

A Study on Sole Proprietary Audit Firms with Reference to Implementation of Digitalization

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Abstract: *The essential target of this study is to explore the intervening impact of data correspondence innovation (ICT) preparing on the linkage between ICT certainty and ICT challenges in SPPAFs with less than 100 clients. A bunch of polls in light of a Likert scale were made for the review to gather 165 usable information from Indian evaluators of SPPAFs. Shrewd PLS and SPSS were utilized as measurable devices to analyze the information. SPPAF and ICT precursors (ICT certainty and difficulties) are connected through ICT preparing, as indicated by the discoveries. The sensible model of the survey can be useful to understand ICT harbingers of SPPAFs to grow the suitability of assessing. In this way, practicing monitors could comprehend ICT sureness and ICT challenges to chip away at firm amplex.*

Keywords: Proprietary, Audit firm, SME'S

I. INTRODUCTION

Sole Proprietary Practicing Audit Firms (SPPAFs) are companies that have been registered as a sole proprietorship by individuals who are licensed to practice and are members of the Institute of Chartered Accountants of India (ICAI). The authors have limited knowledge of the number of sole proprietary audit firms compared to audit firms registered as limited liability partnerships. According to Goel and Nelson (2019), sole proprietorship businesses were more likely to bring innovations. SPPAF might offer fitted support to their clients (Comprich and Huang, 2015). According to Declich li et al., the majority of Small and Medium-Sized Enterprises (SMEs) rely on SPPAFs for accounting services and auditing their financial statements. 2020; 2016 (Carey and Tanewski). The most recent technology is used in SPPAFs (Lowe et al., 2018) and inspires customers to operate their businesses more effectively (Rikhardsson and Dull, 2016). According to Ganesan et al., SPPAF can offer advice on how to make a business more secure and profitable. 2018). SPPAFs can provide their clients with more targeted audits and related services. According to Okpara ., SMEs typically outsource their accounting duties to SPPAFs. 2017). Small and medium-sized businesses (SMEs) can outsource a variety of accounting and auditing tasks abroad. According to Cahyaningtyas and Ningtyas (2020), if this works, SPPAFs could offer it to small and medium-sized enterprises (SMEs) in the home nation. SMEs ordinarily have restricted assets and can offer types of assistance exclusively by SPPAFs in a practical way (Bills and Stephens, 2016). One of the major obstacles before SPPAFs has been the client's excessive reliance on non-human resources or information technology . Audit risks can be reduced and audit management improved with increased technology confidence (Salijeni et al., 2019). Maldonado et al. emphasized the significance of technology training and awareness of big data in the accounting or auditing profession. 2020). The majority of SMEs are opting for paperless transactions and investing in accounting software as a result of recent rapid ICT changes (Oktaviani, 2017; Kramer et al., 2016), which may raise audit risks in addition to business risks (Chen et al., 2019). The reception of ICT in SMEs thusly urges SPPAFs to take on and use ICT in their review firms (Thottoli et al., 2019a). According to Singh et al., the current "Fourth Industrial Revolution" or "Transformation Economy" encourages businesses to adopt technologies like blockchain, data automation, and artificial intelligence. 2020), and these modifications also have an impact on the accounting practices of clients and the manner in which audit services are rendered (Smith, 2018). The adoption of audit software by SPPAFs is boosted by technology's exponential growth According to Mokhitli and Kyobe (2019), the use of technology in auditing is essential in this day and age. SPPAFs will be affected by technology and artificial intelligence, requiring close monitoring . For expanding efficiency and decreasing expenses, SPPAFs are executing ICT to serve their clients what they need most (Pedrosa et al., 2020). Some of SPPAFs utilizes manual approach to doing

