

Original Article

The Impact of Artificial Intelligence on Accounting and Auditing Practices: Opportunities, Risks, and Regulatory Challenges

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This article explores the increasing role of artificial intelligence in accounting and auditing, focusing in particular on the opportunities, risks and challenges for regulation in today's professional and institutional context. AI is redefining the essentials of accounting and auditing by facilitating automation, continuous monitoring, anomalies detection, predictive analysis, and broadening decision support which ultimately strengthens efficiency, coverage, and the quality potential of financial reporting and assurance streams. INFO Researchers at the same time have identified massive challenges with regards to data quality, model opacity, algorithmic bias, cybersecurity, professional judgment, documentation, accountability, and regulatory compliance with the use of AI. Global standard-setting and regulatory dialogues have recently turned to the implications of AI for audit quality, the quality management system (QMS) in response to technological change, and the competence of auditors, and expectations that existing standards are appropriately future-proofed for a changing technology landscape. This paper adopts an analytical and interdisciplinary approach based in accounting, auditing, governance and regulatory scholarship to assess the impact of the AI revolution on accounting operations, audit practices, systems of internal control and professional roles. It also examines if the current regulatory and institutional approaches are adequate enough to tackle challenges posed by AI-driven systems within assurance environments. While AI in accounting and auditing has many advantages, the article emphasizes that success will still rely on sound governance frameworks, human in the loop for oversight, proper documentation and transparency, ethical safeguards, and regulation that can flexibly adapt. The study therefore concludes that the future of AI in accounting and auditing is not one where professional expertise is fully replaced by technological capability, but a hybrid model that accommodates professional skepticism, accountability and public-interest regulation.

Keywords: artificial intelligence, accounting, auditing, audit quality, regulatory challenges, automation, financial reporting, professional judgment

Introduction and background related to the study

AI represents one of the most significant recent developments in business, transforming the way accountants and auditors work through gains in efficiency and analytics, but also posing new challenges to assurance, accountability, or governance as systems of financial reporting, audit testing, fraud detection, and risk assessment now routinely integrate AI technologies ranging from machine learning and generative AI, to robotic process automation (RPA) and advanced data analytics (International Federation of Accountants [IFAC], 2023; Kokina & Davenport, 2017), and for purposes of this study AI in accounting and auditing can be broadly described as intelligent systems process large volumes of structured and unstructured financial data on the basis of patterns learned with sufficient variability that they can assist or perform aspects of the professional judgment process, whereby we further distinguish between assistive AI systems, which augment human decision-making (e.g., anomaly detection tools used by auditors), and autonomous AI systems, which independently generate outputs or recommendations with limited human intervention, with the latter raising greater concerns regarding transparency,

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explainability, and control (Brynjolfsson & McAfee, 2017; Issa, Sun, & Vasarhelyi, 2016), alongside the rapid increase in deployment of the technologies in core accounting functions automated bookkeeping, real-time reconciliation, predictive financial analytics, continuous auditing, and full-population testing of transactions indicating their ability to enhance accuracy, reduce manual errors, and expand audit scope beyond traditional sampling methods that increasingly widespread adoption of AI-enabled audit tools by large accounting firms is resulting in the incorporation of data analytics into audit methodologies (Davenport & Kirby, 2016; Vasarhelyi, Kogan, & Tuttle, 2015), and despite the positive features, AI also presents clearly negative issues such as algorithmic bias, data security vulnerabilities, lack of transparency in audit trail, overreliance on automated outputs, and difficulty in assigning responsibility for AI-driven decisions, creating a tension with traditional frameworks of professional accountability and regulatory oversight (Makridakis, 2017; Sutton, Holt, & Arnold, 2016), with this dualistic nature of AI elevating its centrality in policy and regulatory debates above those expected, national standard-setting bodies and audit regulators are increasingly announcing that emerging technologies are impacting on audit quality and that clear standards, documentation, and updated professional competence may be an emerging necessity, otherwise innovation risks undermining public trust in financial reporting and assurance systems (Public Company Accounting Oversight Board [PCAOB], 2024; IAASB, 2023), and within this context the problem addressed by this study can be formulated by asking whether AI will prove to represent only a short-term change, or whether its features will drive a transformation of the accounting and auditing practice, changing the institutional arrangements and thereby the implications for governance, assurance, and transparency, and accordingly the aim of this study is to examine the impact of artificial intelligence on accounting and auditing practices, and assess how its adoption reshapes opportunities, risks and regulatory frameworks, guided by the questions of how AI is then transforming accounting and auditing processes; what opportunities it creates for efficiency and audit quality; what risks it poses to accountability and governance; and how adequate current regulatory responses are, together the thesis is that while AI enables increased technical capacity and efficiency of accounting and auditing systems, their overall effectiveness will depend on the development of governance mechanisms, human oversight and adaptive regulatory frameworks that can sustain transparency and accountability, with the scope of the study being restricted to an overview based on qualitative analysis of secondary literature and institutional reports regarding the relevant AI applications and regulatory developments in accounting and auditing, without the application of extensive primary empirical testing, thus representing a limitation, yet this approach ultimately allows for a comprehensive synthesis of current trends and theoretical insights in all of the relevant details in this rapidly evolving domain.

