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ADVANCING INTERNAL AUDITING IN NIGERIA THROUGH ARTIFICIAL INTELLIGENCE: CHALLENGES AND FRAMEWORK FOR ADOPTION

Edward, Opuirobo Faith
edwardof@fuotuoke.edu.ng,
Department of Accounting, Federal University Otuoke P.M.B 126, Yenagoa, Bayelsa State, Nigeria.

Onowu, Joseph Uche (Ph.D, CNA)
onowuju@fuotuoke.edu.ng,
Department of Accounting, Federal University Otuoke P.M.B 126, Yenagoa, Bayelsa State, Nigeria.

ABSTRACT
Integration of Artificial Intelligence (AI) into internal auditing presents significant opportunities to improve efficiency, enhance accuracy, and strengthen risk management, particularly in tasks involving large volumes of data. Despite its potential, the implementation of AI within internal audit functions remains complex, especially in developing economies. This article explores the specific barriers to AI adoption in internal auditing practices in Nigeria, highlighting challenges such as technical limitations, infrastructural deficits, organizational resistance, limited human resource capacity, and regulatory constraints. By analyzing relevant theoretical frameworks, including the Technology Acceptance Model (TAM) and the Theory of Technology Dominance (TTD), the study identified core factors that influence the successful implementation of AI in internal audits. Further, the article proposed a framework for adopting AI in auditing to support decision-making processes, improve data management, and uphold ethical standards. Findings suggest that while AI can transform audit processes, effective adoption requires addressing infrastructure, skill development, and regulatory compliance. This article contributes to the field by offering a structured approach to AI adoption in auditing, considering the unique socio-economic context of Nigeria.

Introduction
Artificial intelligence (AI) is rapidly reshaping numerous industries by automating routine tasks, enhancing decision-making capabilities, and enabling real-time data analysis (Frey & Osborne, 2017). Within the field of internal auditing, AI presents promising opportunities to increase the accuracy, efficiency, and timeliness of audit processes, particularly in detecting fraud, evaluating risk, and processing large datasets. AI techniques, including machine learning (ML), natural language processing (NLP), and robotic process automation (RPA), have shown potential to automate routine audit tasks, enabling auditors to allocate more time to complex, judgment-based activities that require human intuition and expertise (Yao et al., 2024; Kokina & Davenport, 2017).

However, integrating AI into internal audit functions presents notable challenges, especially within the Nigerian context. Nigeria, like many developing nations, faces infrastructural limitations, including inconsistent access to technology, inadequate digital skills among professionals, and a regulatory environment that lacks comprehensive guidelines for AI applications in auditing (Akanbi & Kolawole, 2023). These limitations impact both the feasibility and the efficacy of AI adoption in auditing, necessitating a closer examination of the factors that influence AI integration. Moreover, while AI can perform data-heavy tasks with greater speed and accuracy, auditors remain responsible for maintaining professional skepticism and judgment which are qualities that cannot be entirely delegated to algorithms (Jarrahi, 2018).

The application of AI in auditing has been widely discussed in literature, with many scholars emphasizing the role of AI in reducing human error, enhancing decision support, and providing real-time insights (Lehner et al., 2022; Dagilliene & Kloviene, 2019). However, as AI technologies become more prevalent, questions arise concerning their ethical implications, such as data privacy, transparency, and accountability. Theories such as the Technology Acceptance Model (TAM) and the Theory of Technology Dominance (TTD) provide a conceptual foundation for understanding the factors that influence AI adoption decisions. TAM posits that users' acceptance of technology depends on perceived ease of use and usefulness, which can be particularly relevant in the adoption of AI in auditing (Rikhardsson & Yigitbasioglu, 2018). Similarly, TTD suggests that reliance on AI increases when the complexity of tasks surpasses human cognitive limits and decision-makers lack experience in such tasks (Arnold et al., 2004).

Artificial Intelligence has emerged as a transformative tool across various industries, including auditing. In internal auditing, AI can automate routine tasks, detect anomalies, and facilitate better data-driven decision-making. However, the journey toward AI adoption is fraught with challenges, particularly in developing countries like Nigeria, where infrastructural inadequacies and high implementation costs pose significant obstacles. This article critically addressed these barriers and identify key enablers of successful AI integration in the Nigerian auditing sector.

