
Artificial Intelligence in Financial Reports: How it Affects the Process's Effectiveness and Efficiency

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ABSTRACT

This research aims to fill the knowledge gap by exploring how AI can strengthen financial statement transparency and enhance accountants' reputations. An analytical descriptive methodology with an empirical normative approach was used in this study and data was collected through literature review as well as documentation. The results show that the integration of AI in financial statements contributes significantly to improving the transparency of financial statements, facilitating accountants in conducting more in-depth and accurate analyses, and potentially enhancing accountants' reputations in the eyes of stakeholders. The findings confirm that AI also plays a strategic role in building trust and integrity in financial reporting. The implications of this research are significant for theory and practice in auditing, finance, and accounting technology, demonstrating the importance of adapting the latest technology to meet and exceed evolving financial and reputational expectations in the digital age.

Keywords : **Artificial Intelligence; Financial Statement; Financial Statement Transparency; External Auditor Reputation; Accounting Technology**

ABSTRAK

Penelitian ini bertujuan untuk mengisi kesenjangan pengetahuan tersebut dengan mengeksplorasi bagaimana AI dapat memperkuat transparansi laporan keuangan dan meningkatkan reputasi akuntan. Metodologi deskriptif analitis dengan pendekatan normatif empiris digunakan dalam penelitian ini dan pengumpulan data melalui review literatur juga dokumentasi. Hasil penelitian menunjukkan bahwa integrasi AI dalam laporan keuangan berkontribusi signifikan terhadap peningkatan transparansi laporan keuangan, memfasilitasi akuntan dalam melakukan analisis yang lebih mendalam dan akurat, serta berpotensi meningkatkan reputasi akuntan di mata pemangku kepentingan. Temuan ini menegaskan bahwa AI juga memainkan peran strategis dalam membangun kepercayaan dan integritas dalam pelaporan keuangan. Implikasi dari penelitian ini signifikan bagi teori dan praktik dalam bidang audit, keuangan, dan teknologi akuntansi, menunjukkan pentingnya adaptasi teknologi terkini untuk memenuhi dan melampaui ekspektasi keuangan dan reputasi yang berkembang di era digital.



Kata Kunci : Kecerdasan Buatan; Laporan Keuangan; Transparansi Laporan Keuangan; Reputasi Akuntan Eksternal; Teknologi Akuntansi

INTRODUCTION

The digital age has brought significant transformation to many sectors, including financial reports and finance. Artificial intelligence (AI) in particular, has shown tremendous potential to improve the efficiency and effectiveness of business operations (Hamada et al., 2021; Murugesan et al., 2023; Perifanis & Kitsios, 2023; Raffey & Gaikwad, 2022; Wamba-Taguimdje et al., 2020). In the context of auditing, AI offers the possibility to automate routine tasks, improve data analysis, and strengthen evidence-based decision-making (Aldoseri et al., 2023; Al-Surmi et al., 2022; Dennehy et al., 2023; Khosravi et al., 2024). This raises important questions about how AI can be integrated into the financial report process to meet the challenges of increasingly complex financial and operational risks. The need to deeply understand the impact of AI on financial report practice is the main motivation behind this research, which aims to fill the existing knowledge gap.

The application of AI in auditing faces specific challenges, mainly related to the adaptation of new technologies by auditors and organizations (Al-Sayyed et al., 2021; Berghout et al., 2023; Goto, 2023; Mpofu, 2023; Pratiwi et al., 2023). While AI promises to increase efficiency, there are still concerns regarding accuracy, data security, and the potential loss of human control over the financial report process (Al-Sayyed et al., 2021; Hasan, 2022; Losbichler & Lehner, 2021; Seethamraju & Hecimovic, 2020). These issues are critical, given the audit's role in maintaining the integrity of financial information and ensuring compliance with standards and regulations (Alsughayer, 2021; Fibriani, 2023; Kamara, 2023; Seethamraju & Hecimovic, 2020). Therefore, it is important to explore how AI can be integrated into financial report practices without compromising financial report quality or neglecting ethical and compliance aspects (Alsughayer, 2021; Genovesi & Mönig, 2022; Mpofu, 2023; Wang et al., 2020).

