



Effects of Auditor Dyads at the Upper Levels of Audit Teams

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DESCRIPTION

The factors that influence and are affected by the formation of dyads at the top level of audit teams, i.e., dyads between concurring and lead auditors. To hierarchically structured auditor dyads, designers apply the sociological theory of homophily, i.e., the implicit preference for similar others. Our regression analyses show that sharing the same gender and ethnicity, as measured by dialect, increases the likelihood of dyad formation above and beyond what would be expected based on the characteristics of the available auditor pool. We also notice that forming auditor dyads of the same age is avoided, implying that the need to establish a legitimate hierarchical relationship through social differentiation is a boundary condition for homophily. Designers discover that auditor dyads that speak the same dialect provide lower audit quality when using an instrumental variable approach to investigate the consequences of auditor dyad formation. Conclude that homophily is important in the formation of auditor dyads, with potentially negative implications for audit quality.

Investigates the factors that lead to the creation of dyads between concurring and lead auditors at the top of audit teams, as well as the implications for audit quality, using a mixed-methods analysis methodology. Similar to other reviewer-reviewee dyads within audit teams, the auditor pair of concurring and lead auditors is hierarchically organized. Lead auditors are in charge of planning, carrying out, and overseeing the audit on site while concurring auditors assess lead auditors' performance. Research on behavioral auditing has already examined how the design of the review process impacts the result. The creation of auditor dyads and its effects are not discussed, though. Previous archive auditing research has mainly disregarded potential factors affecting the formation and effectiveness of auditor dyads while concentrating on the effect of individual auditor characteristics on audit outcomes. We use archival and interview data to examine the development and cooperation of concurring and lead auditors as the first step in our inquiry into auditor dyads.

We adhere to the German custom of having the lead and concurring auditors sign the audit opinion. Social networks are shaped along lines of similarity in attributes, such as ethnicity, age, religion, education, occupation, and gender, by both choice-based and induced homophily. When individuals have the chance to get to know one another in a social situation, such as when they reside in the same area or work for the same organization, homophily-based relationships can develop.

An excellent institutional context for examining the part homophily plays in dyad formation is auditing. To begin with, sociology frequently concentrates on relationships with equal partners, such friendship or marriage. Contrarily, our interviews with seasoned auditors reveal that auditor dyads are hierarchically organized as reviewer-reviewee pairs. The literature on hierarchical organizational structure places emphasis on how crucial it is to prove that hierarchical differentiation due to distinctions in position or power is legitimate. A distinct division of labour is made possible through hierarchical differentiation, which enhances cooperation and coordination. This need may be incompatible with similarity-based interactions, which could reduce the importance of choice-based homophily. Second, there is a lot of regulation around auditing, and these regulations emphasize how crucial it is for audit team members to be competent and independent. An excellent institutional context for examining the part homophily plays in dyad formation is auditing. To begin with, sociology frequently focuses on the focus on these criteria and the more organized formation processes in comparison to other settings may lessen the impact of choice-based homophily, raising questions about the applicability of theory and earlier study findings. Use this in your auditing. Finally, within the organizational structure of an audit business, auditor dyads are formed. The number of prospective auditor dyad partners is constrained by the boundaries of this organizational unit. This situation enables us to investigate how choice-based homophilous tendencies are influenced by the number of auditors available in an audit firm or audit office.

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