# SECTION 2. DIGITAL ACCOUNTING AND TAXATION TECHNOLOGIES

## PECULIARITIES OF AUDIT ACTIVITY IN A DIGITAL ENVIRONMENT

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Digital technologies open a different access to the development of all types of entrepreneurial activity. But more than anything they impact and enhance the organizational and technical support of information services, which include accounting and auditing services.

The implementation of digital technologies helps to speed up the collection of information, the transition from manual process to machine data processing and an thorough comprehension of the endeavour of the audited entities.

Now it can already suggested that with the development of digital technologies in audit, a paradigm shift is taking place – the alteration of conventional audit into a digital intellectual one.

But such a alteration is unworkable without the evolution and implementation of applied digital technologies in the activities of audit firms in Latvia.

In September 2016, the working group of the International Auditing and Assurance Standards Board (IAASB), developed a regulation that recommends that audit companies use advanced digital technologies in order to improve audit quality and diminish audit risk [1, p. 7].

The Latvian audit market is represented by a large number of certified authorized auditors. So, in November 2021, 196 individuals and 184 commercial companies [7, LZRA] have licenses that give the right to submit and sign financial statements. However, if we consider the volumes of services provided by the licensed audit companies, we can state that 87% of companies have an annual turnover of less than 350,000 euros and the location of the services they provide is limited to Latvia. Therefore, of interest for this

study are large audit companies that have international contracts and provide services using modern tools and technical solutions.

Auditing firms of the Big Four countries attempt to adapt to the new information space and create competitive advantages in the global and local (national) service markets [2, p. 17].

According to the forecasts of the World Economic Forum, about 30% of audits will be carried out using digital technologies by 2025 [3]. According to Deloitte's 2018 annual report [6], the use of digital technologies increased the company's revenues by 23%, and according to the forecast by 2022, revenue growth is expected to reach 30%.

The ground for this study was scientific research in the field of using technologies and artificial intelligence systems for organizing and performing audit procedures of such researchers as M. Vasarhelia, H. Issa, Y. Kokina, N. Khamshizade, N. Abhishek.

The need to use digital technologies is objectively set by the development of means of business communication and types of entrepreneurial activity. As economic relations and forms of transactions change, the content of financial statements is also transformed: the number of objects increases, the number of assessments for the formation of indicators (fair assessments, market, assessments, estimated and contingent liabilities) increases, to meet the needs of investors, not only retrospective indicators, but also probabilistic ones are included in the reporting. Hence, not only accounting information is audited, but also information obtained in the study of economic, management processes, the sources of which are both internal and external open data and Internet sites.

A promising orientation for the development and application of digital technologies in the activities of audit companies is the creation of robotic systems that unite a set of technologies for solving problems in audit.

Researchers in this area describe such robotic systems as "intelligent audit" i.e. a hybrid set of technologies (data mining, machine learning, speech, image recognition and emotion analysis) that complement and improve the audit processes [5, p. 57]; a platform that analyzes and sorts financial data by risk category, eliminating the need to randomly sample financial records and manually check them [4, p. 18].

Thus, the analysis of scientific research in the field of audit shows that at the present stage there is an objective need and scientific and technical prerequisites for the use of digital technologies in auditing and the transition to intelligent audit have emerged.

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