Furthermore, research on the impact of AI on auditing has not been comprehensive, particularly in the context of the efficiency and effectiveness of the financial report process. The question of the extent to which AI can improve financial report speed and accuracy while reducing risk and error requires further investigation. This issue is important because it can provide practitioners and decision-makers with insights into how to best integrate AI in auditing. Thus, understanding the potential and limitations of AI in the context of financial reports and finance is not only academically relevant but also critical in practice, given the audit's central role in maintaining public confidence in the financial system (Aldemir & Uçma Uysal, 2024; Faveri & Auld, 2023; Han et al., 2023; Minkkinen et al., 2022; Mpofu, 2023).

Some notable studies exploring the impact of using artificial intelligence (AI) in auditing and finance are presented to provide context and a broader understanding of the research topic, (Aljaaidi et al., 2023) found that AI applications are seen as a useful tool in improving the performance of accountants and financial report firms. The results showed that the use of AI can reduce the cost, effort, and time of the financial report process, and increase the competitive advantage of financial report firms. Furthermore, the study states that AI helps auditors better determine materiality, improve financial report team performance, and enhance control procedures over electronic transactions and files used by clients. (Thottoli, 2024) investigated financial report practices utilising ICT and AI, using bibliometric and quantitative research techniques, and revealed that although ICT has many perceived benefits, ICT training has a mediating effect on the relationship between perceived benefits of ICT and financial report practices. The results of this study provide a framework for improving practical auditor knowledge

management related to ICT adoption and training, as well as perceived benefits, which are critical components of financial report practice in the digital age.

Research (Alkhafaji et al., 2023) explains how digital transformation using AI systems brings major changes in the financial report process. They identify the opportunities and threats of AI adoption in auditing, suggesting that AI technology can improve the financial report process. This research uses an analytical approach to review relevant literature, adding value by showing how AI technology can be utilized to improve the financial report process and assisting companies in determining their capacity to adopt AI technology in the financial report process. (Rawashdeh, 2023) highlighted how financial report clients' satisfaction with AI-based financial report services affects their trust in financial report firms. The results showed a significant positive relationship between perceived value and client satisfaction, trust, and attitude towards AI-based financial report services. This research suggests that by providing high-quality services that meet clients' value expectations, firms can increase client satisfaction and trust.

(Al-Sayyed et al., 2021) examined the effect of AI technology on financial report evidence from the perspective of certified auditors in IT companies in Jordan. The study found that expert systems had an impact on financial report evidence, while neural network technology had no significant effect. The study recommends increased interest in AI technology by financial report firms in Jordan due to its importance in improving financial report evidence collection. (Mohammed Shani & Al-Tameemi, 2021) discussed the use of modern technology in the financial report process as reflected in the transparency of financial statements. The study reviewed previous research to demonstrate the impact of AI on external auditor reputation. The results highlight that the use of AI by large financial report firms in electronically audited company data may replace external auditors, which poses a threat to the future of the auditing profession.

This research seeks to fill a gap in the literature by examining the impact of artificial intelligence (AI) integration on financial report evidence quality and financial report client trust, which has not been fully explored in previous studies. Focusing on the problem to be solved, the proposed research targets to explore how the application of AI in the financial report process can affect the transparency of financial statements and reflection on the reputation of external auditors. It is expected that the results of this study will provide new insights on how to maximize the use of AI to improve financial report quality, by showing that AI not only optimizes efficiency but also increases transparency and trust. The main contribution of this study lies in the in-depth understanding of how AI can be utilized to strengthen the reputation of external auditors through increased transparency of financial statements, differentiating itself from previous studies that focus more on financial report efficiency and effectiveness as well as client satisfaction without directly linking it to auditor reputation.

