



Original Article

AUDIT READY AI: ENHANCING COMPLIANCE WITH INTELLIGENT TOOL

Dr. Shreya Vinay Patil

*Asso. Prof. and Head, Dept. of Commerce & Management,
Chandrabai- Shantappa Shendure College, Hupari.*

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**Corresponding Author:
Dr. Shreya Vinay Patil**

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Abstract:

Organizations are under increasing pressure to uphold truth, transparency, and regulatory compliance in the quickly changing digital landscape of today. Even while they work well, traditional auditing techniques frequently can't keep up with the increasing amount and complexity of financial data. With its cutting-edge tools and applications that improve audit efficiency, accuracy, and scope, artificial intelligence (AI) has become a disruptive force in the auditing industry. With an emphasis on the many AI tools used, real-world applications in both internal and financial audits, and implementation problems.

Now a day's machine learning, natural language processing, and robotic process automation are increasingly being used in audit as a procedure, which enhances data analysis, risk assessment, and fraud detection. However, issues including ethical dilemmas, data protection issues, auditor incompetence with AI technologies, and legal uncertainty continue to exist. The auditing profession is changing as a result of the quick development of artificial intelligence (AI), which improves accuracy, efficiency, and regulatory compliance. Traditional audit techniques are limited in their ability to quickly identify risks, fraud, and compliance gaps as businesses deal with ever-increasing amounts of complicated financial data. The present research attempts to study the scope, application and objectives of AI in audit, role of AI-based intelligent tools in enhancing compliance and improving audit effectiveness, it analyze the impact of AI on audit accuracy, efficiency, and risk detection with some concluding remarks.

Keywords: *Artificial Intelligence, AI, Auditing, Intelligent Tools, Fraud Detection, Quality.*

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Introduction:

Organizations are under increasing pressure to uphold truth, transparency, and regulatory compliance in the quickly changing digital landscape of today. Even while they work well, traditional auditing techniques frequently can't keep

up with the increasing amount and complexity of financial data. As a result, there is a need for creative solutions that increase productivity, lower risk, and boost audit dependability. By automating procedures, identifying irregularities, and bolstering compliance measures, artificial intelligence (AI) has



become a game-changing technology that has the potential to completely change the audit industry.

The integration of intelligent tools intended to assist auditors in guaranteeing adherence to laws, rules, and internal controls is known as "Audit Ready AI." These solutions use automation, data analytics, and machine learning to evaluate big datasets in real time, spot possible fraud, and increase the correctness of decisions. By decreasing human mistake and increasing audit coverage, AI assists companies in maintaining continuous compliance and improving overall governance. In addition to increasing operational efficiency, the use of AI-driven auditing systems promotes proactive risk management and regulatory compliance. Intelligent audit tools play a critical role in maintaining accountability, fostering stakeholder confidence, and ensuring sustainable corporate practices as businesses depend more and more on digital technologies.

Statement of the Problem:

Traditional auditing techniques encounter difficulties in guaranteeing prompt, precise, and thorough compliance due to the swift expansion of digital transactions and intricate regulatory frameworks. Manual audit procedures are frequently laborious, prone to human mistake, and have a limited capacity to examine substantial amounts of operational and financial data. Additionally, more sophisticated and proactive audit techniques are required because to the growing risks associated with fraud, cyber threats, and regulatory non-compliance.

Many firms have not yet fully incorporated artificial intelligence (AI) into their audit functions, despite the fact that AI provides potential solutions for automation, anomaly identification, and continuous monitoring. Empirical studies on how AI-driven audit technologies improve audit efficiency and

compliance effectiveness are scarce, especially in developing nations like India. This study seeks to address this gap by examining the role of intelligent tools in strengthening audit readiness and regulatory compliance.

Objectives of the Study:

1. To study the concept of Artificial intelligence and audit
2. To assess the scope, application and objectives of AI in audit
3. To examine the role of AI-based intelligent tools in enhancing compliance and improving audit effectiveness.
4. To analyze the impact of AI on audit accuracy, efficiency, and risk detection with some concluding remarks.

