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ERP Software and Practicing Auditors:
An Empirical Study Applying UTAUT Model

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ABSTRACT

The purpose of the study is to find the information technology challenges faced by practicing auditors using measurement variables used in the unified theory of acceptance and use of technology (UTAUT) model. This research study has adopted the sequential mixed method research in which the exploratory qualitative study is conducted with the qualified practicing auditors across Kerala to identify enterprise resource planning (ERP) software used in their audit firms. The results of this exploratory study are then empirically tested with the 321 respondents from qualified practicing-auditor accountants in Kerala using structural equation modelling-partial least squares (SEM-PLS). The findings reveal that there is a significant and positive relationship between variables used in the UTAUT model with practicing auditors. Thus, the results suggest that all the four constructs from UTAUT (performance expectancy, effort expectancy, social influence, and facilitating conditions) seem to be predominantly significant factors influencing practicing auditors.

KEYWORDS

Enterprise Resource Planning, Information Technology, Practicing Auditors, UTAUT

INTRODUCTION

Qualified practicing auditors play an important role to audit the financial statements of any company which will ensure fairness of the financial statements provided by management. Thus, fair financial statements increase stakeholder's confidence in the financial statement, and they reduce shareholders or investor risk. Audit reports on financial statements are important to any users since it gives auditor's opinion about the fairness of items in the financial statements as per auditing standards. Small business organizations are using advanced Information Technology (IT) for their operational activities. Enterprise Resource Planning (ERP) helps practicing auditors to do an audit of their client's financial statements in such a manner that gives auditors to do audit quick, efficient, effective, and timely manner. IT in auditing reduces audit risk. The complexity of clients' business and requests for audit services for a huge number of clients within a short period forces auditors to verve for ERP software. Intensive use of IT by clients increases the risks of internal control, risk of detection of fraud & error by employees and thereby ensuring reliability and fairness of financial statements gives

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importance to the auditors to adopt ERP Software in audit firms. The selection, implementation, and usefulness of software by accounting firms have received close attention for firm performance in a rapidly changing global digital environment (Moss, & Sandhu, 2020). The importance of auditing the accounts related to corporate social responsibilities of companies were highlighted Thottoli, (2021a); Thottoli, & Thomas, (2021). Information Communication Technology (ICT) enabled auditing to have become crucial while accomplishing audit tasks in an electronic environment (Veerankutty, Ramayah, & Ali, 2018). Numerous sole audit practitioners do an audit of Small and Medium Enterprises (SMEs). Large scale audit firms such as Big 4 firms are using Computer-Assisted Audit Techniques (CAATs), and Generalized Auditing Software (GAS) for auditing financial statements of their clients while small scale audit firms are continuing with manual auditing. Manual auditing would waste the time of auditors to spend on unproductive activities and may affect the quality of audit tasks. Clients' financial reporting in real-time, requires continuous auditing to ensure continuous assurance about the fairness of items in the financial statements, the quality, and reliability of the information (Rezaee, Sharbatoghlie, Elam, & McMickle, 2018). Audit trail through audit software is a systematic procedure for identifying and assessing defects in ERP software with the intention of rectifying them (Murumba, & Machii, 2020). Artificial intelligence (AI) mechanism and their adoption has required in the global accounting practices perspective, including financial reporting, and auditing (Almagtome, 2021). Audit firms who audit their client's financial statements may badly affect audit firms' brand image and prestige than those who use audit software. The current Fourth Industrial Revolution (4IR) confirms that there is a rapid change over to smart technology in the operational activities of manufacturing and industrial practices. This rapid technological advancement increases the need for adopting audit software for their audit tasks. Recently, research study has done by Thottoli, (2020a); Thottoli, Thomas, and Ahmed, (2019a); Thottoli, Thomas, and Ahmed, (2019b); Thottoli, Thomas, and Ahmed, (2019c); Thottoli, (2020b), Thottoli (2021b) and Thottoli, and Thomas, (2020) were also pointed out that the audit firms in Kerala are to some extent suffering from issues such as lack of availability of skilled audit assistants, lack of knowledge of customized or generalized audit software, lack of knowledge in the perceived benefit of using audit software, and lack of awareness of ICT enabled audit software among audit managers.

The above set of challenges and problems encourages the researchers to examine current issues among practicing auditors for their audit practice in the territory of Kerala as a whole. Thus, the current research study is a response to what was discussed in previous studies. Thus, the purpose of the study is to find out Information Technology challenges facing by practicing auditors using measurement variables used in the Unified Theory of Acceptance and Use of Technology (UTAUT) model.

LITERATURE REVIEW

ERP Software and Practicing Auditors

In this fourth industrial revolution era, practicing auditors are facing an undue evolution of information technology. One of the effects of ICT-enabled auditing is faced with the automation of companies' operational activities. On other hand, the practicing auditors should be able to adjust their practices to these changes to equip ICT-enabled audit in the companies' business operations (Tušek, Ježovita, & Halar, 2020). The impact and functions of auditing big data, the cloud, the internet issues, and components of Industry 4.0 were having been studied by (Ozturk, 2019). The widespread use of information technology has revolutionized the way audit work is performed. CAATs provides a data analytics tool to support practicing auditors in their search for indiscretions among data files, which aid in an additional examination of materiality and fraud detection. The traditional way of practicing auditors was having been using Microsoft office tools, such as MS Excel, MS Word, and spreadsheets that will only cover the surface of complex tasks and processes. As auditing turns into a vital aspect that replicates the effectiveness and efficiency of any company, CAATs assist practicing auditors to