International Journal of Advanced Research in Commerce, Management & Social Science (IJARCMSS)
(An International Quarterly Multidisciplinary Open Access Double Blind Peer Reviewed Refereed Journal)
ISSN :2581-7930 (Online), Impact Factor (Cosmos): 7.270 & PIF (I2OR): 5.010, Volume 09, No. 04(I), October-December, 2026, pp 187-199

Use of AI Tools in Accounting and Audit Firms in India: Adoption, Regulation and Implications for Audit Quality

Dr. Prabhu Dayal Saini*

Assistant Professor, Department of Commerce, Aryabhatta College, University of Delhi, Delhi.

*Corresponding Author: pd.ssini74@gmail.com

Citation: *Saini, P. (2026). Use of AI Tools in Accounting and Audit Firms in India: Adoption, Regulation and Implications for Audit Quality. International Journal of Advanced Research in Commerce, Management &Amp; Social Science, 09(04(I)), 187–199.*

Abstract

Artificial intelligence (AI) is making rapid strides from experimentation to widespread implementation in the fields of accounting and auditing. The transformation in India is influenced by its unique context comprising self-regulation through an institute of chartered accountants (ICAI), a statutory audit regulator (NFRA), a thick compliance landscape based on GST, income tax and company laws, and data protection regulation. This paper explores the deployment of AI technologies in Indian accounting and auditing firms, the factors facilitating and hampering deployment, response of the regulator and the profession, and implications for audit quality. This paper employs qualitative documentary analysis of publicly available sources published between 2025 and November 2026, including regulatory literature, literature from professional bodies, survey reports, press releases from firms and academic literature, using the technology-organisation-environment framework for analysis. A two-speed transformation is found where larger network firms deploy generative and agentic AI into their audit platforms while small and medium-sized practices continue to utilise general purpose and compliance automation AI tools with limited audit platform integration. It is important to note that the burden of ensuring the audit opinion cannot be shifted to the tool. The following principles have been developed regarding the adoption of technology: verification, monitoring, human review, and data security. This paper provides a framework of six-stage governance cycle for the AI tools, evaluates six propositions, and outlines implications for businesses, regulatory agencies, and educational institutions.

Keywords: *Accounting Automation, Agentic AI, Artificial Intelligence, Audit Analytics, Audit Quality, Automation Bias, Chartered Accountants, Data Protection, Digital Transformation, Generative AI, GST Compliance, India, NFRA, Professional Scepticism, Regulatory Oversight, Small and Medium Practices, Technology Adoption, Technology–Organisation–Environment Framework, Third-Party Risk, Workforce Skills.*

Introduction

Background

Both accounting and auditing have always been professions engaged in information processing, and every wave of IT, from spreadsheets to enterprise resource planning (ERP) systems and data analytics, has transformed these processes. AI is currently the latest wave and perhaps one of the most radical. Machine learning algorithms are capable of classifying transactions, retrieving data from invoices and contracts, reconciling ledgers, identifying anomalies in populations of entries, and generating working papers through the use of generative algorithms, summarizing documents and answering technical

Copyright © 2026 by Author's and Licensed by Inspira. This is an open access article distributed under the Creative Commons Attribution License which permits unrestricted use, distribution, and reproduction in any medium, provided the original work properly cited.

questions. The latest wave, which started appearing in audit software [1,2], are what is known as agentic systems – systems that can plan and execute sequences of actions. These developments were predicted by academic studies that suggested that AI will initially complement and ultimately reorganize audit tasks [3,4] and that analytics and big data will transform the nature of audit evidence [5,6].

India is a critical country where this process can be explored. In India, there is one of the largest accounting professions in the world, and it is governed by the Chartered Accountants Act, 1949 and the Institute of Chartered Accountants of India (ICAI) [7]. There is a digitized tax and compliance framework based on the Goods and Services Tax (GST), electronic invoicing and online filing. Statutory audit of corporations is managed under the Companies Act, 2013 [8], and from 2018, the National Financial Reporting Authority (NFRA) is empowered to ensure audit quality of larger organizations. The accounting records in corporations are to be kept in software with an audit trail which cannot be turned off [9]. On the other hand, India's accounting profession is highly fragmented with a great number of small and medium-sized practices (SMPs) and sole practitioners together with a small number of large networks which audit majority of the biggest listed companies [10].

Problem Statement and Research Gap

Public discussion of AI in accounting in India is abundant but mostly descriptive, consisting of professional articles, vendor material and conference reports. Academic studies of adoption in Indian practice exist but are few and tend to rely on small samples [11]. At the same time, 2026 has brought a series of significant institutional developments, including the ICAI's AI Innovation Summit and its agreement with an Indian AI developer [12,13], NFRA's general principles on technology adoption in audit [14,15] and the creation of an advisory panel on audit quality, AI and technology risks [16]. No integrated analysis yet connects the pattern of adoption in Indian firms with this regulatory and professional response and with the implications for audit quality. This paper addresses that gap.

Objectives and Research Questions

The objectives are to describe how AI tools are used in Indian accounting and audit firms, to identify the factors that shape adoption, to analyse the regulatory and professional response, and to assess the implications for audit quality and for the profession. The paper answers four research questions:

RQ1. For which tasks, and in which types of firm, are AI tools currently used in accounting and audit practice in India?

RQ2. What technological, organisational and environmental factors drive or constrain adoption?

RQ3. How are the ICAI, NFRA and other authorities shaping the use of AI, and what do their expectations imply for firms?

RQ4. What are the implications for audit quality, professional judgement and the workforce?

Contribution and Structure

The paper contributes a structured, evidence-based synthesis for the Indian context, a conceptual framework that links adoption with regulation and audit quality, six testable propositions, a six-stage governance cycle for AI tools and an agenda for primary research. Section 2 reviews the literature and develops the framework. Section 3 explains the research method. Section 4 describes the Indian institutional setting. Section 5 presents the findings, Section 6 discusses them against the propositions, Section 7 sets out implications, and Section 8 discusses limitations and future research. Section 9 concludes.

