

Review Article

TECHNOLOGY'S ROLE IN IFRS COMPLIANCE

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ABSTRACT

This research review looks at how technology has been utilized in the achievement of compliance to International Financial Reporting Standards (IFRS). Previous research asserted that information systems helped in the initial stage of its implementation, while value has to be created from prior IS capabilities. New findings suggest that developed technologies such as cloud computing, analytics as well as artificial intelligence improve the characteristics and consolidations of IFRS. Other features of compliance monitoring applications, as well as the integration of standardized processes into compliance management systems, also enhance ongoing compliance with the altered IFRS requirements on the continuous basis. The review is able to establish that technology has taken charge in the internal and external reporting activities. Strong IT controls and centralized platforms lead to high quality financial data which is required for high quality financial reports. Interactive data and analytics when applied to filings in XBRL add value to the regulatory monitoring efforts. The nature of the relationship between and among business organizations entails integration of business, fall-out and potentialities of becoming a mature technology, mechanisms evident in the relevant governance structures to counter act the attained and or potential challenges of integration and benefits harvesting. However, the research observes that there is still room for further improvements in certain relations, especially in the contexts that recover dynamics across nations and between small and large firms. Since technology is constantly advancing, the impact of this on accounting and auditing must be addressed continually. Areas to be considered for future research are sustainability reporting through smart contracts, AI integration in the audit process and/work and use of virtual and augmented reality. Inclusive, the quest of undertaking the following research questions unveils that technology has a central position to play, which will further on continue to transform the IFRS compliance across the globe in the future.

Keywords: IFRS compliance, Financial reporting technology, Cloud computing, Analytics, Technology governance.

INTRODUCTION

IFRS have been implemented in more than 140 countries all over the world to increase the level of comparability and thereby the transparency of financial statements to the world's investors (IFRS Foundation, 2023). Nonetheless, the ability to meet the various IFRS standards proves to be raise difficulties with multinational companies depending on the country they operate in (Daske *et al.*, 2021). IFRS adoption and maintaining the compliance can also be supported by the technology solutions (KPMG, 2022). This review of the literature considers the most recent approximations about effects of different technologies to its IFRS reporting procedures and results. It also is important to understand that compliance with IFRS is a complex process that involves cooperation on the international level with all the firm's subdivisions. The information must be combined from different legal units while they are operating under different local GAAPs (Ernst & Young, 2023). High accounting values such as complicated policies and the disclosure requirements create chances for deviation where there is no sound control and corporate governance (Christensen *et al.*, 2013). Furthermore, the evolution of the IFRS also presents such difficulties as the increase in the rate of change in the IFRS standards and the interpretative guidance issued (Daske *et al.*, 2021). Historically, these mappings largely involved extensive amounts of manual work and hence escalated the meaning compliance and inherent risks. But now the technologies which evolve solve many of the essential intricate issues. In one's opinion, cloud platforms have made it possible to centralize data collection and analysis on a continuous basis (KPMG, 2022). Big data as well as artificial intelligence solutions assist in identifying abnormalities or

problems that need focus (Ernst & Young, 2023). Realisation of repetitive tasks with the help of technologies such as the robotic process automation eases the compliance workload in the long run as the requirements change (KPMG, 2022). Of course, the use of technology in the health care provision of services is efficient, but it cannot be done without clear plans and regulations of how it will be accomplished. It must take into account a firm's size distribution of nodes or sites its presence and current state of IT assimilation (Christensen *et al.*, 2013). Other considerations also relate to CM and more specifically, to AC, as a way to face integration challenges in M&A transactions (KPMG, 2022). In effect, the right controls and change control measures present technologies as a significant force for bolstering the compliance culture and controls. Hence, this review seeks to distil the current literature that explores technology's various functions in IFRS reporting. The purpose is to include information that could be useful to interested parties in the establishment of approaches based on new and innovative technologies for managing constant challenges and uncertainties of the international reporting environment.

TECHNOLOGY AND IFRS ADOPTION

Literature outlined that prior to the crisis, technology enhanced quicker, less expensive IFRS conversions (Christensen *et al.*, 2013). Disked *et al.*: When firms with better information systems presented their year-end reports, they incurred less compliance problems at the onset. They also enabled the systematic collection and analysis of data which was needed for first time reporting under IFRS (Ernst & Young, 2023). However, recent benefits depended on the prior IT competencies (Christensen, *et al.*, 2013). The present literature review supports an ongoing role for technology as well. It is noted that solutions based on cloud technologies help to organize the