review and larger part of them utilizes MS Succeed to inspect the arithmetical precision of the fiscal summaries of their clients (Dias and Marques, 2018). Klynveld Peat Marwick Goerdeler (KPMG) and PricewaterhouseCoopers thought that 90% of SMEs evaluating calculation sheets have material mistakes. According to Panko (2016), the majority of SPPAFs employ untrained individuals to manage accounting spreadsheets. According to Salajeni et al., the accuracy of the SPPAFs' spreadsheet or MS Excel auditing system presents significant obstacles. risk of the unskilled user, lack of internal control, more prone to human errors, lack of guidelines to use, risk of losing data, risk of engaging in fraud, false belief in password protection, lack of data encryption option, lack of audit trail, lack of verification facility, errors of omission, errors of commission, transposition errors, single entry error, duplication of entry Computer-Assisted Auditing Techniques (CAATs) are useful tools and techniques that can reduce costs and increase productivity in SPPAFs (Siew et al.,). However, the trend to adopt CAATs is less common in developing nations. 2020). Therefore, in order to carry out the audit in an effective and efficient manner, SPPAFs ought to make use of technology applications (CAATs). Consequently, the principal objective of this study is to examine the interceding impact of ICT preparing on the linkage between ICT certainty,

ICT challenges as predecessors of SPPAFs. The methodology, ICT antecedents of SPPAFs, results, discussions, conclusion, and implications are provided in the remaining section of the paper.

II. ICT PRECURSORS OF SPPAFS

ICT Certainty

Trust in Data correspondence innovation shows the capacity in the powerful finishing of any assignment through the PC. Mawutor et al. (2019) planned to perceive the job of norms on examining to work on the reviewer's trust in the review of client's fiscal summaries. Lim looked at auditors' trust in technology for detecting fraud (2021). Thottoli's study in 2021 aimed to increase ICT confidence in accounting professionals' auditing practices; Thottoli and others, 2019a). Umar et al. investigated the impact of IT on dysfunctional audit behavior as well as pressures like time constraints, budget constraints, and task complexity. (2017). According to Hamshari et al., the auditor's technology confidence in the audit of the client's financial statements suggested that professional skepticism should be exercised throughout the auditing process in order to guarantee the audit's reliability. 2021). Professional skepticism will decrease as a result of auditor technology confidence in the clients' business operations, and vice versa (Rahmawati and Indrijawati, 2020). During the brainstorming session, auditors' increased self-confidence, which includes technology, will motivate them to voice their opinions (Sagara and Alkotdriyah, 2020). Assuming an evaluator has sufficient innovation trust in their work execution supported by satisfactory framework help, then, at that point, there is an expanded degree of expectation to take on CAATs in the review calling (Mohamed et al., 2019).

ICT Difficulties

Reasonableness of redone review programming, expanded ICT preparing cost, expanded hazard of getting adequate and satisfactory review proof through the PC, and essential information in innovation abilities of junior examiners are viewed as significant difficulties looking by SPPAFs (Thottoli and Thomas, 2020). Liu et al. examined the difficulties posed by blockchain in accounting and auditing, describing the consequences in detail. 2019). The outcomes of the Salijeni conducted research on the effects of ICT on the effective management of widespread challenges and the execution of audit engagements related to incorporating big data analytics into the audit perspective (2019). Numerous challenges and opportunities are poised to have a significant impact on the auditing and accounting profession as a result of advancements in technology (Liu, 2019). It is not anticipated that the ICT will have a disruptive effect on the audit profession, particularly on solely proprietary audit firms (Brender et al., 2019). CAATs help examiners in strategical readiness to confront likely ICT challenges in the current contending circumstance. According to Serpeninova et al., the main advantage of CAATs is that they make it easier to conduct computer-based audits. 2019). According to Jaber and Wadi (2018), traditional audit methods are being replaced by CAATs when it comes to technology challenges.

