AUDITING | RESEARCH ARTICLE

Evaluation of Sampling Techniques in Audit: A Qualitative Approach

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Abstract: This study explores the evaluation of sampling techniques in audit engagements, aiming to provide insights into the factors influencing auditors' decisions and the effectiveness of different sampling methods. The research adopts a qualitative approach, conducting a comprehensive literature review to identify key themes and discussions surrounding sampling techniques in auditing. Factors such as population characteristics, audit objectives, resource constraints, audit complexity, regulatory requirements, and technological advancements are analyzed to understand their impact on sampling decisions. Through thematic analysis, the study identifies emerging themes, including the effectiveness of sampling techniques, factors influencing sampling decisions, and the role of technological advancements in audit sampling. Findings suggest that while traditional sampling methods like random sampling and systematic sampling remain prevalent, innovative approaches such as statistical sampling and probability-proportional-to-size sampling offer enhanced precision and reliability, particularly in complex audit environments. The integration of technology, particularly data analytics tools and audit software, has revolutionized audit sampling practices, enabling auditors to conduct more comprehensive and efficient sampling procedures. Overall, the study contributes to the existing body of knowledge on sampling techniques in auditing and provides practical implications for audit practitioners, researchers, and policymakers.

Keywords: Audit Sampling, Qualitative Research, Sampling Techniques, Audit Methodology, Technological Advancements.

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1. INTRODUCTION

In the realm of auditing, the process of selecting samples is a crucial aspect that significantly influences the effectiveness and efficiency of audits. The evaluation of sampling techniques has garnered considerable attention from researchers and practitioners alike due to its implications on audit quality and assurance. This study delves into the assessment of sampling techniques in audit, particularly focusing on a qualitative approach to unravel the intricacies and nuances involved. Auditing serves as a fundamental mechanism for ensuring the reliability and integrity of financial information. Within this domain, sampling techniques are employed to extrapolate conclusions about an entire population based on the examination of a representative subset. The selection of appropriate sampling methods is imperative to obtain reliable audit evidence and draw accurate inferences. Various factors such as population characteristics, audit objectives, and resource constraints influence the choice of sampling techniques. The evaluation of sampling techniques encompasses an array of methodologies and considerations tailored to the unique contexts of audits. Traditional approaches like random sampling, systematic sampling, and stratified sampling have long been employed in audit practices. However, the advent of technological advancements and evolving audit methodologies has
spurred the development of innovative sampling techniques such as statistical sampling, probability-proportional-to-size sampling (PPS), and adaptive sampling. Each technique possesses distinct advantages and limitations, necessitating a comprehensive assessment to ascertain their efficacy in different audit scenarios. The phenomenon under scrutiny involves the diverse array of sampling techniques utilized in audit engagements and their respective impacts on audit outcomes. This encompasses the utilization of both traditional and contemporary sampling methodologies across various industries and audit settings. The phenomenon also encompasses the evolving regulatory landscape and industry standards, which continuously shape the landscape of sampling techniques in audit. Understanding this phenomenon is essential for refining audit practices and enhancing the quality of audit engagements.

Previous research has extensively investigated sampling techniques in auditing, albeit predominantly from a quantitative standpoint. Studies have explored the statistical properties of sampling methods, the efficiency of different sampling approaches, and the factors influencing sampling decisions. However, there remains a paucity of qualitative research that delves deeper into the underlying rationales, perceptions, and experiences of auditors regarding sampling techniques. This study aims to bridge this gap by adopting a qualitative approach to unravel the intricacies of sampling techniques in audit engagements. A range of studies have explored the evaluation of sampling techniques in audit. Meleshenko (2014) developed a model to assess the quality of audit sampling, highlighting the relationship between audit risk and unit selection methods. Gillett (2011) found that evidence collected using fixed sampling plans is often perceived as stronger, while Durney (2013) reported lower error rates and improved auditor performance in the post-SOX period. Kirkos (2007) used data mining techniques to identify qualified auditors’ opinions, and Kinney (1975) emphasized the importance of decision analysis in the sampling problem. Knight (1979) reviewed statistical sampling techniques and practical challenges, while Power (1992) and Kaplan (1973) provided historical and methodological perspectives on the development and application of audit sampling.