Literature Review and Conceptual Framework

- **AI in Accounting and Auditing**

Research on technology in auditing has moved from computer-assisted audit techniques to data analytics and now to AI. Appelbaum et al. identified research needs arising from big data and analytics in the audit, including the use of full-population testing, new types of evidence and the challenge for standards written for sampling-based procedures [5]. Alles argued that the audit profession's adoption of big data tools was shaped by both drivers and obstacles, among them the client's data environment, auditor skills and the limits of professional standards [6]. In particular, Kokina and Davenport discussed how AI technologies were automating routine audit tasks and reconfiguring audit team competencies [4]. Furthermore, Issa et al. noted that AI could augment the work force and make some elements of the audit process more formalized [3].

The second research strand relates to ethics and judgement. Munoko et al. have conducted an analysis of the ethical dimensions of AI use in auditing, which include questions of accountability, bias, transparency and the substitution of tasks [17]. The evidence from experimental research shows that auditors' reaction to the AI advice is conditioned by the nature of the task and the way the advice was delivered. In particular, Commerford et al. reported that the influence of AI evidence on auditor's judgement regarding complex estimate is affected by the contradiction between the output of the tool and the client's estimate, implying that auditors do not uniformly rely on AI tools [18]. The issue of complacency and automation bias in the interaction between humans and machines has been extensively studied in the relevant literature [19,20].

Responses from professional associations and regulatory authorities in other countries have followed suit. The International Ethics Standards Board for Accountants has reviewed their Code of Ethics for the technological realm [21], the Public Company Accounting Oversight Board of America has released staff observations on AI application in auditing [22], and the Financial Reporting Council of the United Kingdom has produced guidelines on AI usage in audit [23]. The Indian regulators have considered the international discussion along with the local situation.

- **Theories of Technology Adoption**

Several theories explain how organisations and individuals adopt technology. The technology–organisation–environment (TOE) framework holds that adoption depends on technological characteristics, organisational features and the external environment [24]. The technology acceptance model emphasises perceived usefulness and perceived ease of use as determinants of individual acceptance [25], and the unified theory of acceptance and use of technology adds social influence and facilitating conditions [26]. The diffusion of innovation theory highlights the impact of relative advantage, compatibility, complexity, trialability, and observability on the rate of adoption [27]. In case of professional services organizations, where there is an adoption of technological innovation as well as the custodianship of public trust, the environmental context becomes extremely relevant due to the regulatory and professional standards that define acceptance. This paper therefore adopts the TOE as the organizing framework and the other theories for specifying constructs.

- **Audit Quality, Firm Size and Professional Scepticism**

Audit quality was defined as the combined likelihood of detecting a material misstatement and communicating it [28]. DeAngelo claimed that large audit firms have more motivation to maintain their reputation than smaller firms and hence have higher audit quality [28]. From the Indian perspective, since most large listed company audits are carried out by the network firms, and due to differences in the resources available to large companies and SMEs, firm size becomes a key variable in the analysis of technology adoption [10]. Artificial Intelligence may enhance audit quality by allowing population sampling and focusing on high risk areas, but they may also adversely affect audit quality when auditors have undue confidence in the output generated, when the tool itself is not validated or when the auditor loses the capacity to question the output of the system. Professional Skepticism, the tendency to question and scrutinize information becomes the key element in evaluating AI usage [19].

- **Conceptual Framework and Propositions**

Figure 1 depicts the conceptual framework adopted in this research. The technological factors considered include the level of accuracy and usefulness of the technology, its explainability, the compatibility with accounting and tax systems employed by Indian companies and their clients, and cost. Organizational factors include the level of tier and size of the firm, partner support, skills, and readiness of data. Environmental factors include the expectations of the ICAI and NFRA, data-protection law, client and audit-committee demands, competition and the vendor ecosystem. These determine the extent and depth of AI adoption across accounting, tax and audit work, which in turn affects efficiency, audit quality and client value, as well as risks such as automation bias and breaches of confidentiality. Governance, professional scepticism and human review moderate the relationship between adoption and outcomes.

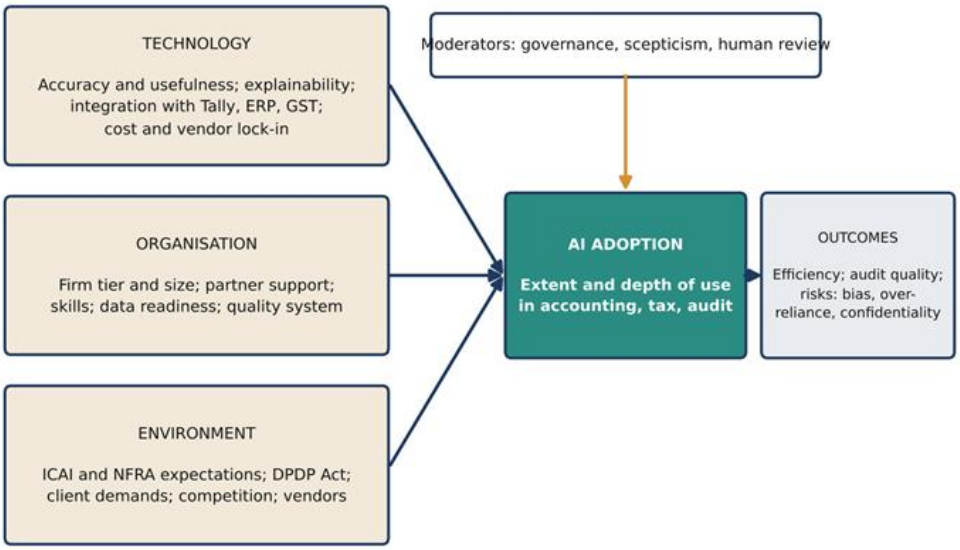


Figure 1: Conceptual framework: technology, organisation and environment shape AI adoption in accounting and audit firms, and governance and scepticism moderate its effect on outcomes (author's own framework)

From the framework and the literature, six propositions are derived. They are stated in Table 1 and assessed against the evidence in Section 6. They are propositions and not tested hypotheses, because the evidence base consists of secondary sources and does not permit statistical testing.