ICT Training

Junior auditors are less likely to be confused by inadequate or inadequate ICT training. Auditing is made easier and faster with training. Thottoli and Thomas (2020), analyzed the connection between ICT preparing and examining rehearses. Professional IT training that is ongoing will ensure practical skills and aid in the preservation of technology-enabled audit documentation (Cristea, 2021). The mechanical course of computerization has been found generally in different ventures including bookkeeping or evaluating enterprises. Huang and Vasarhelyi (2019) investigated the use of robotic process automation in auditing. Munoko et al. (2020) looked at the problems with accounting or auditing talent training from the point of view of artificial intelligence and suggested that auditors could get better through training. ICT preparing assists with confronting difficulties in the monetary world (Mamuda and Yusuf, 2020). During the internal audit for data security measures, including cyber-attacks, effective ICT training was found to be significant (Lois et al., 2020). Review preparing in the most recent innovation assists with identifying or forestall conceivable extortion in the clients' budget reports (Putra and Dwirandra, 2019). By receiving timely ICT training on generalized audit software, practicing auditors can increase their efficiency (Tansil et al., 2019) according to Marei and Iskandar (2019),

Technique

Example and Information Assortment

This study has given a valuable chance to comprehend top to bottom recognizable proof of ICT certainty, ICT challenges, and ICT preparing and has been intended to assess the factors. The review takes on a quantitative methodology where a bunch of surveys were planned utilizing a Likert scale to gather 165 usable information from evaluators of SPPAFs in India. Smart PLS and SPSS were used to collect and analyze the primary data. All of the people who responded were self-employed, qualified chartered accountants. The information were gathered in the year 2019 for research examination. The software Structural Equation Modelling-Partial Least Squares (SEM-PLS) was used in this study for data analysis.

Method of Analysis

The survey was based on constructs that were suggested and confirmed in a previous study. There were five sections to the questionnaire. There are a total of five demographic questions in Section A; section B should list the SPPAFs, which have ten subquestions, and section C should list the ICT training, which has three subquestions; section D, with its four subquestions, indicate ICT challenges; as well as section E, indicate ICT confidence for the four subquestions. This survey is part of the way adjusted from Thottoli and Thomas (2020).

Construct validity and reliability

The measurement model's reliability and validity were evaluated by evaluating the constructs' values for Cronbach's Alpha and Composite Reliability.

III. DISCUSSION

The effect of SPPAFs on ICT antecedents (ICT confidence and ICT challenges)

The current study tests ICT confidence and ICT challenges as SPPAFs' ICT antecedents. The researcher started by looking at ICT confidence, which has a strong connection to ICT training. According to a few previous studies, ICT confidence is one of the main factors that affect SPPAFs' adoption of audit technology's effectiveness in audit practice. This outcome has in accordance with what has proposed by (Putra and Sudana, 2019) found that working on bookkeeping firms ought to give more preparation to their review partners to further develop examiner trust in their relegated review errands. Similarly, Thottoli et al. (2019a); Thottoli et al. (2019c), discovered that ICT training and confidence are essential for ICT-enabled auditing. At $p = 0.001$ and $t = 9.231$, the path coefficient (Table VI) demonstrates a positive and significant relationship between ICT confidence and ICT training. This is consistent with the current study's hypothesis. It's possible that auditors in SPPAFs don't have the skills necessary to test client data with audit software, don't have enough ICT training, or don't believe they can computer-audit financial statement items. As a result, auditors of SPPAFs will benefit from enhanced ICT confidence when there is increased ICT training. In the end,

less ICT confidence might necessitate more ICT training. Later, the researcher has looked into ICT difficulties, which have a lot to do with ICT training. One of the main factors that affect the effectiveness of SPPAF audit practice through the adoption of audit technology has been identified as ICT challenges in previous studies. According to Stancheva-Todorova (2018), this result is consistent with her assertion that accounting practicing professionals were challenged to acquire technology skills through appropriate training. At $p = 0.001$ and $t=6.210$, the path coefficient (Table VI) demonstrates a positive and significant relationship between ICT challenges and ICT training. This is consistent with the current study's hypothesis. ICT auditing may increase the risk of obtaining sufficient and adequate audit evidence through the computer, junior auditors believe that ICT auditing can be understood only by those with advanced computer skills, and generalized audit software may not be affordable to SPPAFs. ICT audit training may increase the operational cost to the company. The auditors of SPPAFs will face fewer ICT difficulties as a result of increased ICT training. In the end, higher ICT challenges may necessitate higher ICT training.