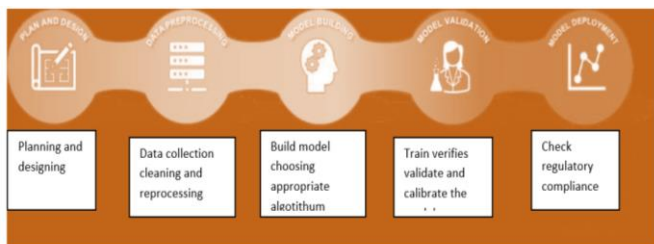
Research Methodology:

- **Research Design:** The impact of artificial intelligence (AI) on audit effectiveness and compliance is investigated in this study using a descriptive and analytical research design.
- **Nature of the Study:** The study is empirical in nature and uses both primary and secondary data to assess how intelligent tools might improve compliance and audit readiness.
- **Data Collection:** For the Present research work, Primary Data has been collected from Auditors and Chartered Accountants by way of Interview method. Secondary data will be obtained from Research journals and academic publications, Reports by ICAI regulatory bodies, Government publications and industry reports and official websites

Concept of Artificial Intelligence:

AI technology consists of several elements, beginning with a vast collection of data that can take various forms, including text and images. This data is then utilized by machine learning models, which

are algorithms created to recognize patterns and relationships. Common models include Neural Networks, Decision Trees, and Support Vector Machines, among others. These models are trained using different learning algorithms, such as Supervised Learning, Unsupervised Learning, or Reinforcement Learning, which allows them to enhance their effectiveness on specific tasks over time. Tools for development and deployment assist in overseeing the lifecycle of AI models, covering aspects like data preparation, model training, evaluation, deployment, and monitoring. Ultimately, a user interface is created, which may be a graphical user interface (GUI), a natural language interface, or an API (Application Programming Interface), enabling users to engage with and make use of the AI system.



AI Systems Process Flow:

Cognitive AI and Generative AI represent two methodologies within the wider field of artificial intelligence. Cognitive AI aims to replicate human cognitive processes, concentrating on activities such as perception, reasoning, learning, and problem-solving.

Generative AI, on the other hand, is geared towards producing new content, frequently utilizing innovative approaches such as deep learning techniques. It excels in generating creative outputs, which includes creating images, music, text, and even complete virtual environments.

Review of Literature:

Artificial Intelligence (AI) is revolutionizing modern auditing, especially in terms of improving

audit efficiency, fraud detection, and decision-making accuracy, according to recent scholarly literature. financial data analysis, anomaly detection, and full-population testing. The study highlights how AI lowers computational effort and improves protocol efficiency in audit systems.

A systematic review AI, blockchain, and robotic process automation in auditing was carried out by Lubis, Kesuma, and Muda (2025). According to their findings, AI boosts data-driven decision-making, increases audit quality, expedites audit operations, and improves audit transparency. But the study also highlights obstacles like high implementation costs, ethical dilemmas, regulatory difficulties, and auditor skill gaps.

Oriaku et al.'s latest scoping analysis from 2026 examines the present developments in AI usage in financial reporting and auditing. The authors conclude that AI increases reporting accuracy and audit dependability, but they emphasize the need for more robust legislative frameworks, auditor education, and ethical governance to foster confidence in AI-assisted audit systems.

Ethics in AI:

Since AI is frequently utilized in decision-making, "Ethics in AI" is essential to ensuring that AI technologies are developed and implemented in a way that is structured within a framework that is both socially and legally advantageous.

Important moral precepts:

- 1. Fairness:** To ensure that various demographic groups are treated equally, AI systems must be portrayed and implemented to avoid prejudices.
- 2. Transparency:** End users and stakeholders should have access to AI's model and decision-making procedures.
- 3. Accountability:** Ensuring that the creators



and final users of AI systems are held accountable by ethical norms and legal frameworks.

4. **Protection of Privacy:** Strict data privacy regulations must be followed by AI systems to ensure that private information is gathered, maintained, and created in a way that respects people's right to privacy.
5. **Safety and Reliability:** To make sure AI systems don't negatively impact people or groups, they should be properly tested.
6. **Human Control:** AI should support human decision-making rather than entirely replace it, particularly in critical domains like law enforcement and healthcare.

Artificial intelligence and audit:

It is anticipated that the integration of AI technologies into audit processes would result in a shift in fundamental assumptions, changing the planning, design, and execution of audits by improving efficiency, accuracy, and risk management. AI enables auditors to go deeper into the audited entity's electronic records, including databases, and identify complex patterns, correlations, causalities, and anomalies thanks to its capacity to analyze enormous volumes of data from many sources at previously unheard-of speeds.