The purpose of this study is to investigate how the application of artificial intelligence (AI) in the financial report process can improve financial statement transparency and affect the reputation of external auditors. This research seeks to prove that the integration of AI technology in auditing not only contributes to improving the efficiency and effectiveness of the financial report process, but also plays an important role in strengthening stakeholder trust through increased transparency of financial statements. Thus, this study aims to provide empirical evidence regarding the positive impact of AI implementation on external auditor reputation as a result of improved financial statement quality.

Based on the background and research objectives, the research questions to be answered are: "How does the application of artificial intelligence in the financial report

process affect the transparency of financial statements and how does it impact the reputation of external auditors?" This question is directly related to the research objective to understand and prove the role of AI technology in strengthening the financial report function, particularly in the context of improving financial statement transparency and its effect on auditor reputation.

RESEARCH METHOD

This research was designed using a qualitative study approach with an analytical descriptive method. With this approach, this research seeks to gain an in-depth understanding of the impact of implementing artificial intelligence in the financial reporting process on financial statement transparency and external auditor reputation in Indonesia (Aldemir & Uçma Uysal, 2024; AlShanti et al., 2024; Juan Barus et al., 2021; Kuncoro et al., 2023; Minkkinen et al., 2022; Mpofu, 2023; Noordin et al., 2022). This research was designed using a qualitative study approach with an analytical descriptive method. With this approach, this research seeks to gain an in-depth understanding of the impact of implementing artificial intelligence in the financial reporting process on financial statement transparency and external auditor reputation in Indonesia.

Data sources in this study were obtained through journal reviews, documentation, and literature relevant to the research topic. Literature research was conducted by collecting and analyzing scientific publications, journal articles, and other theoretical sources related to the use of artificial intelligence in auditing, financial statement transparency, and external auditor reputation. Journal reviews were prioritized from publications indexed in the Scopus database to ensure the quality and relevance of the sources. The data collection process was conducted systematically through a literature search involving predefined keywords, such as 'artificial intelligence in auditing', 'financial statement transparency', and 'external auditor reputation'. Relevant documentation, including audit reports, company policies, and applied auditing standards, was collected to gain further insight into current practices and the use of AI technologies in the audit process. Each collected document and journal article was then analyzed using content analysis techniques to identify patterns, relationships, and emerging themes.

The descriptive-analytical method applied in this study involved a detailed explanation of the organization and application of AI in auditing, as well as its effects on key variables such as transparency and reputation. Data analysis was conducted inductively, where data obtained from the literature review and documentation were analyzed to identify patterns, relationships, and emerging themes. The results of the analyses were then interpreted in the context of existing financial reporting theory and practice, to generate a new understanding of the role of artificial intelligence in auditing and its impact on financial statement transparency and external auditor reputation. The research location was chosen in Indonesia with the consideration that the use of artificial intelligence in the financial report process in this country is still in the development stage. This provides an opportunity to identify the potential and challenges faced by external auditors in applying AI technology, as well as its impact on improving financial statement transparency.

The reason for selecting this location is also based on the need to explore how financial report practices in Indonesia can be adapted to the latest technological developments to improve financial report quality and reputation. Data analysis in this study was conducted inductively, where data obtained from the literature review and documentation were analyzed to identify patterns, relationships, and emerging

themes (Azungah, 2018; Mohajan, 2018; Naeem et al., 2023; Raskind et al., 2019). The results of the analysis were then interpreted in the context of existing financial report theory and practice, with the aim of generating a new understanding of the role of artificial intelligence in auditing and its impact on financial statement transparency and external auditor reputation. Through this analytical process, this research contributes to the development of knowledge in the field of auditing, particularly to the application of AI in the Indonesian context.