The primary objective of this study is to critically evaluate the effectiveness and applicability of sampling techniques in audit engagements from a qualitative perspective. Specifically, the study aims to:

1. Examine auditors’ perceptions, experiences, and challenges pertaining to the selection and application of sampling techniques in audit engagements.
2. Identify the factors influencing auditors’ decisions regarding the adoption of specific sampling methodologies.
3. Assess the adequacy of existing sampling techniques in addressing the complexities of contemporary audit engagements.
4. Provide insights and recommendations for refining sampling practices to enhance audit quality and effectiveness.

By achieving these objectives, this study endeavors to contribute to the existing body of knowledge on sampling techniques in auditing and offer practical implications for audit practitioners, standard setters, and regulatory bodies.

2. LITERATURE REVIEW

The literature surrounding the evaluation of sampling techniques in auditing is vast and multifaceted, encompassing various studies, theories, and practical insights. This review aims to provide a comprehensive overview of the key themes, definitions, and specific explanations pertinent to this field of study.

2.1. Sampling Techniques in Audit

Sampling techniques serve as fundamental tools in the audit process, enabling auditors to draw conclusions about an entire population based on the examination of a representative subset.
Traditional sampling methods, such as random sampling, systematic sampling, and stratified sampling, have long been employed in auditing (Alles, Kogan, & Vasarhelyi, 2014). These techniques involve the random selection of items from the population under scrutiny, with the aim of obtaining unbiased and statistically reliable results. In recent years, technological advancements and evolving audit methodologies have spurred the development of innovative sampling techniques. Statistical sampling, which encompasses various statistical methods for sample selection and evaluation, has gained prominence in audit practice (Asare & Wright, 2012). Probability-proportional-to-size sampling (PPS), a statistical sampling method wherein the probability of selecting an item is proportional to its monetary value, has emerged as a preferred approach in many audit engagements (Mak, Simnett, & Yu, 2013).

2.2. Factors Influencing Sampling Techniques in Auditing: A Comprehensive Exploration

The selection of appropriate sampling techniques in auditing is a critical aspect of the audit process, influencing the reliability and effectiveness of audit outcomes. This section provides an in-depth exploration of the various factors that shape the choice of sampling techniques by auditors.

1. Population Characteristic

The characteristics of the population under audit play a pivotal role in determining the suitability of sampling techniques. According to Alles, Kogan, and Vasarhelyi (2014), the homogeneity or heterogeneity of the population, its size, and the presence of outliers or material items are key considerations. For instance, in auditing large populations with diverse characteristics, stratified sampling may be more appropriate to ensure adequate representation across subgroups (Asare & Wright, 2012).

2. Audit Objectives

The objectives of the audit significantly influence the choice of sampling techniques. As highlighted by Bierstaker, Brody, and Pacini (2012), audits aimed at detecting fraud may require more targeted sampling methods, such as attribute sampling focused on high-risk areas. Conversely, audits focused on compliance assessment may rely on random sampling techniques to ensure unbiased representation of the population (Mak, Simnett, & Yu, 2013).

3. Resource Constraints

Resource constraints, including time, budget, and availability of skilled personnel, impose limitations on the selection of sampling techniques. According to Gramling et al. (2014), audits conducted under tight deadlines or with limited resources may opt for simpler sampling methods, such as systematic sampling, to expedite the audit process while maintaining a reasonable level of assurance. However, it is crucial for auditors to balance resource constraints with the need for adequate sample sizes to achieve meaningful results.

4. Audit Complexity

The complexity of the audit engagement influences the choice of sampling techniques. In audits involving intricate transactions or multiple variables, auditors may resort to more sophisticated sampling methods, such as probability-proportional-to-size sampling (PPS), to capture the inherent complexities of the population (Ellifsen, Knechel, & Wallage, 2017). Furthermore, the level of inherent risk associated with the audit may also dictate the adoption of more rigorous sampling approaches to mitigate potential errors (Rejda & McNamara, 2019).

5. Policies and Regulations

Company policies and regulatory requirements also shape the selection of sampling techniques in auditing. As highlighted by Libby and Luft (2015), industries subject to stringent regulations, such as financial services or healthcare, may mandate the use of specific sampling methodologies to ensure compliance with regulatory standards. Additionally, auditors must consider the evolving regulatory
landscape and adapt their sampling techniques accordingly to meet changing compliance requirements (Bierstaker, Brody, & Pacini, 2012).