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consolidation of data from all over the world and monitor disclosure (KPMG, 2022; Hail & Leuz, 2023). Machine learning and artificial intelligence components support analysis of accounting implication of new standards, extracting and tagging disclosure from source documents, and assist with the judgment that involves estimation (Ernst & Young, 2023; KPMG, 2022). These technologies also improve the first IFRS cycles' scale and quality of work in various firm operations (KPMG, 2022). IFRS platforms in the cloud were initially adopted by bigger multinational organizations as it is easier for these organizations to handle a large number of cross border transactions and compliance reports and statements (Hail & Leuz, 2023). Also, effective and affordable cloud solutions and automatic instruments are used by small companies and developing markets who are adopting IFRS (2023, Ernst & Young). For instance, intelligent process automation lessens manual work in recalculating the historical financial statements as per the new IFRS standards (KPMG, 2022). In summary, the use of technology enhances the process throughout the scale of firms. The aspect of adoption comes up once while that of technology is a continuous process that brings value to the table. Having centralized platforms or systems with only one definitive master copy of all the financial information reduces the number of period-end close cycles and auditors' work throughout years (Ernst & Young, 2023). The use of analytic work also serves as diagnostic tools to periodically check the impact of the new rules on firms' accounting processes and business operations (KPMG, 2022). This assists in handling the constantly shifting IFRS regulations in a flexible, yet, risk sensitive method. The bringing of the right changes and the management of change still continues to be relevant as the technologies continue to change. Cross geographical locations imply that firms should assess change readiness and also recognise that people, process and systems should be in harmony and interlinked (Hail & Leuz, 2023). With the help of such anticipatory measures, it is possible to improve and enhance the long-term IFRS compliance stance of information systems.

TECHNOLOGY AND ONGOING IFRS COMPLIANCE

Technology also assists in conforming to the dynamic IFRS standards based on the requirements that are issued from time to time. The financial reporting places the information coming from different ERP systems in one central location, to allow easy report consolidation and analysis (Ernst & Young, 2023; Chen *et al.*, 2022). Automated monitoring applications that use AI inform about new pronouncements and audit their potential effects on group reporting in real-time and in a manner that is scalable (KPMG, 2022; Hail & Leuz, 2023). Integrated packages of analytics search for exceptions or variations in figures reported during different periods and across different entities, facilitate the improvement of the internal controls over financial reporting (Ernst & Young, 2023; Chen *et al.*, 2022). Therefore, compliance management systems consist of standard operational procedures, templates, and other potential checklists that offer support to address the changing requirements of disclosure and various existing or newly implemented IFRS standards over time (KPMG, 2022; Christensen *et al.*, 2022). For instance, integrated journal entries and calculations help decrease the probability error from converting to new policies, including IFRS 16 leases across multiple operations (Ernst & Young, 2023; Chen *et al.*, 2022). Hussey (2022) and KPMG (2022) also noted that the account viewers which incorporate technologies, including visualization and collaboration, also help in improving external audit procedures through the review and validation of the group reporting. Capital intensive technologies help governance efforts because they improve the rate of monitoring, risks associated with certain projects or business activities can be detected and prevented more easily. For example, technology tools including artificial intelligence and predictive analytics help in the

evaluation and comparison of the entity's level controls, financial numbers and other performance indicators (Ernst & Young, 2023; Chen *et al.*, 2022). This makes it easy for compliance functions to direct the audit on the risky parts in a more efficient and risk based approach. In general, information systems can ensure the efficiency and effectiveness of scalable and continuous IFRS governance and control processes throughout the further enhancement of requirements in the future (KPMG, 2022; Christensen *et al.*, 2022). Nonetheless, benefits are achieved in the context of coherent, long-term technology plan that is consistent with the firm's IFRS plan and risk tolerance level (Hail & Leuz, 2023; Chen *et al.*, 2022). Another dimension that was identified for change management practices is organizational readiness for change in order to achieve the intended value (Christensen *et al.*, 2022). Thus, with proper management and governance of technology solutions, information systems should become even more critical to address a constantly evolving global financial reporting environment.

TECHNOLOGY, GOVERNANCE AND REPORTING QUALITY

Previous works established a relationship between the quality of IT governance and financial reporting (Christensen *et al.*, 2013; Daske *et al.*, 2008). Especially in periods of transition to new standards, the results presented in terms of conservatism of IFRS reports remained or were even enhanced by strong IT controls. New data from massive surveys of technology endorse the moderating role of sound technology regulation (Hail & Leuz, 2023; Chen *et al.*, 2022). The establishment of a consolidated IT management framework that entails risk management and control of alterations makes the quality, accuracy, and security of data consistent regardless of the varied operations (Ernst & Young, 2023; Chen *et al.*, 2022). This is due to it enhancing the framework on which firms will prepare and issue high quality IFRS reports. Sound governance frameworks also assist in managing integration issues when technologies are implemented, or during organizational acquisitions, led by the acquisition of newer ERP systems (Oke, 2022; KPMG, 2022; Hail & Leuz, 2023). Combined with tools such as predictive analytics, well-developed IT risk management practices enable the processes linked to IFRS that involve estimation at a mature level. This is FIAR, fair value measurements, and extended disclosures, which need special careful internal controls (Ernst & Young, 2023; Chen *et al.*, 2022). Altogether, it can be stated that enterprises with better understanding and control over people, processes, and technologies for the purposes to mitigate risks and to achieve maximum value from IT expenditures have higher and more stable levels of IFRS compliance in the long run (KPMG, 2022; Hail & Leuz, 2023). Technology also improves the external oversight activities. Currently, the regulators use analytical tools feature in the analysis of XBRL disclosures to search for items that are relatively distinct or need clarification (KPMG, 2022; Chen *et al.*, 2022). Conveyed through an interface of engaging, animated graphs and summaries, consolidated financial statements allow auditors to perform fast and risk-focused review of clients' audit files (Ernst & Young, 2023; Christensen *et al.*, 2022). Altogether, the internal technology governance and the external regulation enhance the quality and the credibility of the international financial reporting under the IFRS frameworks.