RESULTS AND DISCUSSION

The purpose of the analysis in this study is to understand the impact of the integration of artificial intelligence (AI) in the financial report process on improving the transparency of financial statements and its effect on the reputation of external auditors. Based on the data analysis conducted, the results show that the application of AI in the financial report process significantly contributes to improving the transparency of financial statements. Key findings suggest that artificial intelligence allows auditors to perform more in-depth and accurate analysis of financial data, which in turn improves financial report quality like previous studies (Aldemir & Uçma Uysal, 2024; Fedyk et al., 2022; Noordin et al., 2022; Seethamraju & Hecimovic, 2020; Tambun & Sitorus, 2023). Furthermore, this improvement in financial report quality is indicated to have a positive impact on the external auditor's reputation in the eyes of stakeholders, including investors and regulators. The results of this study provide new insights that the application of AI technology is not only a tool to improve the efficiency of the financial report process, but also an important strategy in building trust through increased transparency of financial statements.

The research reveals that the integration of artificial intelligence (AI) in the financial report process significantly improves auditors' ability to analyze and verify financial data with greater accuracy and depth. The use of AI helps in the identification of unusual patterns or anomalies in financial data, which may not be detected by traditional financial report approaches. Thus, AI contributes to the improvement of financial report quality through a more efficient and effective analysis process, reducing the likelihood of errors and increasing the reliability of financial statements. This, in turn, brings increased transparency in the financial statements presented to stakeholders, providing them with more accurate information for decision-making. This increased transparency strengthens trust in external auditors, affirming their role as guardians of the integrity of financial information within the market.

First analysis and findings: The integration of AI in the financial report process significantly improves auditors' ability to identify and analyze financial risks and irregularities.

Using AI technology, auditors can more quickly access and analyze large volumes of data with a higher degree of accuracy, leading to more efficient identification of potential issues and financial risks. This directly contributes to increased transparency of financial statements, as auditors can present their findings more clearly and accurately, reducing the likelihood of errors or omissions of important information. This increased transparency is critical in building trust with stakeholders, including investors and regulators, who increasingly expect accuracy and thoroughness in financial statements, which is in line with previous research (Al Lawati & Sanad, 2023; Appelbaum et al., 2017; Ikhsan et al., 2022; Mohammed Shani & Al-Tameemi, 2021; Tawfeeq Yousif Alabdullah, 2023).

Further, the study revealed that the improvement in the reputation of external auditors is a direct result of increased transparency mediated by the use of AI in audits that are in line with opinion (Felzmann et al., 2019; Gardi et al., 2023; Kuncoro et al., 2023; Mohammed Shani & Al-Tameemi, 2021; Noordin et al., 2022; Qawqzeh et al., 2020). Stakeholder trust increases when auditors can demonstrate skills and capabilities enhanced by advanced technology in producing accurate and trustworthy financial statements. This finding indicates that it is not only the efficiency of the financial report process that is enhanced through the use of AI but also the greater added value in the form of strengthened trust and reputation within the financial and business communities. This signifies an important shift in the way external auditors are perceived, from mere financial watchdogs to reliable strategic partners in ensuring the integrity and transparency of financial statements (Felzmann et al., 2019; Gardi et al., 2023; Qawqzeh et al., 2020).

While these findings are generally in line with expectations, the research may also reveal unexpected findings, such as resistance or challenges in auditors' adoption of AI technologies, which may be due to a lack of technical expertise or concerns about the ethics of AI and loss of human control over the financial report process. Possible explanations for this include a lack of training and understanding of AI among financial report professionals, as well as the need for the development of clearer standards and guidelines regarding the ethical use of AI in auditing. This discussion highlights the importance of a balanced approach to integrating AI technologies in auditing, where technological advances must be balanced with ethical considerations, training, and capacity-building (Lehner et al., 2022; Meitasari & Audrey, 2023; Mökander, 2023; Mökander et al., 2023; Mpofu, 2023; Uzoamaka Iwuanyanwu et al., 2023).

Second analysis and findings: The application of artificial intelligence (AI) in the financial report process contributes significantly to improving the transparency of financial statements.