6. Technological Advancements

Advancements in technology have revolutionized sampling techniques in auditing, offering auditors access to sophisticated data analytics tools and software applications. According to Alles, Kogan, and Vasarhelyi (2014), the integration of data analytics enables auditors to conduct more comprehensive and efficient sampling procedures, leveraging big data analytics to identify patterns and anomalies within large datasets. Moreover, the automation of sampling processes enhances audit efficiency and accuracy, reducing the reliance on manual sampling methods (Asare & Wright, 2012).

7. Challenges and Considerations

Despite the benefits associated with sampling techniques, auditors face numerous challenges and considerations in their application. One of the primary challenges is the identification and mitigation of sampling risk, which refers to the risk that the sample may not be representative of the population due to sampling error (Bierstaker, Brody, & Pacini, 2012). Auditors must carefully assess the risk of sampling error and implement appropriate measures to minimize its impact on audit conclusions. Additionally, auditors must consider various factors when selecting sampling techniques, including the characteristics of the population under audit, the audit objectives, and resource constraints (Gramling et al., 2014). The choice between different sampling methods should be informed by a thorough understanding of these factors to ensure the reliability and efficiency of the audit process.

2.3. Theoretical Perspectives

The evaluation of sampling techniques in auditing is underpinned by several theoretical perspectives, including statistical theory, decision theory, and cognitive psychology. Statistical theory provides a foundation for understanding the principles of sampling and probability, guiding auditors in the selection and evaluation of sampling methods (Eilifsen, Knechel, & Wallage, 2017). Decision theory, on the other hand, offers insights into the rational decision-making process involved in sampling, considering factors such as risk preferences and utility maximization (Rejda & McNamara, 2019). Cognitive psychology sheds light on the cognitive processes and biases that may influence auditors’ sampling decisions. Research in this area highlights the importance of cognitive heuristics and biases, such as availability bias and anchoring bias, in shaping auditors’ judgments and decisions regarding sampling (Libby & Luft, 2015). Understanding these psychological factors is crucial for designing effective training programs and decision aids to enhance auditors’ sampling skills and mitigate cognitive biases.

3. RESEARCH METHOD AND MATERIALS

Research methodology is crucial in qualitative studies, providing a systematic framework for collecting, analyzing, and interpreting data to uncover nuanced insights and understandings. In this section, the research methodology for conducting a qualitative study based on literature review will be outlined, emphasizing the approach, data collection methods, data analysis techniques, and ethical considerations.

3.1. Approach

The qualitative research approach is characterized by its focus on exploring subjective experiences, meanings, and interpretations. This approach is well-suited for investigating complex phenomena and understanding the underlying reasons, motivations, and perspectives of individuals involved. In this study, the researcher will adopt a qualitative approach to delve into the literature on sampling techniques in auditing, aiming to uncover the underlying rationales, perceptions, and experiences of auditors regarding the selection and application of sampling methods.
3.2. Data Collection Methods

The primary data source for this qualitative study is existing literature, including academic journals, books, conference proceedings, and reputable online databases. The researcher will conduct a comprehensive literature review to identify relevant studies, theories, and conceptual frameworks related to sampling techniques in auditing. Keyword searches, citation tracking, and snowball sampling techniques will be employed to ensure a comprehensive coverage of the literature.

3.3. Data Analysis Techniques

Data analysis in qualitative research involves a systematic process of organizing, categorizing, and interpreting textual or narrative data. In this study, thematic analysis will be employed as the primary data analysis technique. Thematic analysis involves identifying patterns, themes, and trends within the literature to extract meaningful insights and draw overarching conclusions (Braun & Clarke, 2006). The researcher will conduct a line-by-line analysis of the literature, coding relevant passages, and iteratively refining codes to develop emergent themes.

4. RESULTS AND DISCUSSION

The qualitative evaluation of sampling techniques in audit yields nuanced insights into the complexities and considerations surrounding the selection and application of sampling methods. This section presents the key findings and discussions derived from the literature review, shedding light on various aspects related to the evaluation of sampling techniques in audit engagements.

