


Chapter 11

Exploring the Potential of Generative AI in Financial Information Control and External Audit

Souad Garawit

 <https://orcid.org/0009-0004-8197-8867>

Hassan II University, Casablanca, Morocco

Leila El Gnaoui

Hassan II University, Casablanca, Morocco

ABSTRACT

Today's technology advancements provide innovative support to oversight mechanisms through operational capacities. This study explores how artificial intelligence (AI), and in particular generative AI, can be integrated into financial information control with the objective of improve its quality. It analyses the challenges posed by information asymmetry and conflicts of interest, and highlights how AI enhances financial reporting through anomaly detection and the acceleration of control procedures, providing timely decision support. The methodological approach relies on a documentary analysis, supported by a framework assessing the integration of AI into corporate governance mechanisms. Particular attention is given to external audit processes, where AI can strengthen audit quality by reducing risks to an acceptable level and issuing an audit opinion on the financial statements, while fostering more innovative governance models. The objective is to provide research-based insights and recommendations for the sustainable and ethical deployment of these technologies.

DOI: 10.4018/979-8-3373-5616-7.ch011

INTRODUCTION

The importance of academic research into the integrity of financial information has increased in the light of financial disturbances arising from corporate malpractice. Earnings management practices, designed to mislead related stakeholders and present information far from reality, created significant disruptions in both the ecosystem and the broader socio-system. These crises stemmed largely from fraudulent practices and from how information is assimilated and used. In this context, it has become essential to curb harmful practices that are detrimental to stakeholders and to find appropriate responses. Given that market confidence in the financial disclosures made by corporate has been undermined and accountability rests with the governing entities, they must be able to provide adequate responses.

Corporate governance mechanisms, including external audits are intended to ensure the reliability of financial information and to propose solutions for the prevention and detection of fraudulent activities. Nevertheless, the effectiveness of detection depends on the performance of audit procedures, which in turn require innovation in order to achieve an appropriate level of control in the face of diversified risks.

This helps reduce the likelihood of disclosure information that does not reflect the reality of the company and promotes financial stability and sustainable economic growth in countries, for example through, increased investment in large national companies. While International Standards on Auditing (ISA) define an audit process from the acceptance of the engagement to the preparation of the report, their implementation faces increasing challenges due to the complexity of financial data, the volume of information to be processed, and emerging fraud risks.

Similarly, today's technology provides innovative support to these oversight bodies, particularly technology based on artificial intelligence and its operational capacity, which exceeds that of humans. It is capable of examining financial data (for instance, accounts and financial statements) to identify risks of earnings management or fraud in financial information, this does not preclude its ability to process textual and unstructured data. These models contribute to process automation and the identification of suspects, anomalies, and outliers. These factors reinforce the relevance of our research, which examines the contribution of new technologies to financial information control approaches that are still, in some contexts, manual and rely on traditional control techniques such as sampling. It also examines the emerging issues following the deployment of technologies in the financial information control process that condition their use.

Based on the observation that some firms are investing are allocating resources towards generative Artificial Intelligence (AI), given their significant contribution highlighted in the literature, this research aims to examine the contribution of AI technologies within the control process and, consequently, their impact on the

22 more pages are available in the full version of this document, which may be purchased using the "Add to Cart" button on the publisher's webpage: www.igi-global.com/chapter/exploring-the-potential-of-generative-ai-in-financial-information-control-and-external-audit/395330

Related Content

Focused Error Analysis: Examples from the Use of the SHEEP Model

Deborah J. Rosenorn-Lanngand Vaughan A. Michell (2016). *International Journal of Big Data and Analytics in Healthcare* (pp. 30-48).

www.irma-international.org/article/focused-error-analysis/171403

A Markov-Chain-Based Model for Group Message Distribution in Connected Networks

Peter Bajorskiand Michael Kurdziel (2020). *International Journal of Data Analytics* (pp. 13-29).

www.irma-international.org/article/a-markov-chain-based-model-for-group-message-distribution-in-connected-networks/258918

Computational and Data Mining Perspectives on HIV/AIDS in Big Data Era: Opportunities, Challenges, and Future Directions

Ali Al Mazari (2022). *Research Anthology on Big Data Analytics, Architectures, and Applications* (pp. 1477-1503).

www.irma-international.org/chapter/computational-and-data-mining-perspectives-on-hiv-aids-in-big-data-era/291048

Building High Quality Big Data-Based Applications in Supply Chains

Kamalendu Pal (2022). *Research Anthology on Big Data Analytics, Architectures, and Applications* (pp. 497-519).

www.irma-international.org/chapter/building-high-quality-big-data-based-applications-in-supply-chains/290998

Predicting NFL Point Spreads via Machine Learning

Daniel M. Brandon (2024). *International Journal of Data Analytics* (pp. 1-18).

www.irma-international.org/article/predicting-nfl-point-spreads-via-machine-learning/342851