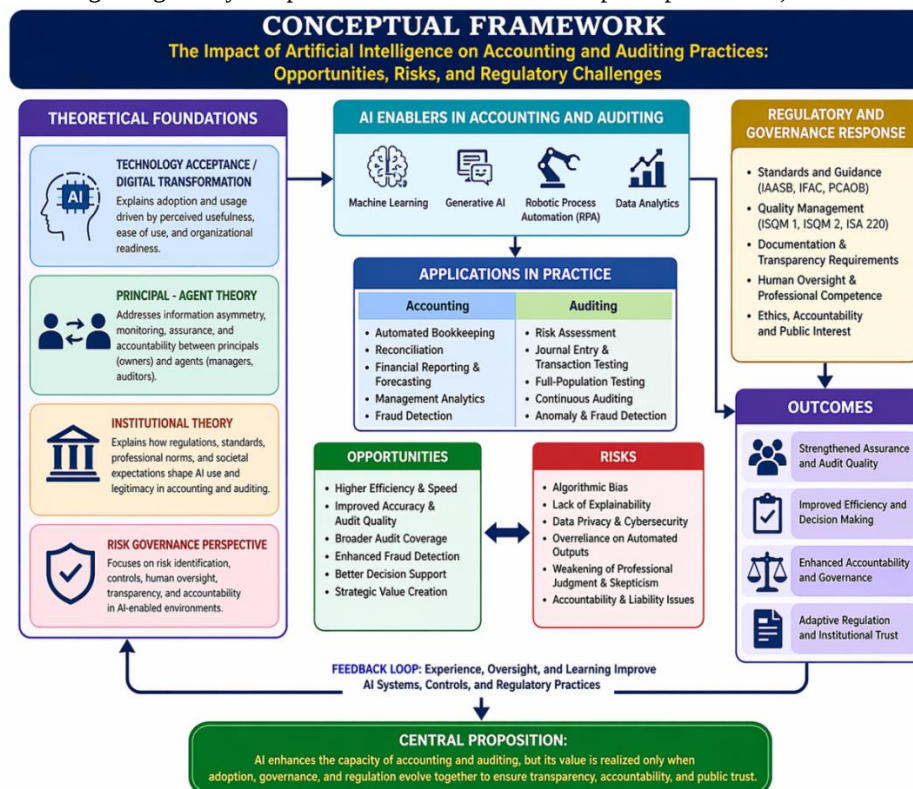
Review of Literature

The effect of artificial intelligence on accounting and auditing literature has proliferated across several interrelated domains, starting with scholarship on digital transformation in accounting, which has demonstrated how data-driven systems, robotic process automation, machine learning, and more recently generative AI are changing bookkeeping, reconciliation, reporting, forecasting, and managerial decision support by pushing the profession from an operational focus on routine transaction processing towards analytical and advisory functions and scholarship in this stream consistently highlights efficiency, productivity, and real-time data processing, as well as the integration of large-scale structured and unstructured information into accounting workflows (Kokina & Davenport, 2017; Sutton et al., 2016; IFAC, 2026), and this has a direct connection with the burgeoning literature on AI in audit methodology, whereby both scholars and professional bodies identify how AI-enabled tools can underpin question development, background knowledge, risk assessment, anomaly detection, journal-entry testing, full-population analysis, and continuous auditing, with recent US regulatory discourse even contending that AI-based testing of 100 percent of journal entries might, in certain contexts, provide broader coverage than traditional manual sampling, despite concerns over documentation and inspection expectations (Issa et al., 2016; Munoko et al., 2020; PCAOB, 2024), whilst automated internal control literature explains that automation can strengthen monitoring, exception reporting, and control testing, but it can also introduce new control vulnerabilities when organizations become reliant on opaque models, weak data governance, or poorly overseen system outputs, thus shifting internal-control risk from manual execution errors to model-design, access-control, and validation failures (Vasarhelyi et al., 2015; IAASB, 2025), and a key adjacent stream focuses on professional judgment and skepticism, arguing that while AI can enhance auditors' cognitive reach, ultimately the core audit function relies on human evaluation, independence, and skepticism, and none of which can be fully delegated to automated systems and still retain the assurance function capability, a concern supported by recent experimental studies also demonstrating that AI use may impact perceived independence and judgment in auditing contexts (Publications AAA, 2025; PCAOB, 2024), whereas ethics, transparency, and explainability literature emphasize algorithmic bias, black-box decision structures, accountability gaps, and the difficulty of justifying conclusions reached by complex systems under high-stakes financial environments, making both explainability and traceability central to any claim of trustworthy deployment (Makridakis, 2017; Warren, Moffitt, & Byrnes, 2015), the centrality of these issues is reflected in the literature on regulatory and governance challenges where current international debate increasingly frames AI as a transformative but governance-heavy development for finance, accounting, and assurance, which is consistent with how IFAC's recent AI resources, IAASB's 2025 Technology Quality Management Workstream, and PCAOB's 2024 regulatory speech convey that the existing technology-neutral approaches may no longer able to provide sufficient guardrails for emerging AI uses in audit quality management and public-interest oversight (IFAC, 2026; IAASB, 2025; PCAOB, 2024), and whilst literature on the future of the accounting profession largely agrees that AI will not eliminate accountants and auditors so much as reconfigure the requisite skill sets needed toward data literacy, systems oversight, ethics reasoning, and strategic interpretation, the literature is relatively weaker in hosting an integrative analysis that links accounting practices, audit quality, governance design, and contemporary regulatory developments within a single, explanatory framework, which is