4.1. Emerging Themes from Literature Review

Through thematic analysis of the literature, several key themes emerged, providing valuable insights into the evaluation of sampling techniques in audit:

1. Effectiveness of Sampling Techniques

The effectiveness of sampling techniques in achieving audit objectives is a critical aspect of auditing practices, as highlighted by numerous scholars in the field. Traditional methods such as random sampling and systematic sampling have been extensively used in audit engagements due to their simplicity and ease of application (Asare & Wright, 2012). However, research suggests that these traditional techniques may not always be the most effective or efficient choice, particularly in certain audit scenarios where greater precision and reliability are required.

Asare and Wright (2012) emphasized that while random sampling and systematic sampling are widely utilized, they may lack efficiency and accuracy in audits where the population exhibits significant variability or where specific risk factors need to be addressed. Random sampling, for instance, may fail to adequately capture items of interest or overlook critical outliers within the population, potentially leading to sampling errors and biased conclusions. Similarly, systematic sampling, although straightforward in its application, may not be suitable for populations with non-uniform distribution patterns, resulting in skewed representation of data. In contrast to traditional methods, innovative approaches such as statistical sampling and probability-proportional-to-size sampling (PPS) have garnered attention for their ability to enhance precision and reliability in audit sampling (Mak, Simnett, & Yu, 2013). Statistical sampling techniques leverage statistical principles and algorithms to select samples that are representative of the population while minimizing sampling error. These methods offer auditors greater flexibility in sample selection and allow for more sophisticated analysis of audit data.

Mak, Simnett, and Yu (2013) highlighted the effectiveness of probability-proportional-to-size sampling (PPS) in large-scale audits, where the population size is extensive, and a systematic sampling approach may be impractical. PPS sampling assigns probabilities to each item in the population based on its monetary value, ensuring that larger items have a higher likelihood of being selected for the
Factors Influencing Sampling Decisions

Auditors’ decisions regarding sampling techniques are critical components of the audit process, as they directly impact the quality and reliability of audit findings. As highlighted by Gramling et al. (2014), these decisions are influenced by a multitude of factors that encompass various aspects of the audit environment. One of the primary factors shaping auditors’ decisions is the characteristics of the population under audit. The population’s size, diversity, and distribution patterns all play significant roles in determining the appropriateness of sampling techniques. For instance, in audits involving homogeneous populations with uniform distribution, simple random sampling may suffice. However, in cases where the population exhibits significant heterogeneity or skewed distribution, more sophisticated sampling techniques such as stratified sampling or cluster sampling may be warranted.

Moreover, audit objectives play a crucial role in guiding auditors’ decisions regarding sampling techniques. According to Gramling et al. (2014), auditors must align their sampling strategies with the specific objectives of the audit, whether it involves detecting fraud, assessing compliance, or evaluating financial performance. Different objectives may require different sampling approaches, with some focusing on high-risk areas while others aim for broader coverage of the population. For example, in fraud detection audits, auditors may opt for targeted sampling methods that concentrate on transactions or accounts with a higher likelihood of irregularities.

Resource constraints also exert significant influence on auditors’ sampling decisions. As noted by Gramling et al. (2014), auditors must balance the need for thoroughness and accuracy with the practical limitations of time, budget, and personnel. In situations where resources are limited, auditors may need to prioritize certain sampling techniques over others or explore alternative approaches to achieve the desired audit objectives within constraints. This may involve optimizing sample sizes, streamlining sampling procedures, or leveraging technology to enhance efficiency. Furthermore, regulatory requirements play a pivotal role in shaping auditors’ sampling decisions, particularly in regulated industries such as finance, healthcare, and manufacturing. Compliance with regulatory standards and guidelines often necessitates specific sampling methodologies or documentation requirements (Gramling et al., 2014). Auditors must stay abreast of regulatory developments and ensure that their sampling practices align with applicable standards to maintain audit integrity and adherence to legal requirements.

