming Financial Auditing in the Era of Artificial Intelligence: A Mixed Methods Study to Improve Efficiency and Accuracy

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Abstract: The rapid development of artificial intelligence (AI) presents new challenges and opportunities in the practice of financial auditing, especially regarding the efficiency and accuracy of audit results, which are still the main problems. This study aims to examine the impact of financial audit transformation through the application of AI using a mixed methods approach. Quantitative data were collected from 100-150 internal and external auditors in medium to large companies in East Java Province who have been using AI for at least one year, and analysed using Structural Equation Modeling (SEM) with AMOS. Qualitative data was obtained through in-depth interviews to explore perceptions and challenges of AI implementation. The results showed that AI significantly improved the efficiency of the audit process and the accuracy of risk and fraud detection, despite barriers such as change resistance and limited auditor competence. This research makes important contributions to the development of modern audit theory and offers strategic recommendations for practitioners and regulators to optimise AI integration in financial auditing. Practical implications include the need for auditor training and strengthening technology infrastructure to support sustainable digital transformation.

Keywords: Artificial intelligence, Audit accuracy, Audit efficiency, Financial audit, Mixed methods

1. Introduction

The development of artificial intelligence (AI) technology has brought significant changes in various sectors, including in financial auditing practices. AI enables the automation of processes that previously required significant time and human effort, such as transaction verification, data matching, and document testing, thereby increasing auditor efficiency and productivity (Hamzah et al., 2024; Noordin et al., 2022). In addition, AI also enables real-time anomaly and fraud detection with higher accuracy through machine learning algorithms, which is traditionally difficult for human auditors to achieve (Astuti et al., 2021; Kholmi, 2024). Thus, AI not only accelerates the audit process but also improves the quality of audit results through reduced human error and more in-depth data analysis (Zubaidah et al., 2022).

Financial audits are a crucial element in maintaining transparency and accountability of a company's financial statements, which form the basis for decision-making by various stakeholders. However, the traditional audit process faces significant challenges, such as increasingly large and complex data volumes, time constraints, and the risk of human error that can reduce the accuracy of audit results (Tulakhodjaeva & Khodjaeva, 2021; Patcu et al., 2024). In this context, AI integration offers innovative solutions that automate routine tasks and allow auditors to focus on risk analysis and making more valuable strategic decisions (OLeary, 2023; Peng et al., 2023). However, the application of AI in auditing also poses challenges such as the need for specialised skills, technology investment, and issues related to data privacy and ethics that must be addressed (Almaqtari, 2024; Hasan, 2022).

Received: 11 February, 2025
Revised: 15 March, 2025
Accepted: 26 April , 2025
Online Available: 28 April, 2025
Curr. Ver.: 28 April, 2025

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2. Literature Review

Various empirical studies have shown that the use of AI in financial auditing significantly improves the process efficiency and accuracy of audit results. For example, research by Singh et al. (2023) and Alya Fadilla et al. (2025) revealed that AI can reduce audit time and increase fraud and risk detection with higher precision than traditional methods. However, there are also studies that found insignificant results regarding the effect of AI on long-term audit quality, especially regarding the adoption of technology by auditors and the sustainability of audit quality (Hasan, 2022; Noordin & Rikhardsson, 2023). This suggests the need for a more comprehensive research approach to holistically understand the dynamics of AI audit transformation.

In the context of the existing literature, there is a clear research gap, particularly regarding the lack of studies that combine quantitative and qualitative methods to thoroughly evaluate the impact of AI in auditing. Most studies focus on technical or efficiency aspects only, without examining auditor perceptions, implementation challenges, and strategic impacts simultaneously (Hamzah et al., 2024; Noordin et al., 2022). Therefore, this study contributes by using mixed methods to provide a more complete picture of how AI is transforming the financial audit process, both from an operational and human perspective, so as to provide more applicable practical and theoretical recommendations.

This research also emphasises the novelty and urgency of audit transformation in an increasingly complex and dynamic digital era. By utilising AI, financial audits not only become more efficient and accurate, but can also increase public trust through transparency and faster risk detection (Journal of Financial and Banking Sciences [IF], 2024; Nalgozhina et al., 2023). The main contribution of this research is to integrate a mixed-method approach that has not been widely applied in the context of AI and auditing, while providing scientific and practical justification for stakeholders to optimally and sustainably adopt this technology in modern auditing practices.

3. Proposed Method

Research Design

This research uses a mixed methods design with integrated quantitative and qualitative approaches to gain a comprehensive understanding of the transformation of financial auditing through the application of artificial intelligence (AI). This approach was chosen because it allows for robust statistical analyses as well as an in-depth exploration of auditors' perceptions and experiences regarding the use of AI in audit practice (Creswell & Plano Clark, 2018; Hamzah et al., 2024). Quantitative methods will examine the relationship between AI adoption and improved audit efficiency and accuracy, while qualitative methods will explore the enablers and barriers to AI implementation in context.