Table 1: Propositions Derived from the Framework

No.	Proposition	Theoretical basis
P1	Network and large firms adopt AI more extensively and more deeply in audit work than SMPs	TOE (organisational resources); diffusion theory
P2	In SMPs, AI use is concentrated in accounting, tax and compliance tasks and general-purpose generative tools, with limited integration into audit procedures	TOE (technology fit and skills); diffusion theory
P3	Regulatory and data-protection expectations shape governance of AI tools and raise relative compliance burdens for SMPs	TOE (environment)
P4	AI raises audit efficiency, but its effect on audit quality depends on validation, governance and professional scepticism	Audit quality theory; automation bias research
P5	Skills gaps and change in the work mix are major constraints on adoption and on safe use	TOE (organisation); human–automation interaction
P6	Dependence on a few technology vendors and cloud providers creates third-party and concentration risks	TOE (environment); regulatory guidance

Research Methodology

- **Research Design**

The study uses a qualitative documentary analysis, a systematic procedure for reviewing and interpreting documents to elicit meaning and develop understanding [29]. This design suits a topic that is changing quickly and for which primary quantitative data are scarce, and where the main evidence consists of regulatory texts, professional publications, survey reports and public statements. The analysis is interpretive and theory-informed: documents were coded to the constructs of the TOE framework and to the research questions, and themes were developed through thematic analysis [30].

- **Data Sources and Collection**

Sources were collected from publicly available material, mainly published between January 2025 and November 2026, using targeted web searches and the publications of the relevant institutions. Fig. 2 shows the composition of the sources by category. Priority was given to primary and institutional sources (regulators, the professional body, legislation) over commentary, and news reports and trade publications were used for events and statements for which primary documents were not directly accessible. Vendor marketing material was not used as evidence of effectiveness.

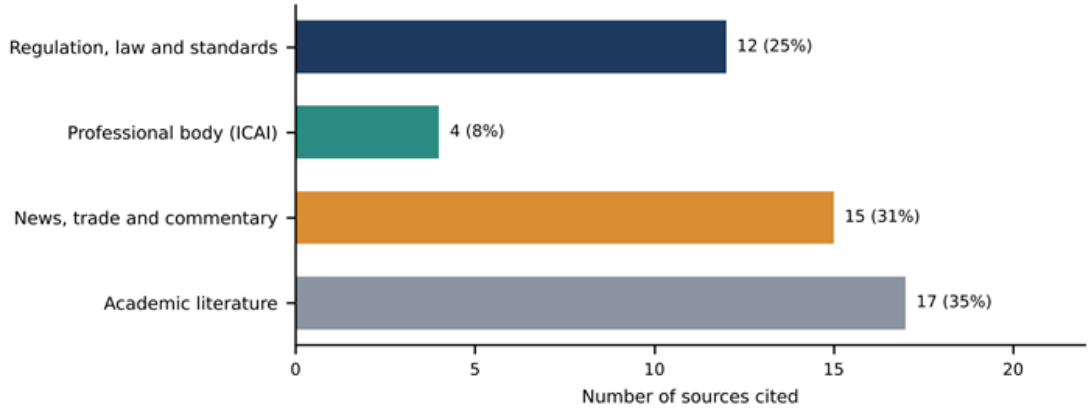


Figure 2: Composition of the 48 sources used in the analysis, by category (compiled by the author from the reference list).

- **Analysis and Trustworthiness**

Each source was read and coded against the constructs of the TOE framework and the research questions. The sources were categorized as being of high, medium, or low quality, depending on whether the source consisted of statutory and regulatory documents and surveys, which were more credible sources than commentary, or claims made in one trade document or by someone who had an interest in the technology. Where there were conflicts between sources or insufficient evidence, this is noted. Triangulation of sources, an audit trail of sources, and limitation of evidence provided trustworthiness.

- **Ethical Considerations and Limitations of the Method**

This paper used only publicly available data and did not involve any human subjects. The major limitation of this paper is the lack of primary information from companies. Information about adoption was based on the survey reports and public statements, which tend to inflate the level of adoption by firms which have decided to go public. One more limitation is the timeliness of the topic.

Institutional and Regulatory Context in India

Figure 3 is a timeline of the key regulatory, professional and industry developments affecting the use of AI in accounting and auditing in India. This setting has three key characteristics. Firstly, the professional body is self-regulated via ICAI, which creates auditing and ethical standards and is now encouraging its members to become capable with AI, whereas NFRA, created under Companies Act, monitors the quality of audits performed by larger entities and has started addressing technology [14,16]. Secondly, the compliance environment is digital: the filing of GST returns, electronic invoices, income tax and corporate filings create structured data, and since there is an audit trail requirement in corporate accounting software, edit histories can be accessed for audits [9]. Finally, the data-protection regulation is recent: the Digital Personal Data Protection Act, 2023 [31] was made operational through regulations notified in November 2025, in phases of about 18 months [32,33]. In addition, firms are required to maintain quality management systems according to ICAI's Standard on Quality Management 1, which addresses the resources, including technology, used by a firm [34].