precisely the gap that the present study addresses by Synthesising these strands into a unified assessment of opportunities and risks and regulatory challenges.

Theoretical Framework

The theoretical foundation of the study is most robustly drawn from an integration of principal–agent theory and institutional theory, since AI in accounting and auditing modifies both the mechanics of monitoring relationships and the institutional rules that underpin trust, legitimacy, and oversight, but where technology acceptance/digital transformation perspectives (e.g., why firms, auditors, and finance professionals implement specific AI tools such as machine learning models for anomaly detection, robotic process automation for reconciliations, generative AI for drafting and summarization, and analytics platforms for full-population testing namely that these technologies promise efficiency, scalability, speed, and richer decision support and recent professional commentary from IFAC on how AI is reshaping not only accounting tasks but also the skill profile and strategic role of the profession itself, increasingly defining accountants as designers, governors, and interpreters of intelligent systems rather than purely manual processors of financial information) enrich the conceptual framework for the study. Principal–agent theory is particularly relevant for two reasons: first, accounting and auditing exist to alleviate the agency problem between principals (shareholders, boards, creditors, and regulators) and agents (managers and corporate executives), with auditors representing independent assurance mechanisms within the principal–agent relationship; in this area, AI can contribute to better monitoring by spotting unusual journal entries, identifying risk patterns, and widening testing coverage, but it también creates new agency problems if through opaque models, vendor-controlled systems, or poorly documented output principals find it harder to verify how conclusions were made or who to blame when errors, biases, or poor judgments occur, an issue the PCAOB has recently explicitly linked to questions on audit quality, regulatory clarity, and investor protection. The use of AI in accounting and auditing is not only driven by efficiency considerations but also by a broader institutional environment that consists of standards, inspection regimes, norms, education systems, and expectations of legitimacy (Albu et al., 2024) and, for this reason, bodies such as the IAASB stated that a dedicated body of work on Technology Quality Management (IAASB, 2025a) practice on the application of ISQM 1, ISQM 2 and ISA 220 (Revised) to emerging technologies, including AI tools that are complex, opaque, or otherwise difficult to explain (IAASB, 2025b; Albu et al., 2024) and global roundtables in 2025–2026 on the governance, risk management, trust, and consistency in the use of AI-enabled tools in engagements. Which from a risk-governance sense means that AI must be viewed as not just a productivity tool but as a contributor to model risk and data-governance risk and potential cybersecurity exposure and explainability challenges and professional-liability concerns that require human oversight and documentation and control structures (and therefore the following central theoretical claim of this study: AI’s impact on accounting and auditing is best understood when we also treat it as a monitoring technology and an institutional governance challenge, so that its success should be assessed not only by referring to its adoption and efficiency gains but by whether it strengthens assurance quality, public accountability, and nesting in regulatory and professional frameworks that uphold public trust).



Above diagram showing Conceptual Framework related to the study

Research Objectives

1. To examine how AI is transforming accounting and auditing practices.
2. To identify the major operational and strategic opportunities created by AI adoption.
3. To evaluate the principal risks associated with AI-enabled accounting and audit systems.
4. To assess current regulatory and professional responses to AI in audit and accounting contexts.
5. To propose a framework for responsible and effective AI integration in the profession.

Research Questions

1. How is AI changing accounting and auditing processes in contemporary organizations?
2. What opportunities does AI create for efficiency, accuracy, and audit quality?
3. What risks does AI introduce for professional judgment, compliance, ethics, and governance?
4. Are current auditing and regulatory frameworks adequate to govern AI-enabled practices?
5. What reforms are needed to ensure trustworthy and accountable use of AI?