Review of Related Literature

The growing use of artificial intelligence (AI) in accounting and auditing has attracted significant academic attention, with various studies highlighting AI's potential to improve audit quality, efficiency, and effectiveness. AI applications in auditing, particularly through machine learning (ML), natural language processing (NLP), and robotic process automation (RPA), are increasingly recognized for their capacity to automate routine audit tasks, allowing auditors to focus on complex judgment-based activities (Frey & Osborne, 2017; Kokina & Davenport, 2017). Notably, Dagilliene and Kloviene (2019) emphasize AI's ability to detect patterns and anomalies within large datasets, thereby aiding in fraud detection and risk assessment. In addition, researchers have noted AI's impact on decision-making by providing auditors with real-time data analytics, which can improve the accuracy and timeliness of audit judgments (Yao et al., 2024; Lombardi et al., 2023).

Theoretical Perspectives on Technology Adoption in Auditing

Two theoretical frameworks commonly applied in studies of AI adoption in auditing are the Technology Acceptance Model (TAM) and the Theory of Technology Dominance (TTD). The TAM, introduced by Davis (1989), posits that an individual's acceptance of new technology depends primarily on perceived ease of use and perceived usefulness. This model has been used to study the adoption of AI in accounting, with findings suggesting that auditors are more likely to adopt AI tools when they perceive them as user-friendly and valuable for their work (Rikhardsson & Yigitbasioglu, 2018). The TAM is particularly relevant in contexts where resistance to technological change exists, as is often the case in auditing, where traditional methods are deeply ingrained (Murikah et al, 2024; Kokina & Blanchette, 2019).

The Theory of Technology Dominance (TTD) offers additional insight by suggesting that AI adoption is influenced by task complexity and the decision-makers' experience. TTD, proposed by Arnold and Sutton (1998), asserts that reliance on intelligent technology increases when the task complexity exceeds human cognitive limits, especially when auditors have limited experience with AI (Arnold et al., 2004). This theory is highly applicable to the field of internal auditing, where tasks often involve complex data analysis that can be augmented by AI. Sutton et al. (2018) supports TTD’s applicability in auditing, noting that AI aids auditors by providing decision-making support in high-complexity tasks, such as fraud detection, which otherwise require extensive manual review.

Key Challenges in Adoption of AI in Auditing

The academic discourse also sheds light on the challenges associated with integrating AI into auditing, particularly in the context of internal audits. Technical challenges, such as data requirements and algorithmic transparency, present significant barriers. Studies by Dagilliene and Kloviene (2019) and Casper et al. (2024) focus on the difficulty of obtaining clean, structured data needed to train AI systems effectively, as unstructured or incomplete datasets can result in unreliable AI outputs. Moreover, algorithmic transparency remains a major concern; Kokina and Blanchette (2019) argue that “black box” models in AI where the decision-making process of the algorithm is not easily interpretable can reduce trust in AI recommendations, especially in high-stakes auditing tasks.

Organizational challenges also play a role. Implementing AI in auditing requires considerable investment in technology infrastructure and auditor training, which can strain resources, particularly in developing regions like Nigeria (Akanbi & Kolawole, 2023). Additionally, studies show that resistance to change, often due to concerns about job displacement and loss of control over decision-making processes, can hinder AI adoption (Andreassen, 2020). As noted by Tiron-Tudor et al., (2024), auditors may be reluctant to embrace AI due to fears that automation could diminish the value of human expertise in judgment-based tasks, such as interpreting complex financial transactions.

Human resource challenges further complicate AI adoption, with numerous studies highlighting the skill gaps among auditors required for effective AI implementation. Lehner et al. (2022) emphasize the need for training auditors in data analytics, programming, and AI, areas traditionally outside the core competencies of accounting professionals. Research by Alsaif (2023) suggests that bridging this skill gap is essential, as auditors who lack technical skills are less likely to effectively leverage AI in their work.

Ethical and regulatory concerns add another layer of complexity to AI adoption in auditing. Privacy and data security are paramount, particularly given that auditors handle sensitive financial data. Regulations governing data use, such as the General Data Protection Regulation (GDPR) in Europe, impose strict guidelines on AI systems, complicating their use in auditing (Floridi, 2018). Furthermore, the risk of biased decision-making in AI algorithms presents ethical challenges. Murikah et al. (2024) warns that biased AI models could lead to unfair outcomes in audit judgments, especially if they are not regularly audited and updated to reflect unbiased practices.