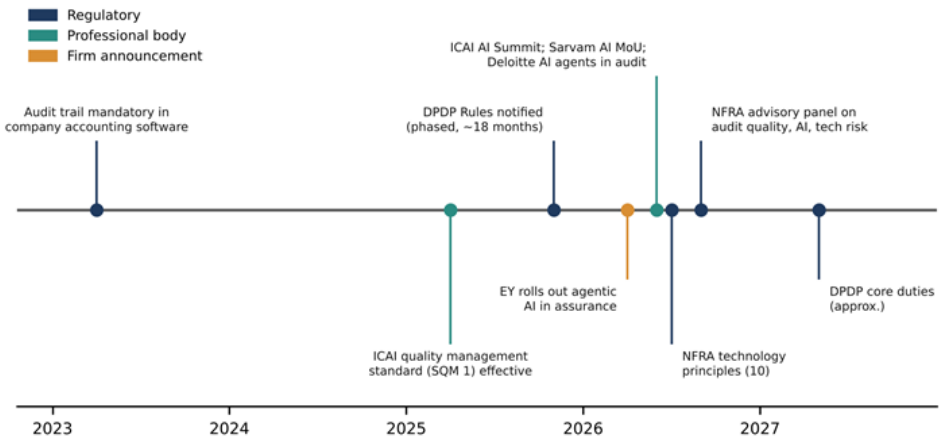


Figure 3: Timeline of selected regulatory, professional and industry developments relevant to AI use in accounting and audit in India (dates as reported in the sources cited; the DPDP date is an approximation based on the reported 18-month phasing).

Two further developments in 2026 are noteworthy. At its AI Innovation Summit in June 2026, ICAI announced an agreement with the Indian AI developer Sarvam AI and an advanced AI course for members, and described large-scale training of members and a library of AI tools and publications [12,13]. In July, NFRA published general principles for technology adoption in audit, and in September it constituted an advisory panel on audit quality, assurance and technology risks [15,16]. Together these show a profession and a regulator that are both encouraging adoption and seeking to control its risks.

Findings and Analysis

- **Adoption across Types of Firm (RQ1)**

The evidence indicates a two-speed pattern, summarised in Fig. 4, which gives indicative qualitative ratings. At the top, the large international network firms, which audit a major share of India's largest listed companies [10], are embedding AI into global audit platforms. EY announced in April 2026 that it was rolling out agentic AI in its assurance technology across its global network [1], and Deloitte announced in June 2026 the adoption of advanced AI, including agents, to support corporate audits globally, with the stated expectation that auditors review the outputs [2]. Indian member firms access these tools as part of global platforms and also contribute to their development and delivery through large India-based delivery centres, a model that has attracted regulatory attention abroad [35]. Reports in 2025 also indicated that Indian enterprises, including professional-services firms, were planning higher AI budgets [36].

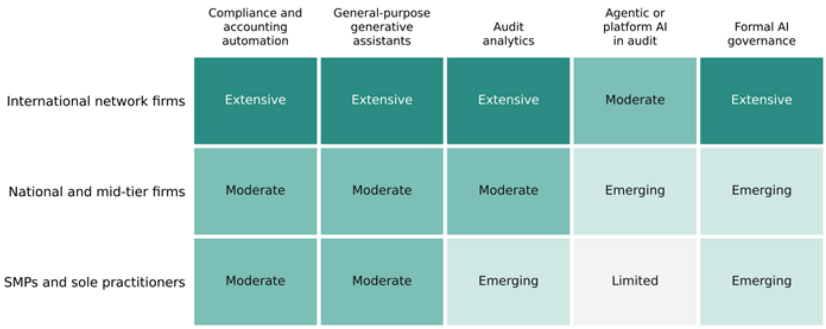


Figure 4: Indicative adoption of AI by type of firm and application area. Ratings are the author's qualitative synthesis of the sources reviewed and are not measured data.

Below the large firms, the picture is more mixed and the evidence is weaker. The ICAI AI Committee's survey of CA firms, as reported by the ICAI and trade media, indicates that a majority of responding firms use AI to some degree, but that only a minority use it daily and that most had not

integrated AI into audit processes [37,38]. These findings are based on self-selection and should be regarded as illustrative. An investigation of Indian accounting and non-accounting companies also reveals inconsistent adoption of ICT technology [11]. All these observations lend themselves to the conclusion that the adoption of technology among SMPs tends to occur mainly with regard to easy-to-use tools for particular purposes.

- **Applications across Accounting, Tax and Audit Workflows (RQ1)**

Figure 5 shows how typical AI applications map to workflow steps, with potential benefits, risks, and need for human oversight indicated. The most prominent examples of AI use in accounting and tax compliance include data extraction from invoices and bank statements, coding of transactions, and reconciliation of purchase records and GST return information. ICAI's own case study library features a GST Invoice processing and reconciliation AI agent example of the sort that the profession is endorsing [39]. Examples of audit uses include risk assessment via analytics, journal entry testing, analysis, confirmation and document examination, and working paper preparation [40,41]. In the case of small and medium practice firms, there is a large variety of AI-based generative assistants used for research of standards and law, report writing, and communications with clients [41].

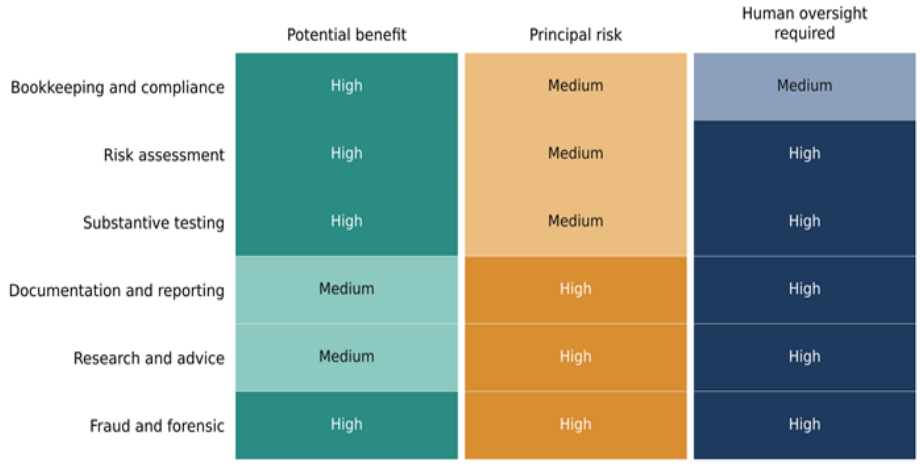


Figure 5: Indicative potential benefit, principal risk and human oversight required for AI applications in accounting and audit workflows. Ratings are the author's qualitative judgement based on the sources reviewed and are not measured data.