Methodology related to the study

The first in the paper is a qualitative analytical design, with potential later transgression into a mixed-method if primary empirical evidence such as surveys, interviews or firm-level case data is appended, because the current inquiry is more about interpreting than measuring a narrowly specified causal effect and therefore the methodological core should consist of document analysis of professional standards, regulatory speeches, official guidance, and institutional publications, coupled with a systematic review of academic studies and a targeted analysis of materials issued by IFAC, the IAASB and audit regulators such as the PCAOB, as these bodies are currently issuing some of the most influential and current material on how AI is impacting audit quality, quality management, professional competence, and regulatory expectations in assurance environments as evidenced by IFAC's 2026 AI and technology knowledge resources and technology matrix continuing to frame AI as a major profession-wide transformation affecting finance, accounting, education and audit practice, the IAASB's Technology Quality Management Workstream launched June 2025 to explore how firms are applying ISQM 1, ISQM 2, and ISA 220 (Revised) to emerging technologies particularly AI driven tools that are driven by an opaqueness or interpretational difficulty, and the IAASB's turn in December 2025 to develop non-authoritative support materials to support more consistent and effective implementation of quality-management standards to emerging technology, and the PCAOB's 2024–2026 outreach and policy discussion spotlighting both the promise of AI to enhance audit coverage, and the threat that an indistinct standard or inspection expectation will stifle productive innovation, including its illustrative consideration of AI-based testing of 100 percent of journal entries and its staff observations on the integration of generative AI in audits and financial reporting. Accordingly, the study should be conducted in three connected steps: (1) mapping the key AI technologies relevant to accounting and auditing, namely machine learning, robotic process automation, generative AI, and data analytics and the key applications within bookkeeping, reconciliation, fraud detection, risk assessment, audit testing, and professional judgment (2) assessment of the opportunities and risks of the identified applications, and (3) an assessment of whether and how current institutional and regulatory responses are needed to increase transparency, accountability, and audit quality, with optional case illustrations drawing from key audit practice or firm use-cases are added to strengthen real-world relevance, although the methodology is limited to secondary and institutional sources rather than first-hand fieldwork, constraining the contribution to policy-relevant, theory-informed synthesis of current trends rather than a statistically generalizable empirical test.

AI Applications in Accounting Practice

Framed here as the functions identified (risk assessment, journal entry testing, full-population testing rather than sampling, continuous auditing, fraud detection, going-concern analysis, documentation and workflow support, and quality-management and review support), and which sit most squarely at the intersection of accounting information systems and audit practice, artificial intelligence is increasingly being adopted to analyze big data sets of transactional data to both identify anomalies, and high-risk balances and assertions that then direct a professional auditor to the highest risk areas to focus on automated elements of working-paper preparation to support reviewer oversight, shifting professional work away from routine manual inspection of evidence toward data-intensive, model-assisted assurance procedures, and this development is recently now considered by both the profession and regulators as one of the most important practice changes affecting audit methodology in light of the nature of IFAC's recently released technology resources referring to AI as a significant 'transformation across finance, accounting and audit' and the IAASB's Technology Quality Management initiative providing a primary focus on how firms are applying quality-management standards to more complex, opaque, or difficult-to-interpret emerging technologies, specifically AI tools. Specifically, AI enhances risk assessment by scanning structured and unstructured client data for unusual trends, control deviations, and high-risk accounts; journal entry testing by identifying unusual postings, timing anomalies, user-pattern irregularities, or suspicious field-combinations that may signal override or fraud; the ability to execute full-population

tests instead of traditional sampling by processing entire datasets at scale; continuous auditing by facilitating near-real-time monitoring and exception alerts; fraud detection through anomaly-recognition models; going-concern analysis by blending predictive indicators with pattern-based forecasting; and documentation, workflow, and quality review through automated summarization, organization, and reviewer support, with recent academic work also pointing to AI-enabled use in high-risk account identification, automated internal-control tests, and anomaly detection via journal entries, as well as real-time dashboards for tracking control deviations. A particularly salient and contemporary example comes from the PCAOB's 2024 regulatory outreach, which explicitly references the example of an audit firm using an AI model that tests 100% of journal entries instead of relying solely on traditional manual sampling, noting that inspectors could see such full-population testing as a benefit (increased audit coverage), but also cautioning that vague standards and expectations regarding acceptable AI-based audits, model documentation, and evidential sufficiency create inspection compliance uncertainty which implies that the benefits of AI in audit-related accounting practice are not purely a function of technical capability but are mediated by governance, documentation quality, human oversight, and regulatory clarity.

