

# Transformation of External Auditors in Audit Practices Through the Use of Cloud Technology

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## ABSTRACT

The adoption of cloud technology is reshaping auditing practices, offering significant advancements for non-Big4 audit firms. This study investigates the integration of cloud computing in audits, focusing on its transformative potential, challenges, and implications for efficiency and quality. The research employs a qualitative approach, using semi-structured interviews with external auditors from non-Big4 firms in Jakarta, registered with the OJK and PPPK of the Ministry of Finance of the Republic of Indonesia. Key findings reveal that cloud technology enhances audit efficiency through real-time data access, streamlined workflows, and improved collaboration, eliminating traditional barriers of time and geography. The integration of AI into cloud systems further optimizes processes, enabling faster data analysis, anomaly detection, and informed decision-making. These advancements significantly reduce operational costs and accelerate audit completion. However, the study also uncovers notable challenges, including data security vulnerabilities, the dependence on client-controlled systems, and difficulties in verifying document authenticity. Specific audit procedures, such as hierarchical reviews and physical site inspections, remain reliant on human judgment, underscoring the indispensable role of auditor expertise. The research highlights the critical role of regulatory compliance, advocating for tailored audit protocols that align with standards such as SA 500 and SA 505. Strong encryption, role-based access controls, and robust collaboration frameworks are identified as essential for mitigating risks and safeguarding audit data. This research contributes to bridging the gap in understanding cloud technology's application in auditing, providing actionable insights for audit firms transitioning into digital environments. It advocates a balanced approach where technological innovations complement human expertise, ensuring audit quality, efficiency, and sustainability. By addressing the challenges of integration and fostering collaboration between auditors and clients, this study addresses the issues of future advancements in audit methodologies, helping non-Big4 firms enhance their competitiveness in an evolving digital landscape.

## KEYWORDS

Cloud Technology, Institutional Theory, Resource-Based View, Regulatory Compliance, Efficiency

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## 1. INTRODUCTION

The business world is one of the dynamic fields, especially in today's increasingly modern era. Technology is developing rapidly along with a continuously evolving regulatory landscape. Audit quality is also an important topic in the business world in the modern era to ensure the integrity and reliability of financial information (Ebirim et al., 2024; Handoyo, 2024). The audit process is a crucial aspect in a company because it is the foundation of corporate governance, providing assurance to financial stakeholders about the accuracy and quality of financial reports and the effectiveness of internal control (Arief, 2024; Tudor et al., 2022). The rise of cloud-based audits has finally revived the international audit paradigm, where this technology offers unprecedented opportunities to improve the quality of audit processes and results. Prior studies have emphasized the scalability, flexibility, and cost-efficiency brought by cloud computing, which are crucial in addressing the challenges of traditional audit practices. Cloud computing itself is a provider of computing services that include storage, processing, and software via the internet (Almasria, 2022; Idowu & Edgars, 2021; Kagiri, 2023). This technology is being widely discussed because of its potential to drive innovation, scalability, and cost efficiency to be more measurable. In the face of technological developments, audit firms certainly strive to always improve their audit quality by utilizing technology to simplify the flow, access real-time data, and utilize sophisticated tools in analyzing data (Appelbaum & Nehmer, 2020; Kamau et al., 2023). When viewed from the perspective of performance audits consisting of economic, efficiency, effectiveness, and compliance assessments, the implementation of cloud technology sounds promising and could optimize audit methodology and provide actionable insights (Adebiyi, 2023; Alloui et al., 2023).

The dynamics of the audit paradigm are marked by the emergence and development of cloud technology for audit procedures that provide many positive prospects, namely increasing efficiency, performance, and the quality of the audit process (Banker et al., 2020). The most important and previously unfelt advantage is real-time data access which provides the opportunity for auditors to conduct audits more quickly, comprehensively, and on time (Atadoga et al., 2024). The use of cloud technology in processing and storing data can help auditors deal with the limitations of conventional audit procedures or those that rely on static data (Bauer et al., 2022). The existence of this cloud system also eliminates space limitations, so that auditors can still collaborate even though they are in distant places without knowing geography, the audit process can finally continue and be completed on time without having to wait for the auditors to gather to complete it together in a certain place. However, the adoption of cloud technology also introduces new complexities, such as ensuring data integrity, mitigating security risks, and navigating compliance requirements. Equipped with workflow management tools also makes it easier for auditors to monitor the development of the audit process and can take strategic steps to overcome it, this also allows for a better exchange of ideas between audits (Church et al., 2020; Kitsantas & Chytis, 2022; Seidenstein et al., 2024).

The use of cloud-based technology has changed the company's culture in the audit process while improving its quality (Moll & Yigitbasioglu, 2019). This change in the audit system to digital encourages innovative steps, but also becomes a new obligation for the audit profession to understand, be trained and skilled in resources being so that there are no delays in the audit process and a decline in quality due to human resources that are less prepared and competent. The focus on the continuous acquisition of experience and professional development guarantees that audit firms sustain their competitiveness and will not be overwhelmed by the increasing pressures from the business world. Moreover, cloud solutions enable the faster and more flexible audit process that can respond to the changes in the requirements of legislation and trends in the industry more effectively (Centonze, 2019, pp. 157–188).

Confidentiality and accuracy of information are some of the most critical values of the audit profession (Lois et al., 2020). Cloud solutions also contain strong system security to improve the protection of valuable financial data. Some of the security measures in place for data in cloud include;

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