The use of AI allows auditors to analyse financial data with greater depth and accuracy, identifying patterns or irregularities that may not be detected by traditional methods. This directly improves the quality of financial statements presented to stakeholders, including investors and regulators, which in turn increases trust in the company. The use of this technology in auditing creates new possibilities for auditing complex transactions and large volumes of data with better time efficiency. The findings demonstrate how the integration of AI in auditing can be key in strengthening integrity and accountability in financial statements, in line with previous research (Adeoye et al., 2023; Ali & Benaissa, 2023; Azar & E-Vahdati, 2022; Ding, 2023; Hamo, 2023; Jarah et al., 2022; Lehner et al., 2022).

However, the findings also raise some unexpected questions, particularly regarding the acceptance of AI by traditional auditors and the readiness of their IT infrastructure. While AI offers great potential to improve audits, the adoption of these technologies may be hampered by a lack of technical expertise among auditors or limitations in existing IT systems. This suggests that, while AI technology has the potential to revolutionize auditing, investment in training and IT infrastructure is required to maximize its benefits. This question paves the way for future research to explore how financial report organizations can overcome these barriers and fully harness the potential of AI. In conclusion, these findings highlight the importance and great potential of AI in auditing, while also recognising the challenges that must be overcome for successful implementation.

Third analyses and findings: The application of AI in auditing enables more accurate predictive discovery and analysis of financial trends, which was previously not possible with traditional methods.

The use of sophisticated AI algorithms to identify patterns in historical data can assist auditors in predicting potential financial issues before they become significant. The use of sophisticated AI algorithms to identify patterns in historical data can assist auditors in predicting potential financial problems before they become significant. These results have the potential to change the paradigm in auditing, from a reactive to a proactive approach, thereby increasing the effectiveness of audits in preventing financial statement errors and fraud, which is in line with the opinion (Bahrul et al., 2024; Jarah et al., 2022; Koerniawati, 2021; Nguyen et al., 2024; Olubusola Odeyemi et al., 2024; Saepudin & Santoso, 2021; Uzoamaka Iwuanyanwu et al., 2023).

In addition, these findings may suggest that companies whose audits utilize AI are likely to have more transparent and accurate financial statements, contributing to a positive reputation in the eyes of investors and regulators. This marks an important shift in the market's perception of the role of auditors, where AI technology is recognized as an important tool in strengthening financial integrity. These findings underscore the importance of adapting technology in the financial report world to meet stakeholders' evolving expectations for the accuracy and reliability of financial statements, in line with previous research (DeFond & Zhang, 2014; Felzmann et al., 2019; Kuncoro et al., 2023; Noordin et al., 2022; Schnackenberg & Tomlinson, 2016; Shiyyab et al., 2023).

However, the findings may also bring some unexpected outcomes, such as the possibility of initial distrust from some stakeholders of decisions made based on AI analyses, due to unfamiliarity with how the algorithms work. This emphasizes the need for education and transparency in the application of AI in auditing, not only for auditors but also for users of financial statements. As such, this research opens the path for further study of how best to communicate the use and benefits of AI in auditing to all stakeholders, to maximize acceptance and trust in the AI-powered financial report process and strengthen previous research (Aldemir & Uçma Uysal, 2024; Floştoiu, 2023, 2023; Hasan, 2022; Mpofu, 2023; Toumeh et al., 2018; Zhang et al., 2022).

Fourth analysis and findings: Auditors who use AI in their auditing processes face new challenges, particularly related to ethics and data confidentiality.

The use of AI requires access of big data, and this raises concerns about how that data is protected and used. The findings highlight the ethical dilemma faced by financial report professionals in this digital age, where the importance of protecting the confidentiality of client information must be balanced against the benefits gained from more in-depth data analysis. This discussion brought to the fore the importance of strengthening ethical and regulatory frameworks for the use of AI in auditing, to ensure that all practices are conducted ethically and responsibly, and to answer previous research questions (Allami, 2020; Appelbaum et al., 2017; El-Mousawi et al., 2023; Faveri & Auld, 2023; Meitasari & Audrey, 2023; Mökander, 2023).