AI Applications in Auditing Practice

Despite the heading describing machine learning applications in auditing, specific functions recognized here, such as bookkeeping and transaction classification based on AI technology, accounts payable and accounts receivable automation, predictive analytics and forecasting, fraud detection and anomaly detection, financial reporting support, and management accounting and strategic decision support, and tax analytics and compliance automation (IFAC 2023a; IFAC 2023b) are more appropriately understood as AI applications in accounting practice with important downstream ramifications for auditability, assurance quality, and internal control: in part because AI, machine learning, robotic process automation, and analytics tools are increasingly embedded within contemporary accounting systems to classify high volumes of transactions (Tavakol et al. 2021; Lukvan et al. 2022), automate invoice capture and payment workflows (Yakhine et al. 2022), and reconcile ledgers, support forecasting models (Slavin 2012; Khadikar et al. 2023), detect suspicious or unusual entries (Krahl and Vasarhelyi 2014), and automatically generate reporting drafts (Jansen et al. 2022); changing the evidentiary environment in which auditors later seek to assess risk, controls (Glover et al. 2014), and financial statement reliability (Hayes et al. 2021), and in part because the recent AI resources released across the profession by IFAC identify AI as a major upheaval across finance and accounting practice and emphasize its increasing significance in terms of process automation, decision support and redesign of professional work (IFAC 2023a; IFAC 2023b). Specifically, automated bookkeeping and transaction classification (reducing manual posting effort, standardizing coding logic); accounts payable and receivable automation (accelerating invoice processing, matching, collections, and exception handling); predictive analytics and forecasting (budgeting, cash-flow estimation, and trend analysis); fraud detection and anomaly identification using pattern-recognition techniques to flag suspicious entries, duplicate payments, unusual vendor behavior, or timing irregularities; financial reporting support (drafting, reconciliation, and disclosure preparation); management accounting and strategic decision support (AI-driven dashboards, scenario analysis support); and tax analytics and compliance automation (transaction classification, detection of filing risks, and compliance workflow improvement) to enhance speed and scale but increasing dependence on data quality, model governance and oversight. Recent scholarly research also suggests that since 2018, the research on AI-, RPA- and digitally-assisted accounting systems has exponentially increased, confirming that these applications have evolved from being peripheral to becoming integral to the emerging architecture of accounting practice. Secondly, auditing has a strong public-interest focus, and existing regulators such as the PCAOB have pointed out that AI is already finding its way into audits and financial statements and will likely require additional guidance, higher standards, and greater expectations related to documentation, transparency, and model use; therefore, AI in accounting practice cannot be viewed merely as a generator of efficiency gains but must be examined in terms of its impact on control reliability, traceability, professional judgement, and evidence quality for assurance purposes.

Opportunities Presented by AI

A brief historic perspective Recognizing the opportunities AI presents—in terms of increased efficiency and speed, accuracy (to reduce routine error), audit coverage (to scope out new areas and populations for scrutiny by the accountant or auditor), fraud detection (to strengthen enterprise risk management systems, leading to better identification of anomalies), predictive and analytical capability (to empower stakeholders to use data to identify patterns of economic activity), strategic reporting (to support narrative explanations in aid of AR) and ultimately, AI enables organisations to scale by providing an infrastructure that combines fast, predictable analytical capability with structured and easily analyzable complex datasets—is already commonplace in both the profession and regulatory discourse as tools can automate routine tasks, such as transaction matching, reconciliation, journal-entry screening, document summarization and workflow routing, and this can free up the accountant/auditor to redirect effort to higher-value and activities requiring higher-value analysis and judgement, and where IFACs current resources describe AI as a profession-wide transformation that affects finance, accounting, and assurance and that is already reshaping both methodologies and the skillsets. Practically, AI enhances accuracy by decreasing errors when processing records manually and by applying consistent logic across large populations of transactions, and its capacity to process entire ledgers and high-volume documents provides a wider scope of audit coverage than traditional manual methods based

on extensive sampling; the PCAOB has recently illustrated this advantage by suggesting that AI-based testing on 100% of journal entries could be a superior determination than what is possible utilizing manual sampling techniques since it effectively provides more coverage, although it has also identified a need to articulate clearer standards and guidance regarding acceptable AI-based audit operations. AI significantly improves fraud detection and anomaly detection by performing data analytics through machine-learning techniques to help identify unusual patterns, suspicious postings, duplicate payments, unusual timing, or inconsistencies across structured and unstructured datasets (ACFE, 2023) and more recently, academic synthesis confirms that data analytics and AI is increasingly core to financial-statement fraud prevention and detection, particularly, where records are complex or high volume, limits of manual review increase (Omar et al., 2022). Outside of detection tasks, AI adds a more robust predictive and analytical capability by enhancing risk scoring, trend identification, forecasting, and scenario modelling, enabling more strategic reporting and decision support for finance teams and helping auditors focus on areas of higher risk; similarly, present professional comment emphasises the increasing importance of AI for audit approaches, internal analytics, and forward-looking planning. Combined, these developments demonstrate that the main value over and above speeding up automation that AI presents is to establish an environment for accounting and auditing that is both more scalable, data-driven, and analytically intensive — where much larger and more complex datasets can be evaluated with a greater degree of consistency and sophistication than historically possible, so long as governance, documentation, and professional oversight remain strong.