Gaps in Existing Research

Despite the extensive discourse on AI in auditing, gaps remain, especially regarding AI's application in internal audits within developing countries like Nigeria. Much of the literature focuses on external audits in developed economies, where infrastructure, resources, and regulatory frameworks are more conducive to AI implementation (Kend & Nguyen, 2020; Jarrahi, 2018). Limited empirical research examines the specific challenges faced by internal auditors in regions with infrastructural constraints, limited access to technology, and regulatory ambiguity around AI. As Akanbi and Kolawole (2023) highlight, AI adoption in Nigerian audits must consider these unique socioeconomic factors, which require tailored strategies for successful integration. While AI has the potential to transform internal auditing, several technical, organizational, human, and ethical challenges must be addressed.

Challenges in Adopting AI for Auditing

The adoption of AI in internal auditing is met with various challenges that can be broadly categorized into technical, organizational, human, and regulatory challenges. This section examines these obstacles in the context of Nigerian internal auditing; stressing how each factor impacts the potential for successful AI integration.

Technical Challenges

One of the most significant technical challenges in adopting AI in auditing is data quality and availability. Effective AI models require large datasets that are clean, consistent, and representative to generate reliable results. However, as noted by Fisher et al. (2016), data within auditing environments are often unstructured or incomplete, making it difficult to train AI systems effectively. This issue is compounded in Nigeria, where digital record-keeping is not uniformly adopted across organizations, resulting in data gaps that hinder AI's accuracy (Akanbi & Kolawole, 2023).

Another technical barrier is algorithmic transparency. Many AI systems, particularly those based on deep learning; operate as "black boxes," where the decision-making process is not easily interpretable by auditors or stakeholders (Kokina & Blanchette, 2019). In auditing, where transparency and accountability are crucial, reliance on opaque AI models can undermine the credibility of audit findings. Dagilliene and Kloviene (2019) argue that without explainability, auditors may find it challenging to trust AI-generated insights, particularly in high-stakes tasks such as fraud detection, where understanding the reasoning behind decisions is essential.

System integration is another technical consideration, as AI tools must be compatible with existing accounting information systems (AIS). Studies show that many organizations, especially in developing economies, struggle with outdated or incompatible infrastructure that limits their ability to adopt modern AI systems Murikah et al. (2024). Integrating AI into existing AIS is not only costly but may also require substantial changes to existing workflows, further complicating AI adoption.

Organizational Challenges

Organizational resistance to AI adoption is common in auditing due to concerns about job displacement, control over decision-making, and the high costs associated with implementing AI technology. Andreassen (2020) notes that the prospect of job automation can create resistance among auditors who fear that AI could render traditional auditing skills obsolete. Moreover, the integration of AI often requires a shift in control, as some decision-making is transferred from human auditors to algorithms, creating discomfort among professionals accustomed to traditional methods (Tiron-tudor et al, 2024).

Financial constraints further complicate AI adoption in Nigerian audits, where limited budgets often restrict investments in advanced technology and training (Akanbi & Kolawole, 2023). Implementing AI systems involves high initial costs for hardware, software, and infrastructure, as well as ongoing expenses for maintenance and updates. In regions with scarce resources, organizations may prioritize other investments, viewing AI as a luxury rather than a necessity for internal auditing (Kumari, 2024).

Lastly, a lack of organizational preparedness poses an obstacle. Effective AI adoption requires a supportive infrastructure that includes skilled personnel, clear policies, and adaptable workflows. Without these elements, organizations may struggle to implement AI effectively, as highlighted by Sutton et al. (2016). Therefore, organizational readiness, particularly in terms of digital literacy and openness to innovation, is crucial for successful AI integration.

Human Resource and Skills Challenges

The adoption of artificial intelligence (AI) in internal auditing requires auditors to acquire a new set of skills that are traditionally outside the accounting domain. Effective use of AI tools demands knowledge in data analytics, programming, and machine learning, which are necessary for understanding, implementing, and troubleshooting AI applications in audit processes (Lehner et al., 2022; Alsaif, 2023). As Frey and Osborne (2017) indicate, auditors must shift from purely financial expertise to a more data-centric skillset to leverage AI effectively in auditing. This skill gap presents a significant challenge, particularly in Nigeria, where access to specialized AI training may be limited.

