

Summary of Paper: [Auditors' Technological Proximity Knowledge](#)

What is this Study About?

The researchers investigate whether auditors derive technological knowledge from their clients' technological proximity, referred to as "technological proximity knowledge," and how it influences audit quality and fees across their client portfolios.

What are the major findings of the study?

Auditors who have greater knowledge of the technologies used by their clients—across different clients within the same audit office or firm—deliver higher audit quality and charge lower fees. Specifically, when auditors have more technological proximity knowledge, they are better able to assess and manage audit risks, leading to fewer misstatements and more reliable financial reporting. Additionally, this technological familiarity allows for efficiencies that reduce audit fees. The researchers also highlight that this knowledge is not confined to individual audit offices; it spills over across different offices within the same firm, amplifying the benefits.

Why is the study important?

Auditors' knowledge of client technology, or "technological proximity knowledge," has a significant impact on improving audit quality and reducing audit fees. By highlighting how understanding the specific technologies used by clients can lead to more efficient and accurate audits, the study underscores the need for auditors to develop technological expertise above and beyond traditional industry or product market boundaries. The findings advocate for audit firms to foster an environment where technological knowledge is actively developed and shared among auditors, thus enhancing the overall quality and efficiency of audits in an increasingly digital business landscape.