Risks and Challenges

In the wake of the PCAOB's recent outreach on generative AI in audits, which found that firms and companies are already adopting these tools while regulators are still determining whether additional guidance, standard changes, or other actions might be needed to deal with related risks, it is important to recognize that the risks associated with the use of AI in accounting and auditing are vast and multidimensional, far exceeding simple technology-adoption issues because AI systems can internalize algorithmic bias, suffer from opacity and lack of explainability, introduce data privacy and cybersecurity risk, create threats from overreliance on automated outputs, diminish professional skepticism, tamper with documentation and evidence, raise liability and accountability challenges, create skill gaps in the profession and have uneven access across firm sizes, all affecting audit quality, financial-reporting reliability and public trust. In particular, bias is a persistent issue because AI models can perpetuate biases inherent in the training data or in design assumptions, and tools that utilize complex or black box methods are often more difficult, if not impossible, for auditors and reviewers to comprehend, question, and support outputs in a manner that is consistent with standards for audit engagement evidence and exercise of justifiable professional judgment. Such issues are especially related to dependence, as the better and more convincing the output of artificial intelligence, the more likely it is that professionals will accept it without adequate skepticism, independent verification, or contextual evaluation, a risk that threatens the judgment underpinning assurance services. It is interesting to note how close in ranking data privacy and cybersecurity are to one another because deployment of AI typically is highly dependent on sensitive datasets and other platforms which makes them more susceptible to confidentiality breaches, access-control failures, and governance weaknesses, whereas documentation and evidential sufficiency becomes difficult when outputs are being generated as a result of opaque or evolving models which mean that there are no clear, reproducible audit trails.] The Architect Report on AI, ML and Data Privacy, 2023]. Institutionally, liability and responsibility remain unresolved, as responsibility may be diluted among the audit firms, software vendors, management, and/or individual professionals for inaccuracies or misstatements occurring based on AI-generated outputs and these challenges are significant enough that in June 2025, the IAASB launched its Technology Quality Management Workstream to investigate how firms are implementing ISQM 1 and ISA 220 (Revised) with respect to some with respect to emerging technologies, particularly complex, opaque, or hard to interpret and analyze tools, ultimately issuing roundtable feedback in 2026 on governance consistency and quality-management issues. Lastly, the profession is unequally prepared as IFAC's recently developed AI development resources focus on new competencies and technology literacy that its members should possess, while smaller firms might not have the resources, infrastructure, and technical support that bigger networks have access to, thereby making AI adoption uneven and capability gaps greater across the profession.

Regulatory and Professional Challenges

While major standard setters insist that existing principles-based requirements are sufficient to underpin emerging technologies, they acknowledge that AI raises new and evolving risks related to quality management, documentation, interpretability, and oversight that may require additional support materials, greater clarity of existing standards, or both (for example, the IAASB Tech Quality Management Workstream was launched in June 2025 to investigate how firms are applying ISQM 1, ISQM 2, and ISA 220 (Revised) to emerging technologies in its 2026 roundtable feedback and identified governance, consistency, and potential areas of uncertainty in the practical application of quality-management standards to AI-enabled engagements). Simultaneously, the PCAOB has made its case publicly that a solely technology-neutral approach may now serve as an "anchor" on innovation instead of a promotor of audit quality, noting examples such as the examination of full populations of journal entries via AI-based testing where the absence of clear standards and inspection expectations may discourage firms from utilizing wider and

possibly more efficient procedures (Inspections Blog Post - other comments about this here), while the PCAOB's 2024 outreach on generative AI, as applied in audits and financial reporting, confirmed that regulatory actions (e.g., guidance or standards changes) are being evaluated by the Board. These advances also highlight the continued necessity for human oversight and accountability, as even if AI provides greater analytical capacity, the responsibility for professional judgment cannot be offloaded to black box tools - stepping straight into the ethical and public-interest issues that IFAC education and ethics materials have repeatedly highlighted; even in application in technology-based settings, professional accountants continue to be expected to exercise skepticism and judgment in the public interest. NIAS 6: Different Audiences, Different needs, second area of challenges relates to documentation expectations and regulatory uncertainty, with firms needing to demonstrate evidence sufficiency, model governance, and reviewability without always having established benchmarks for acceptable AI use, while the demands for education and training are growing more acute, with PCAOB-linked recommendations focusing on the urgency for increased technology literacy in accounting curricula and IFAC resources increasingly framing AI competence as part of the future core skill offering from the profession. In short, the regulatory question is not very much about whether AI is applicable to audit and accounting work, but rather whether professional and oversight institutions can adapt in time to the pace of innovation to maintain audit quality and accountability whilst also continuing to build public confidence in the processes underpinning the provision of such services.