Moreover, training auditors to use AI tools is not a straightforward process. Yao et al. (2024) emphasize that understanding AI's decision-making processes requires both technical and interpretive skills, especially in complex applications like fraud detection, where algorithmic outputs must be critically evaluated by the auditor. This evaluative capability is crucial, as auditors must discern between genuine anomalies and errors flagged by the AI, which may not always be accurate. Thus, training auditors in AI goes beyond operational knowledge; it involves instilling critical thinking skills to question and interpret AI-generated insights within the context of each audit.

Professional judgment remains indispensable in audit tasks, particularly those involving risk assessment and fraud detection, where human intuition and experience play key roles (Murikah et al, 2024; Tiron-tudor et al, 2024). AI may assist in processing data or detecting patterns, but auditors still need to apply their judgment to interpret results and make final decisions. This aspect underscores the need for a balanced approach to AI adoption, where AI serves as an aid rather than a replacement. Research by Sutton et al. (2018) highlights that while AI can reduce the cognitive load of auditors, it cannot fully substitute the nuanced judgment required in areas where professional skepticism is essential.

In the Nigerian context, access to continuous learning resources is also a challenge. Akanbi and Kolawole (2023) suggest that training programs tailored to local constraints, such as limited digital infrastructure, may help bridge the skills gap. However, developing such programs requires organizational investment, which may not be feasible for all institutions. Consequently, resource limitations in skills development can delay or even prevent the successful integration of AI in internal audits, particularly in regions with fewer educational resources and access to AI training.

Ethical and Regulatory Concerns

As AI technology becomes more integrated into auditing, ethical and regulatory considerations grow increasingly significant. One of the most pressing concerns is data privacy, as AI systems rely on large datasets that often include sensitive financial information. In an audit context, ensuring data privacy is crucial, especially given the legal implications associated with mishandling client information (Floridi, 2018). AI systems that process and store sensitive data are subject to stringent data protection laws, such as the General Data Protection Regulation (GDPR) in Europe, which sets high standards for data privacy and security (Bennett et al., 2020). Although Nigeria does not have an equivalent regulatory framework, similar ethical considerations are applicable, as organizations must take precautions to protect client data.

Algorithmic transparency and accountability represent additional ethical challenges. Many AI systems operate as "black boxes," making it difficult for auditors to understand or explain how certain decisions are made (Kokina & Blanchette, 2019). In the context of auditing, where transparency and accountability are foundational principles, the use of opaque AI models could undermine the integrity of the audit process. Casper et al. (2024) warn that lack of algorithmic transparency can erode trust in AI-generated audit findings, as stakeholders may question the validity of results produced by an algorithm they cannot fully interpret. Therefore, there is a need for AI models that offer a degree of interpretability, allowing auditors to understand the rationale behind the system’s recommendations.

Moreover, the risk of bias in AI algorithms poses ethical concerns. AI systems are trained on historical data, which may contain inherent biases that can influence audit outcomes Murikah et al. (2024). For instance, if the training data includes biased financial judgments, the AI model may inadvertently perpetuate these biases in its predictions. This issue is especially relevant in fraud detection, where biases could lead to unfair audit judgments. Research by Murikah et al. (2024) emphasizes the importance of regular model auditing to identify and mitigate biases, ensuring that AI tools adhere to fair and impartial standards in auditing.

The regulatory setting in Nigeria currently lacks comprehensive guidelines governing the use of AI in auditing, creating uncertainty for organizations considering AI adoption. As Akanbi and Kolawole (2023) note, the absence of clear regulatory frameworks can discourage AI implementation, as firms may fear potential legal repercussions for inadvertently violating privacy or data protection norms. Additionally, the lack of standardized regulations for AI in auditing limits auditors' ability to benchmark ethical practices against established standards. To mitigate these risks, organizations may benefit from adopting self-regulatory measures, such as conducting regular audits of AI systems to ensure compliance with ethical guidelines and mitigate bias.

While AI has the potential to significantly enhance auditing processes, its adoption is accompanied by ethical and regulatory challenges that require careful management. Organizations must prioritize data privacy, transparency, and bias mitigation to align AI use with the ethical standards of auditing.

Factors Influencing AI Adoption Decisions

The decision to adopt AI in internal auditing is influenced by several factors, including the nature of tasks to be delegated, risk management considerations, and the cost-benefit analysis of implementing AI. This section explores these factors and discusses how they impact AI adoption decisions in auditing.