Traditional auditing entails a great deal of manual labor in which the auditors examine papers, comprehend and analyze data, confirm transactions, and search for indicators. AI would be of significant value to auditors as it can analyze large amounts of data from various sources, faster than humans and draw richer insights.

Application of AI in auditing:

Every industry, including the public sector, is seeing an increase in the use of AI technology in corporate operations. Improved accuracy,

streamlined operations, and more efficiency are promised when AI is included into auditing procedures. AI can be used as a flexible tool in a number of IAAD domains, including risk assessment, fraud detection, and continuous auditing, to mention a few, by skillfully managing large and varied datasets that include both structured and unstructured data.

A) Improved Risk Assessment through Data Analysis and Insights: AI would assist in analyzing enormous volumes of structured and unstructured data, spotting trends, patterns, and anomalies those human auditors could find challenging. This makes it possible to identify patterns in purchase, detect fraud, etc.

B) Automation of Procedures and processes: AI can automate routine and repetitive auditing processes including data entry, computations, reconciliations, matching important documents with results, etc. It is also possible to automate compliance checks.

C) Knowledge and guideline repository: A single AI-based repository containing all rules and directives that can be searched and queried using natural language would be suitable for chatbot-based communication as well as the creation of an organization-centric Foundation model that is trained on such a repository. This will make it possible to learn about a variety of audit topics.

D) Report Preparation: Using the LLM trained and prompted on internal guidelines, AI may produce drafts. AI might be used to enable people and stakeholders to engage with reports in a conversational manner and to disseminate findings in several languages using NLP translation.

Scope of AI in Audit:

The scope of application of AI in audit is two-pronged. AI could be used to automate the repetitive audit processes/tasks releasing valuable



audit resources for core audit processes. Also, it could be utilized for audit analysis of information.

1. **Audit Planning:** A well-planned audit is crucial to ensure profound audit conclusions. AI can enhance the efficiency of the auditors by helping to digest the available information faster and extracting the essence of it, thereby enabling better understanding of the audit entity, which is the cornerstone of a good quality audit.

In the planning phase of an audit, AI powered data analytics, Machine learning algorithms, Natural language processing techniques etc., can be employed to facilitate analysis of data (both structured and unstructured) assess risk factors and enhance the audit planning processes. The application of AI tech may also include speech recognition, grammatical tagging, sentiment analysis, text summarization etc. This can help in understanding the entity better, resulting in more accurate risk assessment.

2. **Audit execution:** Traditional auditing involves various testing procedures. The auditor does a test of controls and applies substantive analytical procedures. The traditional auditor heavily relies upon Sampling, to draw reasonable assurance. Though the principles remain the same, the auditor modifies the methodologies, when technology is adapted in audit procedures. Adoption of AI in an audit engagement, is expected to benefit by automation of repetitive auditing tasks, which in turn, would allow auditors to focus their resources on value adding activities.
3. **Audit Reporting:** An auditor has to adhere to the reporting standards, while preparing the audit reports. Besides that, Audit reporting is a thoughtful process and involves many finer

nuances. AI would be useful in automating the many manual tasks associated with report preparation, like formatting, tabulations, verifications, grammar checks, typographical errors etc. AI could be used to translate the reports in various languages, enabling easier and faster dissemination. Going one step further, AI systems could be developed to generate interactive drafts, which would stimulate reader creativity and enhance understanding of the document to the citizens.

4. **Audit Follow up:** AI can be used to manage the entire gamut of audit follow-up with ease and efficiency. The utility of AI in follow-up of an audit can vary from repetitive tasks like issuing reminders to the audited entities for compliances to analysing the compliances submitted and suggesting a course of action through summarization techniques and clustering tools. AI can also be used to analyze past observations and assess patterns for future/follow-up audits.

Principle uses of AI in Auditing:

1. **Anomaly Detection:** Machine learning algorithms examine whole datasets to identify anomalous transactions, patterns, or outliers that differ from past trends, including duplicate entries or unforeseen behavioral changes.
2. **Automated Document Review (NLP):** To find non-standard words, NLP examines and summarizes unstructured data, including contracts, invoices, and leasing agreements.
3. **Continuous Monitoring/Auditing:** ERP systems incorporate AI tools to monitor transactions in real-time, minimizing the need for sporadic, point-in-time assessments.
4. **Predictive analytics:** This technique helps auditors concentrate on areas with a high



potential for material misstatement by using past data to forecast future financial patterns and risks.