Comparative Regulatory Developments

A comparison of regulatory approaches regarding artificial intelligence as applied in accounting and auditing finds that divergence is happening between international standard-setting bodies, public company audit oversight authorities, and professional accountancy organizations in terms of balancing principle-based flexibility against the increasing call for specifically technology-based guidance, with the IAASB, to date, maintaining a principles-based stance through a broad application of existing quality-management and engagement standards to emerging technologies while recognizing the implementation challenges from AI tools especially those that are complex, opaque or difficult to interpret which is why the IAASB launched the Technology Quality Management Workstream (lead by a Canadian PSAB member) in June 2025 to investigate how firms are applying ISQM 1 and ISA 220 (Revised) to such tools and whether more non-authoritative support is required in the public interest. PCAOB adopts more interventionist and quasi-rule-seeking approach: From the public company audit oversight perspective, the PCAOB acknowledged the potential benefits of generative AI but has taken a more interventionist, quasi-rule-seeking stance. The Office of the Chief Auditor stated that it is "assessing the need for guidance, standard setting or other regulatory activities, such as requirements that result from significant increase in the use of generative AI and other technology-enabled tools in the audits and financial reporting" and a PCAOB speech by the Chief Auditor in 2024 expressly contrasted the potential benefits of performing AI-based testing on 100% of journal entries with the compliance uncertainty that is created when standards and inspection expectations do not clearly define an acceptable audit utilizing a validated technology such as AI. In comparison, the perspective of the professional accountancy body approach as demonstrated through IFAC's 2025–26 AI resources is wider, more focus on capability and clearing rather than direct enforcement, more on profession-wide transformation, education, tech literacy, and "real world" adaption across accounting, audit, and finance rather than mere technology governance, and placing AI as, on the one hand, an opportunity and on the other hand as a governance challenge professional accountants, professional accountancy organizations (PAOs). This is something of a difficult line to tread, and would probably be best complemented/informed by guidance (if not out and out dictates). A useful comparative for this comes from the UK Financial Reporting Council (FRC), which has just in the last couple of weeks issued hard practical guidance on AI in audit, including specifically on documentation expectations for AI-assisted journal testing and will produce separate standalone guidance on generative and agentic AI tools to firms in 2026, hinting at a somewhat more palpable effort to marry principle-based standards with operational guidance for firms. The upshot is that international bodies stay at a more principle/goal-based level, oversight regulators are trending toward more technology-ready, implementable and potentially prescriptive responses, and professional bodies focus on capacity-building and professional adjustment in practice, suggesting that the central comparative regulatory question is no longer if AI should be part of accounting and auditing or not but how different governance institutions transform common concerns around audit quality, accountability, and trust into separate regulatory answers.

Discussion related to the study

A discussion of this study reflects on the fact that the effects of artificial intelligence on accounting and auditing should be considered through a set of enduring trade-offs efficiency vs accountability; automation versus professional judgement; innovation vs regulation; scalability vs transparency; and technology adoption versus public trust because the very same tools that permit firms to automate document review, test larger data populations, identify anomalies with greater speed and clarity, and streamline workflows, also introduce governance pressures in the areas of explainability, evidential sufficiency, reviewer oversight, and decision responsibility, and that tension is now manifest in current regulatory and professional discourse as the PCAOB has contended that a historically technology-neutral

approach may no longer be sufficient in an environment in which AI is maturing at a 'break-neck speed' (2020, sec. Simultaneously, the IAASB's Technology Quality Management Workstream established in June 2025, is acknowledging that firms are adopting emerging technologies that may present as "complex, opaque, or difficult to interpret," and as such procedural efficiency cannot alone be regarded as a sufficiently reliable indicator of audit quality unless supported by robust quality management, human oversight, and public interest safeguards. This is where the importance of automation vs. professional judgment comes in: while AI will support analysis and scaling, it cannot replace the interpretive, skepticism and ethical accountability role of the auditor without potentially undermining the assurance function itself (recently made explicit when the International Federation of Accountants (IFAC) framed AI as a profession-wide transformation demanding new skills, governance capabilities, and careful adaptation across accounting and audit practice). The trade-off between scalability and transparency emerges with UK FRC's recent guidance, which makes no prohibition on using AI in audit, yet prioritizes documentation, governance, and practical controls for AI-assisted procedures ranging from the testing of journals to, most recently, generative and agentic AI tools. In sum, the conclusions reflect the observation that the integration of artificial intelligence into accounting and auditing can reinforce accountability and auditability only if efficiency gains are situated within a context of established guidelines, clear documentation, disciplined human oversight, and institutional mechanisms that can preserve public confidence over time rather than merely enhancing technical performance.