FUTURE RESEARCH DIRECTIONS

Thus, the literature points at technology as vital for implementing IFRSs while opening opportunities for exploring more details in certain contexts. For example, cross-country research using large international samples could shed new light on institutional effects across jurisdictions that mediate the effects of technologies on

reporting and their consequent results (Hail & Leuz, 2023; Chen *et al.*, 2022). There is also a comparative research need on reference models for small and medium enterprises in technology governance in relation to the varying regulatory conditions governing them as contrasted with the large multinationals (KPMG, 2022/Christensen *et al.*, 02). This could assist stakeholders in devising scalable solutions based on risk and the firm's resources and requirements. The ever increasing pace of transforming technologies and their integration require vigorous research continually into the impacts that technology has on accounting, auditing and financial reporting. Some of the potential topics for the future research are opportunities of applying novel solutions such as blockchain for the extended sustainability reporting, the usage of the artificial intelligence for increasing the audit quality and efficiency, usage of virtual and augmented reality for the enhancing of the usage of the data, analysis, and the disclosures (Ernst & Young, 2023; Chen *et al.*, 2022).

It can be seen that information systems will persist in restructuring IFRS compliance processes and results in the future as one of the critical enablers of transparency and comparability as a strategy for the gradual globalisation of businesses (KPMG, 2022; Hail and Leuz, 2023). It is possible to identify promising avenues to elaborate on how firms may work to establish tactics based on novelties to address the continuing challenges to high quality financial reporting (Christensen *et al.*, 2022; Chen *et al.*, 2022). Ongoing intense investigation is a key part that sustains these initiatives progressively in the long-term efforts.

CONCLUSION

As a result, it can be concluded that, according to the literature, technology has a significant and expanding function in assisting with IFRS achievement. It improves the scale, quality and oversight of both the conversion process in the initial stages as firms migrate to IFRS, and the subsequent reporting practices as requirements change with time. In light of the research findings, it is evident that information systems enable critical requirements of IFRS such as consolidated group reporting and strong internal controls by means of integrated applications, superior analytics, and automation. This enhances the generation of quality financial statements for stakeholders across the world. Thus, the advantages and the disadvantages of technology are proved to be contingent upon factors like resources of a firm, the geographical distribution and the organization's preparation to change. Technology plans and governance then have to be developed actively in order to unlock all the potential and counter all the problematic aspects working across different settings. Further in the future, as technology will keep on developing on the part of its aspects intertwining with others, its impact on the changes in compliance with IFRS will be inevitable. Fields such as the sustainability and integrated reporting, audit approaches and shifting disclosure mechanisms suggest other areas of innovation that has the potentials of significantly altering the nature of financial reporting. Nevertheless, managing this on-going dynamic process will call for professional research to recommend more constructive and instructive ways out. Still more for the SMEs and the developing regions, the comparative analyses of the mass-developed and risk-targeted solutions would remain crucial for making a way toward technology's opportunity. Here are some recommendations based on the review for further strengthening the role of technology in IFRS compliance going forward:

Here are some recommendations based on the review for further strengthening the role of technology in IFRS compliance going forward: Ambitious standard setters could research and identify opportunities for the interactive digital/visual standard & procedural

guidance for the purposes of scalable access and one's preferred chose of learning. Colleges and universities need to gear up to produce talent with characteristics of accounting profile combined with IT and innovative business approach.

Practitioner networks should organize debates between professionals, suppliers, and scientists to foster growth toward solving people's problems. There is also the necessity to develop change management capabilities as the source of sustained value creation from new systems at a controlled and integrated international level. Corporate stakeholders could invent more accountable and understandable AI/analytics applications to enhance the trustworthy and monitoring of sophisticated solutions.

There might be a need to provide the requisite motivation for joint public-private cooperation to conduct research that integrates different databases. It is recommended that prevention-oriented actions by multiple actors embrace the above recommendations for the best utilization of technology to enhance the long-term durability of high-quality, globally adopted financial reports.

In general, the proliferation of research evidence generates a conceptual framework that can help stakeholders plan for the use of new capabilities to enhance global reporting. Pushing the academic work even further can bring forth more sophisticated contextual analysis that might enhance all participants' reception of better policy and practice, enabling all participate to grow to demands of heightened transparency and comparability in the evolving global business environment under IFRS. Altogether, technology is definitely an essential factor now and in the future; however, the effects of technology should be managed and backed continuously by collaborative studies for the good of all.

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