Task Delegation: Criteria for Automation

In determining which audit tasks can be automated, organizations must evaluate the nature of each task, as AI is best suited to routine, data-intensive tasks that do not require significant professional judgment. Research by Tiron-Tudor et al., (2024) categorizes audit tasks based on their complexity, suggesting that routine tasks such as data reconciliation, transaction matching, and variance analysis are ideal candidates for automation. In contrast, tasks that require distinct judgment, such as risk assessment and fraud detection, are less amenable to automation due to the need for human intuition and expertise (Jarrahi, 2018). Thus, organizations considering AI adoption should conduct a thorough assessment to identify tasks that can be safely delegated to AI without compromising audit quality.

The nature of task delegation also requires organizations to consider how AI can complement, rather than replace, human auditors. Lombardi et al. (2023) argue that AI can enhance auditors' capabilities by performing data-heavy tasks, freeing auditors to focus on complex decision-making processes. This complementary role allows AI to support auditors by providing preliminary analyses and insights, while auditors retain control over final decisions. By carefully selecting tasks that balance automation with human oversight, organizations can optimize audit processes without diminishing the role of professional judgment.

Risk Management

The integration of AI into audit processes necessitates a careful balance between improving efficiency and maintaining adequate oversight. While AI can streamline audit workflows and increase productivity, organizations must remain vigilant about the risks associated with algorithmic errors, bias, and system vulnerabilities (Rikhardsson & Yigitbasioglu, 2018). Effective risk management strategies should include regular system audits to evaluate AI performance, ensure compliance with audit standards, and identify potential biases. Sutton et al. (2018) emphasize the importance of implementing controls that allow auditors to validate AI outputs, especially in critical areas such as fraud detection, where false positives or negatives could have significant repercussions.

Moreover, internal audit functions in Nigeria must contend with infrastructural and regulatory limitations that may impact the reliability of AI systems. As Akanbi and Kolawole (2023) highlighted, limited access to high-quality data and advanced technology can hinder AI's accuracy, increasing the risk of erroneous audit conclusions. In this context, auditors should adopt a risk-averse approach, using AI selectively in areas where its accuracy and reliability can be closely monitored.

Cost-Benefit Analysis for AI in Auditing

A key consideration in AI adoption is the cost-benefit analysis, as the financial investment required for AI implementation is substantial. Initial costs include purchasing or developing AI software, integrating it into existing systems, and training personnel to operate and interpret AI outputs Murikah et al. (2024). Additionally, ongoing maintenance and system updates require continued investment, which can strain organizational budgets, particularly in developing regions with limited resources.

Despite these costs, the benefits of AI such as improved efficiency, enhanced data accuracy and potential cost savings in labor make it an attractive option for organizations willing to invest in long-term gains. Research by Kumari (2024) indicates that AI-driven audit processes can reduce labor costs associated with manual data processing, freeing resources for other audit functions. However, organizations in Nigeria may face additional financial constraints, requiring a tailored approach to AI adoption that aligns with local resource availability. For instance, gradual AI implementation, starting with low-cost, high-impact applications, may offer a viable strategy for resource-constrained organizations seeking to leverage AI benefits without incurring prohibitive costs.

Framework for Effective AI Integration in Audits

The successful integration of artificial intelligence (AI) into internal auditing requires a structured approach that addresses technical, organizational, and ethical challenges while ensuring alignment with audit principles. This section proposes a framework for the effective adoption of AI in audits, focusing on stages of implementation, stakeholder engagement, and compliance with regulatory standards. This framework is designed to guide organizations, particularly in resource-constrained environments like Nigeria, through the steps necessary to leverage AI while maintaining audit quality and professional integrity.

Stage 1: Needs Assessment and Feasibility Analysis

The first stage of AI integration involves a thorough assessment of organizational needs and an analysis of AI feasibility within the specific audit environment. This includes identifying audit functions that would benefit most from automation, such as data entry, pattern recognition, and preliminary risk assessments, which can reduce the cognitive load on auditors while enhancing process efficiency (Tiron-tudor et al., 2024). During this stage, organizations should conduct a feasibility analysis, evaluating whether existing infrastructure can support AI technologies and whether budgetary resources are available to sustain AI implementation in the long term Murikah et al. (2024). For Nigerian firms, this stage is especially important as it helps mitigate risks associated with financial constraints and infrastructural limitations by ensuring AI investments are targeted toward high-impact areas.

A critical component of this stage is performing a cost-benefit analysis to determine the financial viability of AI adoption (Kumari, 2024). For organizations with limited budgets, the analysis should focus on calculating expected returns on investment (ROI) and considering alternative, cost-effective AI solutions, such as software-as-a-service (SaaS) platforms that offer scalable, subscription-based access to AI tools. This approach allows organizations to begin with a modest investment, scaling up AI use as resources become available and benefits are demonstrated.