Recommendations related to the study

In order to avoid undermining rather than reinforcing the accounting and auditing practice with Artificial Intelligence, this study suggest the adoption of more rigorous AI governance frameworks within firms and professional institutions (e.g., formal model-risk controls, validation, data-governance protocols, approval workflows, periodic review mechanisms) as internationally existing standard-setting and regulatory activities generally show the consensus that, since AI in governance systems can only enhance quality and efficiency if embedded in more disciplined governance systems rather than being viewed as a plug-in capability (IAASB, 2025a; IAASB, 2026a), while also clear human accountability cannot be delegated, meaning responsibility for professional judgments, audit conclusions, and financial-reporting outcomes must always remain with qualified professionals and firms and not software vendors or opaque models which has been the frequent point in regulatory discussions on AI-assisted audit procedures, generative AI use, and expectations about AI-supported output (PCAOB, 2024a, 2024b) and therefore demands stronger documentation standards for AI-assisted judgments around model purpose, data inputs, testing logic, reviewer challenge, exceptions handling, and evidential sufficiency illustrated in the UK FRC's 2025–2026 guidance on AI in audit and on generative and agentic AI which explicitly connect documentation and professional judgment with audit-quality protection (Financial Reporting Council [FRC], 2025, 2026), and the profession should also undertake in ramping up auditor technology competence and updating professional education via curriculum reform, continuing professional development and practice in AI literacy, prompt discipline, model limitations, ethics, and skepticism as IFAC's (2025–2026) material increasingly frames AI capability as a required quality for the future-readiness of accountants and auditors instead of as an optional specialization (IFAC, 2026a, 2026b) and regulators should fashion more AI-specific guidance while not neglecting principles-based standards thus firms will be provided with clearer expectations for appropriate AI use, quality-management integration, and inspection readiness, especially regarding high-impact areas like full-population journal-entry testing and AI-assisted risk assessment (PCAOB, 2024b; IAASB, 2026b), and retain proportional oversight across sizes of firms as smaller and medium-sized practices may demand scalable implementation support instead of large-firm compliance models, an issue that is increasingly recognized in IFAC's AI resources for SMPs (IFAC, 2026a), and, finally, firms and standard setters should incorporate ethics and explainability more directly into the AI application as public trust in accounting and auditing not only depends on innovation and speed, but on the capacity to justify, review, and provide responsible governance over AI-supported outputs in the public interest (IFAC, 2026c; FRC, 2026).

Conclusion

The finding of this research is that whereas the question of whether the impact of artificial intelligence on the accounting and auditing professions is simply relevant is now moot, due to the fact that AI is already a powerful contemporary force in accounting and assurance by improving speed, analytical depth, workflow efficiency, and the ability to process large datasets at low cost, while also presenting serious risks dealing with opacity, documentation, oversight, professional judgement, and governance, the key now is not merely how we go about adopting AI as a technology, but rather how we go about governing its sweeping integration in a manner that will preserve audit quality, accountability, and public trust, and based on recent regulatory and professional developments increasingly suggesting that this calls for responsible institutional adaptation rather than basic technological adoption, the PCAOB has recently argued that "in an environment where AI is moving at 'break-neck speed,' traditional technology-neutral oversight may not be sufficient," even showing how AI-testing of 100% of journal entries could improve audit coverage while still being subject to uncertainty around regulatory standards and inspection expectations are uncertain, while in June 2025 the IAASB decided to indeed examine how firms are applying quality-management standards to emerging technology,

establishing a Technology Quality Management Workstream for firms carrying out audit and assurance services to improve the development and application of quality-management expectations for the use of technology like AI tools that may be complex, opaque, or difficult to interpret, and in December 2025 concurred to advance non-authoritative material that might more consistently support the application of these standards to AI and related technologies. IFAC's 2025–2026 resources at the similar time frames AI within the profession-wide transformation within the elements of finance, accounting, schooling, and audit practice, as offering each new alternatives and new risks for the profession, requiring higher competences, governance, and adjustment of education. Collectively, these trends bolster the core finding of the study that, for accounting and auditing, AI will contribute durable value only in instances where human accountability, authoritative audit trails, ethical safeguards, interpretability and quality-control rigor are institutionalized in a way that renders technological capability a complement and not a substitute to general skepticism(s) regarding the public interest, professional judgment, or the credibility of assurance at large.

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