

# Role of Auditing in the Growth of E-Commerce

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**Abstract:-** Now a day's number of businesses is using e-commerce to conduct their business activities. Compared to traditional approach of companies, e-commerce companies have unique characteristics that impact exams differently. This expands the scope and content of the exam and adds new elements to the exam. But at the same time, it increases audit risk and creates new audit requirements and challenges. Examiners should fully consider the characteristics of the e-commerce industry when conducting audit work. In addition to considering industry characteristics, the impact of changes in the testing environment, testing content, and testing risk should also be considered. The purpose of this study is to determine the extent of the role of auditing in e-commerce on the audit documentation. This research reveals the need to define who controls e-commerce and its domains, and their requirements to enable auditors to efficiently handle this type of work. it increased need for scientific, practical and technical training. Auditor evaluates e-business process audit process positively. And this work to educate auditors on the dangers of e-commerce and how to deal with them during the audit process.

**Keywords:-** E-Commerce, Audit Development, Internet.

## I. INTRODUCTION

E-commerce has undergone significant transformations in the 21st century, and it continues to evolve as technology advances. In the early days, e-commerce primarily involved online shopping, where customers could purchase goods and services through the internet. However, with the progress of internet technology and the integration of related scientific information technology, e-commerce has expanded far beyond its initial boundaries. Due to the gradual maturation of information technology related to e-commerce, e-commerce is no longer just buying and selling over the Internet. Instead, it has evolved into an online business process that combines information flow, business flow, capital flow and logistics. E-commerce businesses are different from traditional offline businesses. It presents fresh difficulties for audit. The audit risk will unavoidably differ in the e-commerce context due to changes in the audit scope, audit objects, and other reasons. Therefore, it is crucial to research how the e-commerce industry has changed the auditing task.

## II. THE SITUATION OF E-COMMERCE BUSINESS IN INDIA

E-commerce has been developing in our nation for more than ten years. Although our nation's economic growth is currently declining, China's economy is now seeing new growth thanks in large part to the booming e-commerce sector. E-commerce is versatile and convenient in form and choice compared to traditional business activities, considerably increasing the enterprise's efficiency. Every area of people's lives has been deeply impacted by e-commerce.

### A. Technical Tools are Gradually Maturing:-

Internet shopping is a type of business that uses microcomputer technology and network communication technology. The upgrading of various technical tools and equipment has led to the rapid development of e-commerce in China. More versatile product information, more complete logistics and distribution system and more convenient and secure fund balance system offer a wide market space for the development of e-commerce.

### B. The Implementation of People's Ideas is Gradually Changing:

People's shopping philosophy and lifestyle have become more active and open, they are looking for cheap and high quality products. Compared to traditional business, e-commerce is convenient and easy to compare features, so people prefer to use the network for consumption. The gradual transformation of thoughts makes people choose electronic events.

### C. Related Practices Support E-Commerce:

Various policies and regulations have been implemented by governments and international organizations to support and facilitate the growth of e-commerce. These policies aim to create a conducive environment for online businesses and consumers, address potential challenges, and ensure a fair and secure digital marketplace. Some of the common policies that give support to e-commerce include:

- Digital infrastructure development: Governments invest in building and improving digital infrastructure, such as high-speed internet access and reliable telecommunications networks, to enable widespread internet connectivity and enhance the online shopping experience.
- E-commerce regulations and legal framework: Governments establish legal frameworks and regulations specific to e-commerce to protect consumers, promote fair

competition, and address issues like data privacy, consumer rights, and electronic transactions.

- Tax policies: Taxation rules for e-commerce can be complex due to cross-border transactions and digital goods/services. Governments work on creating clear tax guidelines to ensure fair taxation and prevent tax evasion.
- Customs and trade facilitation: Streamlining customs procedures and reducing trade barriers can help expedite the movement of goods and services in cross-border e-commerce, making international trade more efficient.
- Intellectual property rights protection: Strong enforcement of intellectual property rights safeguards against online piracy and counterfeiting, fostering innovation and creativity in the digital marketplace.
- Consumer protection and dispute resolution: Governments implement policies to protect consumers from fraudulent practices and establish mechanisms for dispute resolution in e-commerce transactions.

It's essential for policymakers to strike a balance between promoting e-commerce growth and protecting the interests of all stakeholders, including consumers, businesses, and governments. As the e-commerce landscape evolves, policies will continue to adapt to address emerging issues and support the dynamic nature of online commerce.

### III. ELECTRONIC TRADE GIVES AUDITING NEW LIFE

- *The audit's material continues to expand:*

First of all the auditing of electronic evidence will become the most crucial aspect of auditing since numerous e-commerce operations would produce electronic evidence. The network's safety will also be covered by the auditing process, therefore it is important to assess it and pay attention to it. The security of e-commerce enterprises is threatened by computer viruses, hackers, theft, and manipulation with electronic data.

Second, the online store brought a lot of data accumulated in the computer or cloud storage, which can be transferred if necessary. It is also very easy for inspectors to search for information and use it to obtain various items reports or financial analyses. Storing this large amount of data places higher demands on the audit work; people must ensure the accuracy and completeness of the data in order to use the data effectively. Auditors must not only have computer knowledge and application technology, but also monitor the reliability of computer systems and enterprise cloud service platforms.

Thirdly, the demands of e-commerce accounting and management cannot be satisfied by the division of labor in the conventional manner. New tasks and duties should be assigned to accountants. If e-commerce enterprises have established pertinent jobs and duties, auditors must verify this. Many businesses in this new sector are vulnerable to loopholes.