- **Drivers and Constraints (RQ2)**

The use of TOE model on the identified sources gives rise to the following scenario. On the technology dimension, the level of usefulness is high in terms of repetitive and voluminous activities; integration with well-known accounting packages facilitates technology adoption whereas accuracy, hallucination and explainability prevent from using AI in decision-making processes [15,37]. On the organizational dimension, resources, partner readiness and skills are crucial. As the ACCA's 2025 study demonstrates, Indian accountants worried about acquiring the necessary skills, which confirms the skills constraint [42]. In SMPs, the lack of specialized technology personnel and the cost of the quality assurance system become obstacles. On the environmental dimension, the promotion of AI capability by ICAI becomes a very influential enabler [12,13]; clients' expectations concerning quick and cheap service represent a demand, and regulation requirements and data protection legislation create requirements that need to be fulfilled [14,32].

- **Regulatory and Professional Response (RQ3)**

The NFRA's general principles on the use of technology in auditing, published in July 2026, represent the most important regulation in terms of technology use in audit to date. As stated, the publication contains ten principles that emphasize that AI cannot replace auditor judgment, that companies need to avoid automation bias, and that auditors will be still liable for their opinions regardless of the technologies they apply [15,43]. These issues are highlighted in Table 2. These principles are expressed as expectations of good practice and not as a standard.

Table 2: Main themes in NFRA's Technology Principles, as Reported, and Implications for Firms

Theme	Expectation (as Reported)	Implication for Firms
Responsibility	The auditor remains responsible for the opinion; AI is an aid and not a substitute for judgement	Partners must understand and be able to challenge tool outputs
Automation bias	Firms should recognise and mitigate over-reliance on outputs	Training; design of review procedures; documented scepticism
Validation and monitoring	Tools should be validated before use, monitored in use and re-approved periodically; vendor claims are not enough	Independent testing; performance logs; periodic re-approval
Proportionality and explainability	Controls and explainability should be proportionate to risk and materiality	Higher scrutiny for tools that affect significant risks
Data protection and third parties	Firms remain responsible for client and personal data, including with cloud and third-party providers	Contracts, security reviews and DPDP-aligned processes
Competence	Staff should be trained to use the tools appropriately	Training and competence records

The regulatory landscape does not stop at audit. Both the Reserve Bank of India's guidelines on responsible and ethical enablement of AI in finance [44] and SEBI's consultation paper on responsible use of AI and machine learning in securities markets [45] impact how regulated entities utilise AI and what auditors should know while auditing banks, non-bank financial institutions, brokers, and other parties. NFRA has also constituted an advisory panel on audit quality and technology risks [16]. Its chairperson has explicitly stated in the public domain that "Audit is not a substitute for lender's due diligence" [46], thus highlighting the expectations of society from the field of audit, which forms part of the background against which tools are being utilised. Commentary on the use of AI in audit oversight observes that detection capabilities are advancing faster than governance arrangements [47].

The principles can be translated into a practical governance cycle for firms, shown in Fig. 6. The cycle starts with a risk-based assessment of the use case, followed by independent validation, formal approval and documentation, deployment with human review, continuous monitoring and periodic re-approval or retirement. Cross-cutting requirements are data protection, oversight of third-party and cloud providers, staff training, proportionality and documentation. The cycle is the author's synthesis of the reported principles and of common governance practice and is not an official framework.

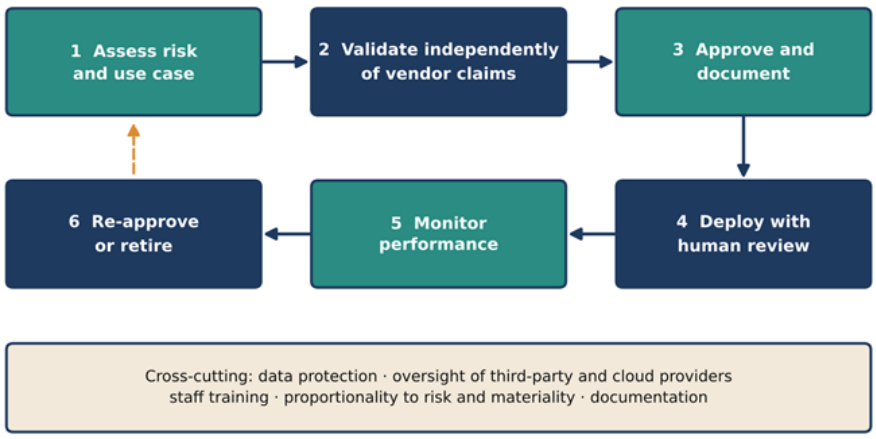


Figure 6: Six-stage governance cycle for AI tools in accounting and audit firms, with cross-cutting requirements (author's synthesis based on the reported NFRA principles and common governance practice).

- **Implications for Audit Quality and the Workforce (RQ4)**

These benefits for audit quality are obvious: wider testing, improved targeting of risks, and improved documentation. On the other hand, the risks for this approach exist. There is automation bias – well-known behavioral risk [19,20], and experimental research proves that the use of AI tools by auditors depends on the presentation of evidence [18]. Also, tools may have silent failures due to inappropriate validation or training data being different from those of the client. This risk will be aggravated by the weaker quality control system and inability to validate independently for small firms. Since the size of the firm is traditionally correlated with audit quality [28], a lack of ability to govern AI will increase the gap, which is in line with proportionality principle of NFRA [15].