The complexity of the audit engagement and the level of inherent risk also significantly influence auditors’ decisions regarding sampling techniques. As highlighted by Rejda and McNamara (2019), audits involving complex transactions, high levels of uncertainty, or significant financial exposures may require more robust sampling approaches to mitigate risks effectively. Auditors must assess the inherent risks associated with the audit engagement and tailor their sampling strategies accordingly to ensure adequate coverage and reliability of audit evidence. Auditors’ decisions regarding sampling techniques are multifaceted and influenced by a combination of factors, including population characteristics, audit objectives, resource constraints, regulatory requirements, audit complexity, and risk considerations. By carefully considering these factors and selecting appropriate sampling methods, auditors can enhance
the effectiveness and efficiency of the audit process, ultimately contributing to the reliability and credibility of audit findings.

3. **Technological Advancements**

   The integration of technology, particularly data analytics tools and audit software, has heralded a significant transformation in sampling techniques within the auditing sphere. As noted by Alles, Kogan, and Vasarhelyi (2014), the emergence of advanced data mining algorithms and artificial intelligence has empowered auditors with unprecedented capabilities to conduct sampling procedures that are not only more comprehensive but also highly efficient, thereby enhancing the overall quality and effectiveness of audits. The advent of data analytics tools has played a pivotal role in revolutionizing audit sampling practices. These tools leverage sophisticated algorithms and statistical techniques to analyze large volumes of data rapidly and extract actionable insights (Alles, Kogan, & Vasarhelyi, 2014). Through the application of data analytics, auditors can gain deeper visibility into audit populations, identify patterns of interest, and detect anomalies that may warrant further investigation. By harnessing the power of data analytics, auditors can make informed decisions regarding sample selection, enabling them to focus their efforts on areas of higher risk or significance. Furthermore, audit software equipped with data analytics capabilities has streamlined the sampling process, making it more efficient and less labor-intensive. Modern audit platforms offer functionalities such as stratified sampling, random sampling, and statistical analysis, all of which can be executed with ease using built-in tools and modules (Alles, Kogan, & Vasarhelyi, 2014). This automation not only accelerates the sampling process but also minimizes the likelihood of errors, ensuring greater accuracy and reliability of audit results.

   Artificial intelligence (AI) technologies have also played a transformative role in enhancing audit sampling techniques. AI-driven algorithms can analyze complex datasets, identify trends, and predict potential audit risks with remarkable accuracy (Alles, Kogan, & Vasarhelyi, 2014). Machine learning algorithms, in particular, can adapt and improve over time, continuously refining sampling strategies based on past audit experiences and evolving data patterns. By leveraging AI technologies, auditors can optimize sample selection, improve the efficiency of audit procedures, and enhance the overall quality of audit outcomes. The integration of technology has not only revolutionized the way auditors conduct sampling procedures but has also facilitated the adoption of continuous auditing practices. Continuous auditing allows auditors to perform real-time monitoring and analysis of financial data, enabling timely detection of irregularities and deviations from expected norms (Alles, Kogan, & Vasarhelyi, 2014). Through continuous auditing, auditors can proactively identify emerging risks, assess the effectiveness of internal controls, and mitigate potential threats to organizational integrity. This proactive approach to auditing enhances the timeliness and effectiveness of audit processes, contributing to improved risk management and governance practices. Moreover, technology-enabled sampling techniques have expanded the scope of audit sampling beyond traditional financial data to encompass non-financial metrics and unstructured data sources (Alles, Kogan, & Vasarhelyi, 2014). Auditors can now leverage social media analytics, text mining, and sentiment analysis to gain insights into customer behavior, market trends, and reputational risks. By incorporating diverse data sources into audit sampling, auditors can obtain a more holistic understanding of organizational performance and risk exposure, enabling them to provide more valuable insights and recommendations to stakeholders. The integration of technology, particularly data analytics tools and audit software, has revolutionized sampling techniques in auditing, enabling auditors to conduct more comprehensive, efficient, and insightful sampling procedures. Advanced data mining algorithms, artificial intelligence, and automation capabilities have transformed the audit landscape, empowering auditors to make data-driven decisions, enhance audit quality, and effectively mitigate risks. As technology continues to evolve, the role of technology in audit sampling is poised to expand further, driving continuous innovation and improvement in audit practices.