Stage 2: Pilot Testing and Customization

Once organizational needs are identified, pilot testing should be conducted to validate AI's effectiveness in specific audit tasks and to identify potential customization requirements. This involves deploying AI on a small scale, typically within a single audit function, to assess its performance, accuracy, and compatibility with existing workflows (Sutton et al., 2018). Pilot testing provides an opportunity to evaluate AI tools under actual audit conditions, allowing auditors to identify potential limitations and customization needs. For example, if an AI tool struggles with local accounting standards or unique data formats common in Nigeria, developers can make adjustments to improve the tool's relevance and reliability.

Customization during this phase is crucial, as many AI tools are designed with general business applications in mind and may not fully address the nuances of auditing tasks. Tailoring AI models to accommodate specific audit functions, data types, and regulatory requirements enhances their effectiveness and ensures they meet audit standards (Kokina & Blanchette, 2019). Additionally, this stage allows auditors to establish a feedback loop, where initial user experiences inform ongoing adjustments, creating a system that evolves in response to organizational needs and audit-specific challenges.

Stage 3: Training and Skill Development

The success of AI in auditing depends heavily on the knowledge and skills of the auditors who operate and interpret AI tools. Effective integration requires a targeted training program designed to equip auditors with the technical and analytical skills necessary to work with AI systems. Training should cover foundational topics, such as data analytics, programming basics, and machine learning concepts, as well as audit-specific applications like fraud detection algorithms and predictive analytics (Lehner et al., 2022). Given the significant skill gap in AI proficiency among auditors, particularly in Nigeria, training programs must be comprehensive and accessible, potentially incorporating partnerships with educational institutions or online training platforms to bridge knowledge gaps.

The training phase should also emphasize the role of auditors in maintaining oversight and exercising professional judgment when interpreting AI outputs. While AI can enhance audit capabilities, human judgment remains critical, particularly in areas where AI outputs may lack transparency or provide inconclusive insights (Jarrahi, 2018). By training auditors to critically evaluate AI results, organizations can ensure that AI serves as a decision support tool rather than a decision maker, preserving the integrity of the audit process and reducing the risk of over-reliance on algorithms.

Stage 4: Implementation of Ethical and Regulatory Safeguards

Integrating AI into auditing introduces ethical and regulatory considerations that organizations must address to ensure responsible use. Ethical safeguards, such as ensuring data privacy, algorithmic transparency, and bias mitigation, are essential to maintain trust in AI systems and prevent unintended negative consequences (Floridi, 2018). Given that AI tools handle sensitive financial data, organizations must establish strict data privacy protocols, including secure data storage, restricted access, and compliance with relevant data protection laws. In Nigeria, where data protection regulations may be less comprehensive, self-regulation can play a key role in establishing data privacy standards that align with global best practices (Akanbi & Kolawole, 2023).

Algorithmic transparency is another crucial factor in fostering trust and accountability. Auditors must understand how AI models generate their outputs, particularly when these outputs influence critical audit decisions (Casper et al. (2024)). To address this need, organizations should opt for AI models that provide interpretability features, allowing auditors to track the rationale behind algorithmic recommendations. Implementing these transparency features not only enhances accountability but also supports auditors in validating AI results and addressing potential biases that may affect audit outcomes Murikah et al. (2024) .

Bias mitigation efforts are equally important, as biased AI models can lead to skewed audit results that compromise fairness. Organizations should conduct regular audits of AI models to identify and correct any biases that may arise from historical data patterns, ensuring that AI outputs are fair and objective (Murikah et al., 2024). This proactive approach to bias mitigation reflects ethical standards in auditing and aligns with the principles of fairness and impartiality that underpin the profession.

Stage 5: Continuous Monitoring and Evaluation

Once AI systems are fully deployed, continuous monitoring and evaluation are essential to maintain system effectiveness, reliability, and alignment with audit goals. Regular evaluations allow auditors to assess AI performance metrics, such as accuracy, error rates, and compliance with regulatory standards, ensuring that AI systems meet the evolving needs of the organization (Sutton et al., 2018). Continuous monitoring also enables organizations to detect any emerging issues, such as algorithmic drift where model performance deteriorates over time due to changes in data patterns and address these problems proactively.