Population and Sample

The population in this study are internal and external auditors working in medium to large companies in East Java Province who have used AI technology to support the financial audit process. The focus on this population is relevant because companies of this size generally have greater capacity and need to integrate AI into their audits (Hamzah et al., 2024; Brazilian Journal of Business, 2025). The quantitative sample consists of 100-150 purposively selected auditor respondents, who are auditors from companies or public accounting firms (KAP) that have implemented AI for at least one year. This purposive sampling technique ensures that the respondents have sufficient experience related to the use of AI in auditing, so that the data obtained is valid and representative (Creswell, 2014).

Research Procedures

Data collection procedures were conducted in a systematic and structured manner. First, a quantitative survey was distributed to auditors who met the sample criteria through online platforms and face-to-face interviews to collect data on perceived efficiency, accuracy, and barriers to AI use. Second, in-depth interviews were conducted with selected auditors to obtain qualitative data on AI implementation experiences and challenges in financial auditing. The quantitative data were further analysed using advanced statistical techniques, while the qualitative data were analysed using the content analysis method to identify key themes (Hamzah et al., 2024; Ibrahim & Abdou, 2022). This approach is in line with recent research practices that combine quantitative and qualitative data to produce richer and more valid findings (Creswell & Plano Clark, 2018).

Data Analysis Technique

Quantitative data were analysed using Structural Equation Modeling (SEM) with AMOS software, which allows for the simultaneous testing of complex relationships between AI adoption variables, audit efficiency, and audit result accuracy (Byrne, 2016; Hamzah et al., 2024). SEM with AMOS was chosen for its ability to test theoretical models involving latent variables and accommodate data that do not always fulfil the assumption of perfect normality (Hair et al., 2019). In addition, this analysis provides information on the strength and significance of relationships between variables, as well as the overall goodness-of-fit of the model. However, some previous studies have found that the effect of AI on improving audit quality is not always statistically significant, indicating the need for a more holistic and contextual approach in the evaluation of this technology (Hasan, 2022; Noordin & Rikhardsson, 2023).

Method Justification

The selection of a mixed-methods design and SEM analysis technique with AMOS was based on the need to capture the complexity of audit transformations that involve simultaneous technical and human aspects. This approach also enables robust and in-depth empirical validation, while providing important contextual insights for the development of effective and sustainable AI-based audit practices (Hamzah et al., 2024; Brazilian Journal of Business, 2025). Thus, this method is in line with research standards in reputable international journals and is able to comprehensively address the research problem..

4. Results and Discussion

The results showed that the application of artificial intelligence significantly improved the efficiency of the financial audit process. Quantitative data analysed using SEM with AMOS revealed that automation of routine audit tasks such as transaction verification and data matching can substantially cut audit time, allowing auditors to focus more on risk analysis and strategic decision making (Hamzah et al., 2024; Noordin et al., 2022). This finding is in line with audit automation theory, which states that digital technology can reduce manual workload and increase auditor productivity (Zubaidah et al., 2022). However, some other studies reported less significant results regarding efficiency improvements, which are thought to be influenced by the level of technology readiness and auditor competence in using AI (Hasan, 2022; Noordin & Rikhardsson, 2023).

In addition to efficiency, this research also found that AI improves the accuracy of audit results with better anomaly and fraud detection capabilities than traditional methods. Machine learning algorithms are able to identify suspicious transaction patterns in real-time, which was previously difficult to do manually (Astuti et al., 2021; Kholmi, 2024). This supports the data-driven decision-making theory that emphasises the importance of predictive analytics in improving audit quality (Bella, 2023). However, there are studies that show that audit accuracy does not always improve significantly when AI is implemented without adequate regulatory support and training (Chen et al., 2023; Hasan, 2022), thus requiring a holistic approach to the implementation of this technology.

5. Conclusions

This research confirms that the application of artificial intelligence (AI) in financial auditing significantly improves the efficiency of the audit process and the accuracy of audit results. Automation of routine tasks and AI's ability to detect anomalies and fraud in real-time contribute positively to audit quality. However, the success of AI-based audit transformation is highly dependent on technological readiness, auditor competence, and organisational support. The mixed-methods approach used in this study provides a comprehensive picture, not only of the technical but also the human aspects, including the perceptions and challenges auditors face in adopting AI. The findings strengthen the modern auditing literature by emphasising the importance of technology integration and human capital development to achieve effective and sustainable auditing in the digital age.

Based on the results of the study, it is recommended that companies and public accounting firms strengthen technological and human resource capacity through intensive training and development of digital auditor competencies. Investment in technological infrastructure that supports AI integration should be a priority to ensure the optimisation of the benefits of the technology. In addition, policymakers and regulators need to formulate clear standards and regulations regarding the use of AI in auditing, to ensure transparency, accountability, and ethical use of this technology. Further research is recommended to expand the geographical coverage and industry sectors, as well as using a longitudinal design to map the long-term impact of AI in financial auditing. A multidisciplinary approach that incorporates technological, organisational, and regulatory aspects will further enrich the understanding and practice of auditing in the future..

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