4.2. **Discussion**

The findings from the literature review underscore the importance of adopting a nuanced approach to the evaluation of sampling techniques in audit engagements. While traditional sampling methods
remain prevalent in practice, there is a growing recognition of the limitations associated with these approaches, particularly in the context of increasingly complex audit environments. The effectiveness of sampling techniques depends on various factors, including the nature of the population under audit, the objectives of the audit, and the availability of resources. Auditors must carefully evaluate these factors and select sampling methods that align with the specific requirements of each audit engagement. Moreover, the evolving regulatory landscape and technological advancements necessitate continuous adaptation and refinement of sampling practices to ensure compliance and effectiveness. In light of these findings, audit practitioners and researchers should prioritize the exploration and adoption of innovative sampling techniques that leverage technological advancements and data analytics capabilities. Furthermore, there is a need for ongoing research and collaboration to develop standardized guidelines and best practices for the evaluation and application of sampling techniques in audit, ultimately enhancing the quality and reliability of audit processes. Overall, the qualitative evaluation of sampling techniques in audit provides valuable insights into the complexities and considerations inherent in audit sampling practices, informing audit practitioners, researchers, and policymakers alike in their efforts to enhance audit quality and effectiveness.

5. CONCLUSION

In conclusion, the integration of technology has revolutionized sampling techniques in auditing, ushering in a new era of efficiency, accuracy, and insightfulness in the audit process. Through the adoption of advanced data analytics tools, audit software, and artificial intelligence, auditors can conduct sampling procedures with unprecedented depth and sophistication. This transformation has significant implications for both theoretical understanding and managerial practice within the field of auditing. Theoretical Implications: From a theoretical perspective, the advancements in sampling techniques underscore the evolving nature of auditing practices in response to technological innovations. Traditional sampling methods, while still relevant in certain contexts, are increasingly supplemented or replaced by more sophisticated approaches that leverage technology-enabled capabilities. This shift reflects a broader trend towards data-driven decision-making and evidence-based auditing, where auditors rely on empirical insights and statistical analyses to guide their sampling strategies. Moreover, the integration of technology in audit sampling highlights the interdisciplinary nature of auditing research, drawing upon insights from fields such as computer science, statistics, and artificial intelligence. As auditors grapple with increasingly complex data environments and regulatory requirements, interdisciplinary collaboration becomes essential for developing innovative sampling methodologies and addressing emerging challenges in audit practice. Additionally, the emphasis on continuous auditing and real-time monitoring reflects a paradigm shift towards proactive risk management and governance. By leveraging technology to conduct ongoing assessments of organizational data, auditors can identify potential risks and control weaknesses before they escalate into material issues. This proactive approach aligns with contemporary risk management theories, which emphasize the importance of early detection and prevention in mitigating organizational vulnerabilities.

Managerial Implications: From a managerial standpoint, the adoption of technology-enabled sampling techniques offers several tangible benefits for audit practitioners and organizational stakeholders alike. Firstly, the enhanced efficiency and accuracy of sampling procedures translate into cost savings and resource optimization for audit firms. By automating repetitive tasks and leveraging data analytics capabilities, auditors can streamline audit processes, reduce manual effort, and allocate resources more effectively towards value-added activities. Furthermore, the insights derived from technology-enabled sampling techniques enable auditors to provide more informed and actionable recommendations to management and stakeholders. By analyzing large volumes of data and identifying trends, patterns, and outliers, auditors can offer valuable insights into organizational performance, risk exposure, and compliance status. This enhanced visibility enhances the credibility and utility of audit findings, empowering management to make more informed decisions and strengthen internal controls. Moreover, the adoption of continuous auditing practices facilitates proactive risk management and regulatory compliance, thereby enhancing organizational resilience and reputation. By continuously
monitoring key metrics and detecting anomalies in real-time, auditors can help organizations identify and address potential risks before they escalate into crises. This proactive approach not only minimizes the likelihood of financial losses and regulatory penalties but also enhances stakeholder confidence and trust in the organization’s governance processes.

The integration of technology-enabled sampling techniques in auditing has profound implications for both theoretical understanding and managerial practice. By embracing advanced data analytics tools, audit software, and artificial intelligence, auditors can enhance the efficiency, accuracy, and insightfulness of sampling procedures, ultimately driving improved audit quality, risk management, and governance practices.

References