AI affects the composition of work more than it eliminates the requirement for experts. Research into job computerization indicates that routine and rule-based work is most likely to be automated [48]. This is exactly what trainee accountants learn how to do through tasks like data entry and reconciliation and preparing for compliance. If they were automated, organizations would have to find another way of teaching judgment to their trainees. The ICAI's focus on training its members in AI and creating new curricula recognizes this [12].

- **Confidentiality, Data Protection and Third-Party Risk**

Accountants handle sensitive client information, including financial results, tax positions and personal data of employees and customers. Using external AI tools raises the risk that this information is transmitted to or retained by providers, which may be located abroad. The Digital Personal Data Protection Act, 2023 imposes obligations on those who determine the purpose and means of processing personal data [31], and the 2025 rules provide for phased implementation [32,33]. The principles of NFRA apparently stress the importance of firms remaining liable even if there is use of third-party or cloud-based services [15]. Accordingly, it becomes imperative for firms to look at the nature of data being transferred to the tool, whether the data is used for training the models by the providers, the location where the data is stored, as well as the existence of any contractual safeguards, and should not be using identifiable client data in consumer tools.

Discussion

Propositions 1 to 5 are evaluated relative to the evidence in Fig. 7. The evidence supports the general theory of the two speed adoption process (P1, P2) and the role of regulation, skill and governance (P3 to P5). However, the quality of the evidence varies and some propositions require primary data for proper testing.

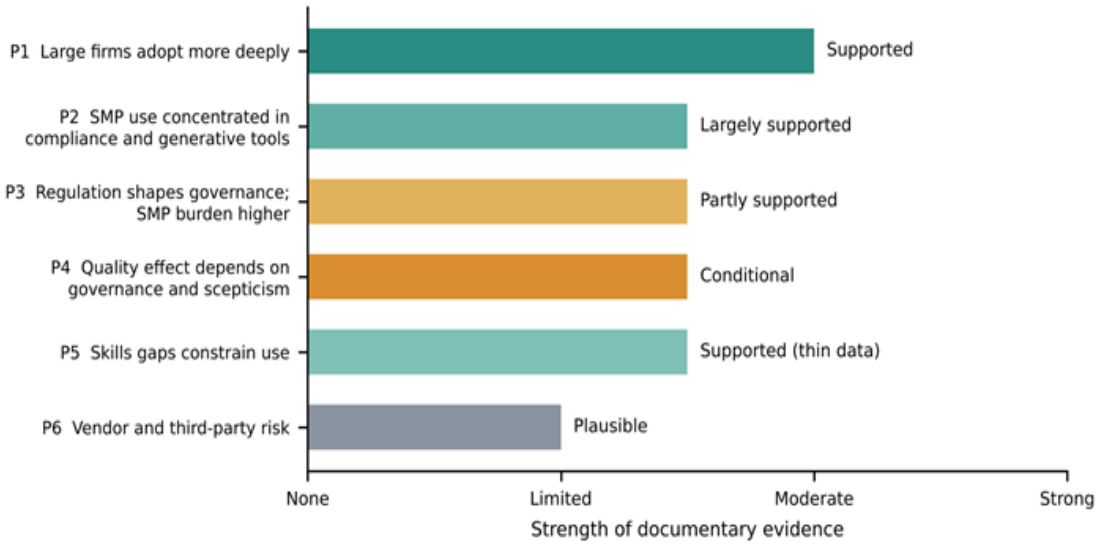


Figure 7: Strength of documentary evidence for each proposition, with the resulting assessment. Strength ratings are the author's qualitative grading of the sources reviewed and are not measured data.

Three important lessons are learned from this. First of all, this example clearly demonstrates that adoption is not purely technological in nature. Environment plays an active part in it; namely, the promotion of AI by the profession and regulatory principles make it different from the conception of adoption as a firm-level process. Second, there is a possibility of a certain governance vacuum in the middle and lower tiers of the audit firms because the availability and affordability of the tool does not match validation and monitoring capability. Finally, the most important point regarding the audit quality is not whether the AI tool is used, but how it is used: validation and sceptical usage of the tool by competent people will enhance audit quality, and the opposite will deteriorate it.

Implications

- **For Accounting and Audit Firms**
  - Keep track of the AI tools used and employ the governance cycle in Fig. 6 appropriately depending on the risks involved, and conduct independent validation along with periodical re-approval.
  - Avoid feeding identifiable information of the clients into consumer AI tools and use enterprise grade services protected through contracts whenever processing of data is required.
  - Provide the relevant knowledge about the abilities and limitations of AI tools, automation biases along with ensuring opportunities for juniors to gain experience.
  - Disclose how the results have been verified along with what the auditor has done to verify them and show that responsibility for forming opinions has been taken.
  - For SMPs, start with low-risk tools like reconciliation and documentation and make use of shared resources from the professional bodies.
- **For the Profession and Regulators**

Practical guidelines, templates and samples that can be used by SMPs, including AI policies, validation checklists and contractual clause examples, may be considered by ICAI and NFRA to make the implementation process less costly and to prevent disparities in audit quality from getting worse. Pooling of validation of commonly used tools may be considered by regulators. The regulators may consider encouraging large organizations to report about their use of AI in their audit activities [21,23].

- **For Educators and Clients**

The education programs at business schools and professional institutes need to include aspects such as data analytics and AI along with the concept of professional skepticism in accounting and audit courses, as entry-level job roles have started evolving. It is vital that clients and audit committees question their auditors about the role of AI in their operations and how their confidentiality has been maintained using AI.

Limitations and Future Research

There are various shortcomings in the current study. First of all, the information is obtained mostly from the secondary literature and other publicly available sources, and there are no primary sources from the firms. Survey evidence presented by the profession is voluntary and may not reflect the situation for all firms. Announcements by big firms reflect intended application, which may not necessarily correspond to actual use. The area is rapidly evolving, and some new developments, such as certain aspects of the regulatory framework and ICAI's survey, need to be verified with the recent official materials. The propositions have not been tested statistically.