- 5. Automated Evidence Collection (RPA):** Bots automatically gather, sort, and match documentation (e.g., matching invoices to purchase orders), reducing the administrative burden on auditors.

AI Tools Used in Auditing in India:

Artificial Intelligence (AI) is transforming the auditing profession in India by enhancing efficiency, accuracy, and fraud detection capabilities. Traditional audit methods relied heavily on sampling and manual verification, whereas AI-enabled tools now allow auditors to analyze **100% of financial transactions**, identify anomalies in real time, and improve risk-based decision-making. Major audit firms, Indian Chartered Accountants, and regulatory authorities are increasingly adopting AI-powered audit tools to strengthen audit quality and compliance

Key AI Tools for Auditing:

- 1. Clara KPMG:** KPMG India uses KPMG Clara, a cloud-based intelligent audit platform. It incorporates AI and advanced analytics to carry out full-population testing, automate audit workflows, and identify possible fraud concerns. The technology facilitates real-time collaboration between audit teams and improves audit planning.
- 2. Mind Bridge AI:** Mind Bridge AI analyzes whole financial databases and assigns risk rankings to transactions using machine learning techniques. Audit firms frequently use it to find irregularities, high-risk journal entries, and possible fraud trends. The tool allows auditors to extend beyond typical sample approaches.

- 3. EY Canvas and EY Helix:** While EY Canvas facilitates audit workflow management, EY Helix is a sophisticated data analytics technology used to examine massive amounts of financial transactions. They work together to assist auditors with automated audit documentation, ongoing auditing, and risk assessments.
- 4. Halo from PwC for Journals:** PwC Halo is intended for fraud detection and journal entry testing. It allows auditors to concentrate on high-risk regions and improve financial integrity by scanning whole ledgers to find odd or suspicious activities.
- 5. Argus and Omnia from Deloitte:** Contracts, invoices, and financial papers are reviewed by Deloitte Argus using AI-based natural language processing. Deloitte Omnia increases audit accuracy and efficiency by using data-driven audit analytics and predictive risk assessment.
- 6. Assure AI (Tool Developed in India):** Assure AI is an Indian audit automation platform widely utilized by Chartered Accountants. Financial statement preparation, ledger examination, statutory audit automation, and ICAI standard compliance are all supported. Small and medium-sized audit businesses especially benefit from it.
- 7. IDEA Case Ware:** Large dataset analysis, fraud detection, and ongoing audit monitoring are all accomplished using CaseWare IDEA in forensic and investigative audits. In India, forensic accountants frequently use it.
- 8. Data Snipper:** All "Big Four" companies use this Excel-based platform that uses AI for intelligent document inspection, data extraction, and automated cross-referencing.
- 9. Audit Board AI:** An AI-driven GRC (Governance, Risk, and Compliance) platform

that automates risk assessment, report creation, and evidence gathering.

10. Deloitte Argus: Employs NLP and machine learning to automate document review, such as contracts and leases.

11. PwC GL AI: Examines general ledger data to find, highlight, and rank abnormalities and risk areas.

12. EY Helix: A platform for data analytics and visualization that analyzes financial and inventory data using embedded artificial intelligence.

Effects of AI in Indian Auditing:

The implementation of AI in auditing has greatly increased audit effectiveness by lowering human error, expanding audit coverage, and boosting fraud detection procedures. Additionally, continuous auditing is made possible by AI tools, which let businesses keep an eye on their financial operations all year long rather than just at the end. Furthermore, AI boosts auditor productivity by automating repetitive duties, allowing auditors to focus on professional judgment and strategic analysis. But issues like data security, high implementation costs, ethical dilemmas, and the requirement for qualified experts continue to be important factors in AI-driven audits.

Conclusion:

By enhancing audit quality, efficiency, and dependability, AI tools are transforming the future of auditing in India. The work of auditors is changing to become more analytical and technology-driven as regulatory agencies, audit firms, and chartered accountants continue to use AI-enabled platforms. To guarantee the ethical and successful application of AI in the Indian audit environment, ongoing investment in AI training, ethical governance, and regulatory frameworks would be crucial.

The results show that AI-based audit solutions greatly improve risk identification, decrease human labor, improve compliance monitoring, and promote more dependable audit outcomes. According to the study's findings, incorporating AI into audit procedures can enhance regulatory compliance, fortify governance, and change the direction of auditing.

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Conceptual Model: Impact of AI Tools in Auditing