Additionally, ongoing evaluation provides a feedback mechanism for identifying opportunities for further improvements and expansions in AI use. For example, if AI demonstrates high accuracy in transaction matching, an organization may consider extending its use to other audit functions, such as contract analysis or risk assessment (Rikhardsson & Yigitbasioglu, 2018). Continuous monitoring thus supports a gradual, adaptive approach to AI adoption, allowing organizations to scale AI use based on demonstrated effectiveness and organizational capacity.

Furthermore, involving auditors in the monitoring process encourages a collaborative approach to AI integration, fostering a sense of ownership and engagement. Regular feedback sessions with auditors can provide insights into AI's practical impact on audit workflows, helping to refine the system and enhance user satisfaction. This collaborative model ensures that AI remains an adaptable, user-friendly tool that enhances, rather than disrupts, audit processes.

Case Studies and Practical Implications

To illustrate the practical applications and implications of AI in internal auditing, this section examines case studies of organizations that have successfully integrated AI into their audit functions. These case studies highlight best practices, challenges encountered, and the impact of AI on audit efficiency, accuracy, and decision-making.

Case Study 1: AI-Driven Fraud Detection in Banking

One example of successful AI integration in auditing is the use of machine learning algorithms for fraud detection in a major Nigerian bank. The bank implemented an AI-driven system capable of analyzing vast amounts of transaction data to identify patterns indicative of fraudulent activity. By leveraging anomaly detection algorithms, the AI system flags suspicious transactions in real time, allowing auditors to investigate potential fraud cases promptly (Yao et al., 2024). Since implementation, the bank has reported a significant reduction in undetected fraud, with AI enhancing the auditors' ability to respond to high-risk transactions more effectively.

This case study demonstrates the impact of AI on fraud detection, one of the highest-priority areas in auditing. However, it also emphasizes the importance of human oversight, as auditors remain responsible for validating AI results and ensuring that flagged transactions receive appropriate follow-up. The bank's success reflects a balanced approach, where AI complements auditors rather than replacing them, maximizing the system's effectiveness while maintaining control over critical decisions.

Case Study 2: Cost Reduction and Efficiency Gains in Financial Audits

Another example comes from a multinational corporation operating in Nigeria that introduced robotic process automation (RPA) to streamline repetitive audit tasks, such as data reconciliation and document review. The RPA system enabled the company to reduce manual labor costs and accelerate the auditing process by automatically processing and reconciling large datasets (Lehner et al., 2022). The automation allowed auditors to redirect their focus toward higher-level audit tasks, improving overall efficiency without compromising audit quality. The organization's approach highlights the cost-benefit aspect of AI adoption, as RPA provided immediate efficiency gains while reducing the financial burden associated with labor-intensive tasks. However, the organization also encountered initial resistance from auditors concerned about job security, underscoring the need for effective change management and communication strategies when implementing AI.

Conclusion and Future Research Directions

The integration of Artificial Intelligence (AI) into internal auditing offers transformative potential for improving audit accuracy, operational efficiency, and risk management. However, this study has demonstrated that the adoption of AI in internal auditing is far from straightforward particularly in developing economies such as Nigeria. Here, a range of interrelated challenges, including infrastructural deficits, organizational resistance, regulatory uncertainties, ethical concerns, and limited human resource capacity, continue to hinder progress. Addressing these issues requires a systematic and context-sensitive approach to implementation.

This article has proposed a structured framework to guide AI adoption in internal audits, emphasizing key phases such as needs assessment, pilot testing, targeted auditor training, ethical safeguards, and ongoing performance evaluation. Such a phased approach ensures that AI integration is both effective and sustainable, aligning with professional auditing standards while enhancing value creation. Case evidence within the study illustrates AI's potential to support high-impact tasks such as fraud detection and data reconciliation allowing auditors to concentrate on strategic decision-making and complex analyses that require human judgment .Nevertheless, important knowledge gaps remain, particularly regarding the broader implications of AI integration in environments with limited technological infrastructure. Future research should investigate the socio-economic and regulatory variables that shape AI's effectiveness across different settings, including its influence on audit quality, ethical conduct, and the evolving role of the auditor. As AI systems become more prevalent, understanding how to balance automation with professional integrity will be essential. Ultimately, this study contributes to the growing discourse on AI in auditing by offering a context-specific roadmap for implementation, one that is grounded in ethical responsibility, aligned with global best practices, and adaptable to local realities.

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