For future research to be conducted, there is need for primary data to be collected. A nation-wide survey on the firms based on size can be used to identify the adoption, usage, governance issues and barriers involved by incorporating constructs from the TOE framework and unified theory of acceptance and use of technology. Interviewing of the partners, audit committees and regulators can reveal issues regarding the responsibilities. Experiments involving Indian auditors could also look at the automation bias and the reliance on output of AI, using existing literature internationally [18].

Conclusion

The adoption of AI technologies by Indian accounting and auditing firms is happening at various paces. Network firms with international presence are adopting AI into their global audit systems, whereas small and medium-sized audit practices adopt open-source tools mostly for regulatory compliance,

research and documentation with minimum adoption into audit process. Professional organizations are pushing hard towards the adoption of AI tools, while the audit regulator has explicitly mentioned that AI cannot replace auditor's judgement and that firms have to validate, monitor and govern the tools they adopt, safeguard clients' data and mitigate third party risks.

The above discussion indicates that the quality of governance rather than sophistication of technology will play a vital role in the impact of AI on audit quality in India. The key task is to expand the capacity for responsible use of AI technologies among the entire profession, especially among smaller firms, while maintaining professional scepticism and judgement, which are crucial for the reliability of auditing process. Primary empirical research is needed now to test the propositions made in the above paper.

References

1. EY Rolls Out Agentic AI in Assurance across Its Global Network of Accounting Firms. *CPA Practice Advisor*, April 7, 2026. https://www.cpapracticeadvisor.com/2026/04/07/ey-rolls-out-agentic-ai-in-assurance-across-its-global-network-of-accounting-firms/181097/ (accessed November 19, 2026).
2. Deloitte Adopts Advanced AI to Power Corporate Audits Globally. *Bloomberg Law*, June 29, 2026. https://news.bloomberglaw.com/financial-accounting/deloitte-adopts-advanced-ai-to-power-corporate-audits-globally (accessed November 19, 2026).
3. Issa, H.; Sun, T.; Vasarhelyi, M. A. Research Ideas for Artificial Intelligence in Auditing: The Formalization of Audit and Workforce Supplementation. *J. Emerg. Technol. Account.* **2016**, *13*, 1–20.
4. Kokina, J.; Davenport, T. H. The Emergence of Artificial Intelligence: How Automation Is Changing Auditing. *J. Emerg. Technol. Account.* **2017**, *14*, 115–122.
5. Appelbaum, D.; Kogan, A.; Vasarhelyi, M. A. Big Data and Analytics in the Modern Audit Engagement: Research Needs. *Auditing: J. Pract. Theory* **2017**, *36*, 1–27.
6. Alles, M. G. Drivers of the Use and Facilitators and Obstacles of the Evolution of Big Data by the Audit Profession. *Account. Horiz.* **2015**, *29*, 439–449.
7. Government of India. *The Chartered Accountants Act, 1949*; Act No. 38 of 1949; Gazette of India: New Delhi, 1949.
8. Government of India. *The Companies Act, 2013*; Act No. 18 of 2013; Gazette of India: New Delhi, 2013.
9. Ministry of Corporate Affairs. *Companies (Accounts) Rules, 2014*, Rule 3(1), as amended (audit trail requirement for accounting software effective April 1, 2023); Government of India: New Delhi.
10. Indian Govt's Big Four Roadmap to Be Finalised by End of FY26. *Outlook Business*, 2026. https://www.outlookbusiness.com/corporate/indian-govts-big-four-roadmap-to-be-finalised-by-end-of-fy26 (accessed November 19, 2026).
11. Chandrashekhar, R.; Tasmiya, S. A. AI and the Future of Accounting: A Comparative Study of Digital Adoption in Indian Accounting and Non-Accounting Firms. Atlantis Press, 2025. https://www.atlantis-press.com/article/126027237.pdf (accessed November 19, 2026).
12. Institute of Chartered Accountants of India. *ICAI Inaugurates AI Innovation Summit (AIS) 2026*; Press release; ICAI: New Delhi, June 26, 2026. https://icai.org/post/24205 (accessed November 19, 2026).
13. ICAI Launches AI Innovation Summit 2026, Signs MoU with Sarvam AI, Unveils Advanced AI Course. *The Tribune*, June 26, 2026. https://www.tribuneindia.com/news/delhi/icai-launches-ai-innovation-summit-2026-signs-mou-with-sarvam-ai-unveils-advanced-ai-course/ (accessed November 19, 2026).
14. National Financial Reporting Authority. *General Principles for Technology Adoption in Audit*; Staff Series on Technology in Audit; NFRA: New Delhi, July 2026.