Later, "free" became mainstream in the Internet age. E-commerce companies attract users with some free service and then find new profit points around those users. Based on this business model, the large amount of sunk costs of the company's initial investment does not immediately bring the corresponding profit. Currently, new content is included in the audit, how to evaluate the operational ability of a company engaged in online electronic commerce from the perspective of the audit, and how to evaluate the profitability of the company.

- *E-commerce has changed how financial audits of businesses are conducted:*

A proper legal framework is currently lacking, which presents certain challenges for the audit work of e-commerce businesses. China's e-commerce laws are mostly spread in several departmental law, including contract law, tort law, product liability law, consumer protection law, electronic signature law, cyber-security law, and other laws because of the early growth of e-commerce's broad application. Our nation is paying greater attention to e-commerce laws as a result of the fast expansion of e-commerce. The necessary auditing standards in our nation have been working hard to adapt with the quick growth of e-commerce.

The development of the Internet and the rise of e-commerce have made the auditing work more diversified because the previous audit was a manual review of credentials, statements, and other materials; their working environment included corporate financial data, financial accounting, and auditing reports. The enterprise's financial audit is expanded to include oversight of software users and maintainers in addition to the auditing of financial accounting data. The use of more formal terminology also adds to the complexity and variety of auditing.

- *In an audit, a new data vulnerability surfaced:*

The fundamental manifestation of the new audit risk is the discrepancy between big data's noise and unreliability and the authenticity and integrity of audit data. A important basis is the data's veracity. There may be mistakes in the original financial data, even the audited units. It's important to efficiently check and validate data gleaned from various sources, such as search engines and service platforms. As a result, the auditors in charge of data collection must develop a risk awareness, understand exactly what data are required, where to get them, and if they are comprehensive.

The proliferation of data kinds and the conflicts between data and data standards will result from industry diversification. According to the current state of industry rules and regulations, large-scale audit data will continue to exist for a very long time in a range of non-uniform information status, and standards that can foster the breadth and depth of data integration will still need to be developed. Not only must data integration be completed in its entirety, but it also must be ensured that no segments of the individualized data are lost.

To learn how to use various data analysis techniques for various data requirements, we need practice.

#### IV. NEW AUDIT REQUIREMENTS POSED BY THE GROWTH OF E-COMMERCE

##### ➤ *Actively Engage in the Development of Connected Systems*

The linked system software of the e-commerce firm must be designed and developed with auditors being able to directly participate in these processes. In order to guarantee that the associated system operations and application controls satisfy the demands of accounting management and achieve the necessary quality, the supervisory system must be developed in line with the standard development standards. A chance to study the system development process and assess application controls is also given to auditors at the same time.

##### ➤ *Consult a Specialist (Auditor)*

There is a special and innovative content in the operation of online companies, which also involves many other aspects that require the auditor to make professional decisions. For example, at the time, it was mentioned that e-Tailers had grown their user base by recruiting free users and then finding new revenue streams around those users. Since the information of Internet users is independent of the financial accounting system, based on this business model, sunk costs due to a large initial investment of the business cannot yield corresponding returns immediately. At this point, how to evaluate a company's profitability from an audit point of view becomes a new issue. This requires the auditor to have a high degree of professional judgment. We need to focus on the relationship between financial and non-financial information during the audit, paying attention to the number of Internet users and the download volume, write volume and user activity of the audit. With 'Applicability' retention and other non-financial metrics. At the same time, we should apply an audit plan and audit procedures that are objective in order to assess the logic and validity of the data in terms of logic and trends, and be fully aware of the risks of misstatement. Relevant material omission. Here we can draw from existing cases or seek the help of relevant industry experts to help us deliver professional judgments to reduce unnecessary litigation.

##### ➤ *Putting the Focus on Internal Control:*

Compared to conventional sectors, e-commerce businesses exhibit stronger idiosyncrasies. Particularly, Internet businesses face substantially greater operational risks than their counterparts in more established sectors. Their income-cost ratio is subpar, and they have a very high gross profit margin. New goods and services are often introduced, thus participants must be of a high caliber. The audit continues despite the difficulties presented by high risks because of the existence of these inherent dangers. In order to assess whether internal controls are reliable and effective, the auditors must pay close attention to the internal control system's architecture, the logic of its formulation, and the success of its execution.

##### ➤ *Enhance Compliance with Audit Standards:*

The audit software's objective is to aid in the auditing process. As a result, while utilizing audit software to carry out the task, the program's application must be integrated with the real circumstances of the audit work. In today's corporate e-commerce company, organizations need create for many information systems platforms that are based on various computers and operating environment software. The auditors should use big data technology to collect, organize, analyze, and process all data related to the audited entity's entire business before producing the final audit report and comprehensively evaluating whether the audited entity effectively uses the financial information system to ensure asset safety. The future of its internal audit.

#### V. CONCLUSIONS

Auditing's involvement in the expansion of e-commerce is critical for maintaining transparency, trust, and accountability in online company operations. Auditing is the methodical study and verification of a company's financial records, processes, and controls. Auditing performs numerous important functions in the context of e-commerce that help to the sector's growth and sustainability. E-commerce companies have their own special characteristics compared to traditional companies, so auditors must fully consider the special characteristics of the e-commerce industry in their audit work. In addition to specific core activities, they must also consider the characteristics of the field, the audit environment, audit content and changes in audit risk. They must check the authenticity of transactions of electronic business companies, the accuracy of accounting information, also the hardware and software systems of the electronic business system, and the security and reliability of all electronic business.

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