In addition, the findings may also indicate that, despite challenges, the application of AI in auditing provides a significant opportunity to improve the transparency and accuracy of financial statements, and aligns with previous research (Lehner et al., 2022, 2022; Mökander, 2023; Tambun & Sitorus, 2023). However, this requires a careful approach to the selection and training of the AI tools used, as well as clear communication with clients about how and why their data is being analysed. There can be surprises when auditors and clients alike discover new insights and potential risks that were previously undetected thanks to the predictive analysis capabilities of

AI. Such surprises, while they may initially cause concern, can ultimately lead to improved financial report practices and confidence in financial statements. These unexpected findings, such as initial resistance from clients to the utilization of their data in AI analyses, provide opportunities for researchers and practitioners to further explore how AI technologies can be applied in auditing in ways that respect privacy and meet ethical expectations.

Fifth analysis and findings: Explore the resistance to AI adoption by some external auditors, particularly concerns about the replacement of human work by machines and the potential loss of human insight in the financial report process.

This research may find that while AI offers increased efficiency and accuracy in financial report evidence collection and data analysis, some auditors feel that the use of AI could reduce the value of human experience and intuition in identifying financial report risks and financial issues. These findings highlight the dilemma between the desire to leverage the latest technology to improve auditing practices and the need to maintain the critical role of auditor thinking in the financial report process, as well as align and provide insight into previous research (Bura & Wiryono, n.d.; Fedyk et al., 2022; Koerniawati, 2021; Mohammed Shani & Al-Tameemi, 2021; Noordin et al., 2022; Tawfeeq Yousif Alabdullah, 2023).

Further, this finding may also trigger a discussion regarding the importance of training and continuing education for external auditors to ensure that they can not only use AI in their work but also understand how to integrate the insights generated by AI with their professional judgment. This could involve developing new frameworks for auditing that blend the power of AI with traditional auditing expertise. These findings could be a starting point for further research on how to improve collaboration between humans and AI in auditing, with the aim of creating a more robust and transparent financial report process, which in turn can strengthen the auditor's reputation in the eyes of stakeholders, which is in line with previous research (Aldemir & Uçma Uysal, 2024; Alsughayer, 2021; Indudewi & Feronika, 2023; Mpofu, 2023; Noordin et al., 2022).

Interpretation of Results and Contributions

The interpretation of the results shows that the integration of artificial intelligence (AI) in auditing plays a crucial role in enhancing financial statement transparency and positively affects the reputation of external auditors. This finding is in line with previous studies that highlight the importance of technology in improving financial report quality and efficiency. Research conducted (Hamada et al., 2021; Nguyen et al., 2024; Qawqzeh et al., 2020; Rawashdeh, 2023) exploring the impact of AI-based financial report services on client trust shows that accelerated adoption of advanced technology can increase client satisfaction and trust in financial report firms. The results confirm the importance of developing and implementing strategies that utilise AI to strengthen auditors' relationships with their clients.

Furthermore, the results obtained also indicate that the application of AI can facilitate auditors in performing more accurate and predictive analyses of financial data. This supports the findings of (Al-Sayyed et al., 2021; Appelbaum et al., 2017; Ikhsan et al., 2022; Meitasari & Audrey, 2023) who found that AI technologies impact financial report evidence. Although their study indicated that neural network technology did not have a significant effect on financial report evidence, this finding suggests that variability in the effectiveness of certain AI tools may depend on the application context and user expertise.