15. AI Cannot Replace Auditor Judgement, Flags Automation Bias in Audits: NFRA. *Business Standard*, July 24, 2026. https://www.business-standard.com/finance/news/ai-cannot-replace-auditor-judgement-flags-automation-bias-in-audits-nfra-126072401053_1.html(accessed November 19, 2026).
16. NFRA Sets Up Advisory Panel on Audit Quality, AI and Technology Risks. *Business Standard*, September 4, 2026. https://www.business-standard.com/technology/artificial-intelligence/nfra-sets-up-advisory-panel-on-audit-quality-ai-and-technology-risks-126090401357_1.html (accessed November 19, 2026).
17. Munoko, I.; Brown-Liberty, H. L.; McCarthy, M. The Ethical Implications of Using Artificial Intelligence in Auditing. *J. Bus. Ethics* 2020, *167*, 209–234.
18. Commerford, B. P.; Dennis, S. A.; Joe, J. R.; Ulla, J. W. Man versus Machine: Complex Estimates and Auditor Reliance on Artificial Intelligence. *J. Account. Res.* 2022, *60*, 171–201.
19. Parasuraman, R.; Manzey, D. H. Complacency and Bias in Human Use of Automation: An Attentional Integration. *Hum. Factors* 2010, *52*, 381–410.
20. Goddard, K.; Roudsari, A.; Wyatt, J. C. Automation Bias: A Systematic Review of Frequency, Effect Mediators, and Mitigators. *J. Am. Med. Inform. Assoc.* 2012, *19*, 121–127.
21. International Ethics Standards Board for Accountants. *Technology-Related Revisions to the Code*; IESBA: New York, 2024.
22. Public Company Accounting Oversight Board. *Spotlight: Staff Update on Outreach Activities Related to Artificial Intelligence*; PCAOB: Washington, DC, 2024.
23. Financial Reporting Council. *Guidance on the Use of AI in Audit*; FRC: London, 2025.
24. Tornatzky, L. G.; Fleischer, M. *The Processes of Technological Innovation*; Lexington Books: Lexington, MA, 1990.
25. Davis, F. D. Perceived Usefulness, Perceived Ease of Use, and User Acceptance of Information Technology. *MIS Q.* 1989, *13*, 319–340.
26. Venkatesh, V.; Morris, M. G.; Davis, G. B.; Davis, F. D. User Acceptance of Information Technology: Toward a Unified View. *MIS Q.* 2003, *27*, 425–478.
27. Rogers, E. M. *Diffusion of Innovations*, 5th ed.; Free Press: New York, 2003.
28. DeAngelo, L. E. Auditor Size and Audit Quality. *J. Account. Econ.* 1981, *3*, 183–199.
29. Bowen, G. A. Document Analysis as a Qualitative Research Method. *Qual. Res. J.* 2009, *9*, 27–40.
30. Braun, V.; Clarke, V. Using Thematic Analysis in Psychology. *Qual. Res. Psychol.* 2006, *3*, 77–101.
31. Government of India. *The Digital Personal Data Protection Act, 2023*; Act No. 22 of 2023; Gazette of India: New Delhi, 2023.
32. Ministry of Electronics and Information Technology. *Digital Personal Data Protection Rules, 2025*; Government of India: New Delhi, notified November 13, 2025.
33. Update – India's Digital Personal Data Protection Framework Comes into Effect. *AZB & Partners*, November 19, 2025. https://www.azbpartners.com/bank/update-indias-digital-personal-data-protection-framework-comes-into-effect/ (accessed November 19, 2026).
34. Institute of Chartered Accountants of India. *Standard on Quality Management (SQM) 1: Quality Management for Firms That Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*; ICAI: New Delhi.
35. Big Four's Offshore Audit Model Draws Scrutiny from UK Regulator. *The Accountant*, July 23, 2026. https://www.theaccountant-online.com/news/big-fours-offshore-audit-model-draws-scrutiny-from-uk-regulator/ (accessed November 19, 2026).
36. With Eye on Transformation, Industry Bets on 10–30% Higher AI Budget. *Business Standard*, March 31, 2025. https://business-standard.com/industry/news/with-eye-on-transformation-industry-bets-on-10-30-higher-ai-budget-125033100673_1.html (accessed November 19, 2026).

37. ICAI AI Committee. *Exploring AI Integration in Chartered Accountant Firms: Insights from the ICAI Survey*; Institute of Chartered Accountants of India: New Delhi.
https://ai.icai.org/articles_details.php?id=20 (accessed November 19, 2026).
38. ICAI Survey Analysis on AI Integration in CA Firms. *Taxscan*. https://www.taxscan.in/ai-integration-in-ca-firms-icai-survey-analysis/412529 (accessed November 19, 2026).
39. ICAI AI Use Cases. *AI-Powered GST Invoice Processing and Reconciliation Agent*; Institute of Chartered Accountants of India: New Delhi. https://ai.icai.org/usecases_details.php?id=250 (accessed November 19, 2026).
40. From Ind AS to AI: How 2025 Transformed Accounting and Auditing in India. *ICAI AI Articles*, 2025. https://ai.icai.org/articles_details.php?id=306 (accessed November 19, 2026).
41. The AI Revolution in Indian Accounting: A Landscape Analysis and Future Trends. *Bombay Chartered Accountant Journal*. https://bcajonline.org/mail_category/article-artificial-intelligence-its-impact-on-ca-profession/ (accessed November 19, 2026).
42. An Account of AI Disruption in Finance as Technology Reshapes Work. *Business Standard*, June 8, 2025. https://www.business-standard.com/amp/technology/tech-news/an-account-of-ai-disruption-in-finance-as-technology-reshapes-work-125060800630_1.html (accessed November 19, 2026).
43. NFRA Sets 10 Principles for Technology Use in Audits, Says AI Cannot Replace Auditor Judgement. *CAalley*, 2026.https://caalley.com/news-updates/indian-news/nfra-sets-10-principles-for-technology-use-in-audits-says-ai-cannot-replace-auditor-judgement (accessed November 19, 2026).
44. Reserve Bank of India. *Framework for Responsible and Ethical Enablement of Artificial Intelligence (FREE-AI): Report of the Committee*; RBI: Mumbai, August 2025.
45. Securities and Exchange Board of India. *Consultation Paper on Guidelines for Responsible Usage of AI/ML in Indian Securities Markets*; SEBI: Mumbai, June 2025.
46. Audit Can't Replace a Lender's Due Diligence: NFRA Chairperson Nitin Gupta. *Business Standard*, October 27, 2026. https://www.business-standard.com/specials/bs-events/nfra-chairperson-nitin-gupta-auditor-lenders-bs-bfsi-summit-2026-126102701165_1.html (accessed November 19, 2026).
47. AI in Audit Oversight: Advancing in Detection, Lagging in Governance. *Daksh India*, 2026. https://www.dakshindia.org/ai-in-audit-oversight-advancing-in-detection-lagging-in-governance/ (accessed November 19, 2026).
48. Frey, C. B.; Osborne, M. A. The Future of Employment: How Susceptible Are Jobs to Computerisation? *Technol. Forecast. Soc. Change* **2017**, *114*, 254–280.

❑❑❑