

Summary of Paper: [Does “Catching Up” on Technology Affect the Effectiveness of Increased Regulation? Evidence from PCAOB Inspection Reports](#)

What is this study about?

This study examines the challenges auditors face when auditing information technology (IT)-enabled financial reporting. The authors analyze PCAOB inspection reports from 2019–2024 to identify recurring audit deficiencies related to IT-enabled financial reporting, such as failures to test automated controls, system-generated data, and service organization controls.

What are the major findings of the study?

Despite increased regulatory efforts to enhance audit quality, IT-related audit deficiencies persist across both Big 4 and non-Big 4 audit firms. Among Big 4 firms, the percentage of audits with IT-related deficiencies rose from 6.78% in 2019 to 11.74% in 2023, before declining in 2024. Non-Big 4 firms showed consistently higher rates, peaking at 17.42% in 2022. Common issues include inadequate testing of automated controls and underlying IT general controls, poor evaluation of system-generated reports, and insufficient scrutiny of service organizations and subservice providers. These trends suggest that audit firms are struggling to “catch up” with increasingly complex IT environments.

Why is the study important?

For auditors, regulators, and standard setters, the findings highlight a growing gap between regulatory expectations and auditors’ IT capabilities. As companies invest heavily in technology—global IT spending reached \$5.6 trillion in 2024—audit risk increasingly depends on understanding IT systems, data flows, and controls. Failure to do so raises the likelihood of undetected misstatements and inspection findings.

What is the impact on professional practice and society at large?

The study underscores the need for stronger IT training, closer collaboration with IT specialists, and enhanced professional skepticism when relying on automated systems and AI tools. Improving auditors’ IT competence can strengthen investor confidence, enhance financial reporting reliability, and reduce systemic risk in capital markets as technology-driven reporting becomes the norm.