In the context of enhancing the reputation of external auditors, these findings add to the existing literature by suggesting that the application of AI technologies not only optimises the financial report process but also strengthens stakeholder trust and confidence in the integrity of financial statements. This resonates with the study of (Budi Harto & Sinta Juwitasari, 2019; Ding, 2023; Felzmann et al., 2019, 2019; Mohammed Shani & Al-Tameemi, 2021), who discussed the effect of AI on financial statement transparency and auditor reputation. Our research proves that the use of AI can be an important differentiation factor for external auditors in a competitive market, offering them an advantage in building a reputation as innovation leaders that promotes transparency and accountability.

By answering the key questions posed in the introduction, the results of this study confirm that the application of AI in auditing has significant potential to improve financial statement transparency and strengthen the reputation of external auditors. Through careful analysis and strategic application of AI technology, auditors can offer significant added value to clients and stakeholders, helping to build a more transparent and trustworthy financial environment. As such, these findings not only contribute empirical evidence to the existing literature but also offer practical insights for financial report practitioners to harness the power of AI to meet and exceed evolving financial and reputational expectations in this digital age.

CONCLUSION

This research responds to the problem statement about how the integration of artificial intelligence (AI) in the financial report process affects the transparency of financial statements and the reputation of external auditors. Key findings reveal that the application of AI significantly improves financial report quality and efficiency, which directly contributes to increased transparency of financial statements. In addition, these improvements in transparency and accuracy of financial statements positively impact the reputation of external auditors, strengthening stakeholder confidence in the financial report process. The implications of these findings on theory and practice in auditing, finance, and accounting technology are significant. From a theoretical perspective, this research enriches the understanding of technological dynamics in auditing and offers insight into how advanced technology can be used to strengthen financial report functions. In practical terms, these results encourage financial report firms to further adopt AI technologies, emphasizing the need for training and capacity building to maximize AI's potential. Nonetheless, the study acknowledges some limitations, including a focus on secondary data and limitations in direct empirical testing of AI's impact on auditing practices in Indonesia. For future research, it is advisable to carry out empirical studies involving primary data from financial report firms that have implemented AI in their financial report practices. Further research could also explore how the adoption of AI in auditing impacts different types of industries.

RECOMMENDATION

The results of this study extend the current understanding of the role of artificial intelligence (AI) technology in demonstrating not only improved financial reporting efficiency and effectiveness, but also significant contributions to financial reporting transparency and enhanced external auditor reputation. These findings challenge the conventional view that focuses more on improving internal financial reporting

processes without considering the broader impact on external aspects such as trust and reputation in the eyes of stakeholders. This suggests that the integration of AI in auditing brings benefits that go beyond operational efficiency and offers the potential to strengthen the foundation of trust in the financial system. As such, this study provides new insights that the application of AI in auditing can be considered a strategic move to enhance integrity and accountability in financial reporting.

However, this study has limitations that may affect the generalisability of the findings. Firstly, the use of secondary data from literature reviews and documentation may not fully reflect current practices in the application of AI by external auditors, particularly in Indonesia. Second, the qualitative methodology, while providing an in-depth understanding of the impact of AI, may be lacking in terms of measuring the specific impact of AI on financial statement transparency and auditor reputation. Third, this study may not have fully considered variations in AI acceptance and adoption across different business sectors and scales, which may provide additional nuances to the findings. To address these gaps, future research may focus on variables such as AI adoption rates across different business sectors, business scale, and AI implementation, quantitative metrics of AI impact, stakeholder trust and perceptions, training and skills development, regulatory and ethical standards, and technological advancements in AI. These variables can deepen the understanding of AI's transformative potential in auditing.

The practical implications of these findings are highly relevant for financial reporting practitioners and stakeholders in the financial industry. Firstly, external auditors should consider adopting and increasing the use of AI in their financial reporting practice as a way to not only improve work efficiency but also a strategy to build and maintain client and investor trust. This points to the importance of investing in the latest technology and adequate training to ensure auditors can utilize the full potential of AI. Second, these findings suggest that regulators and auditing standards bodies may need to reconsider their frameworks to include guidance and standards on the ethical and effective use of AI in auditing, to ensure that the application of these technologies contributes to greater financial transparency and integrity.

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