How ICT training affects the mediator relationship between SPPAFs and ICT antecedents (ICT confidence and ICT Challenges).

The relationship between ICT antecedents (ICT confidence and ICT Challenges) and SPPAFs is tested in the current study after the study examined the mediator relationship of ICT training. The researcher initially considered ICT training to be a mediator between ICT confidence and SPPAFs. The study found that SPPAFs' willingness to implement audit technology is mediated by information and communication technology (ICT) training. According to some previous research (Govaerts et al.), ICT training acted as a mediator between other variables. (2018). ICT training significantly mediates the relationship between ICT confidence and SPPAFs, as shown by the path coefficient (Table VI above) at $p = 0.001$ and $t=4.192$. This is consistent with the hypothesis that ICT training mediates the relationship between SPPAFs' willingness to implement audit technology and their confidence in ICT. Another way, at $p = 0.001$ and $t=5.735$, ICT training significantly mediates the relationship between ICT challenges and SPPAFs. This also supports the hypothesis that ICT training mediates the relationship between SPPAFs' willingness to implement audit technology and ICT challenges. Audit assistants are less likely to be confused by inadequate ICT training, which also makes auditing simpler and speeds up the process. Less ICT certainty and higher ICT difficulties will prompt expanded ICT preparing which will build the ability of SPPAFs to execute review innovation. The structural model is shown in figure 3, with ICT training serving as a mediator between ICT confidence and ICT challenges as antecedents of Sole proprietary audit firms.

IV. CONCLUSION

The consideration of data correspondence innovation apparatuses by review firms lately is broadly suggested. However, despite the fact that there are numerous advantages to using ICT audit tools by audit firms, many solely proprietary audit firms do not currently use these tools when auditing clients' financial statements. SPPAFs' motivation to switch from the traditional auditing method to the computer-based auditing environment is the focus of the current study, which aims to investigate the antecedents of ICT and the mediator role of ICT training. By adding a new discussion about the mediating effect of information and communication technology (ICT) training on the linkage between ICT confidence and ICT challenges as antecedents of SPPAFs and by investigating those ICT antecedents on this relationship, this study stands out from previous studies. After discussing SPPAFs' ICT confidence and challenges, this study aims to highlight the significance of ICT use. According to the study's conclusion, SPPAFs in India can increase their use of technology tools by receiving adequate ICT training. SPPAF auditors will be able to adopt generalized or customized audit software thanks to sufficient ICT training due to the lack of ICT confidence and the high ICT challenges. SPPAF and ICT antecedents (ICT confidence and challenges) are linked through ICT training, according to the findings. The reasonable model of the review can be helpful to comprehend ICT forerunners of SPPAFs to expand the viability of evaluating. As a result, practicing auditors could identify issues with ICT confidence and effectiveness.

Theoretically, this study looked into the role of information and communication technology (ICT) training in SPPAFs' successful adoption of technology in audit practice. Particularly, the proposed ICT training moderator was deemed suitable for the current quantitative research study. This mediator was demonstrated to be urgent in the two ICT forerunners (supporting ICT certainty and ICT challenges) on SPPAFs. The analysts accept that the ongoing review has

demonstrated that these speculations really do offer important experiences into the psyche of examiners who are working in SPPAFs to embrace innovation in the review calling. 8. The study's limitations The primary objectives were to determine the mediator role of ICT training on the linkage between ICT antecedents (ICT confidence and ICT training) and SPPAFs that only influence the auditors of sole proprietary audit firms' adoption of technology. This study was limited to Kerala, India, as its primary location. Therefore, the findings of the research are only applicable to the regulatory environment of the ICAI in India

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