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Literature Review: The impact of auditor interactions on audit quality

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I. Introduction

The judgment and decision-making literature in auditing largely focuses on individual auditor judgments. However, auditors do not work in isolation. They interact with other auditors in audit engagements and with other participants in the financial reporting process. For this reason, scholars have called for more research on how the people, tasks, and environment that auditors interact with influence their performance and hence, the audit quality of their work (Nelson & Tan, 2005; Trotman, Bauer & Humphreys, 2015). This review identifies three specific issues related to these influences that, we believe, warrant additional research and consideration. The first two issues relate to *between-auditor interactions within the audit firm*. The third issue relates to *interactions with groups outside the firm*.

Between-auditor interactions

One of the most prominent forms of interactions that occur *within* an audit firm, are those between junior and senior auditors. In fact, senior auditors are required to provide less experienced auditors with appropriate coaching or on-the-job training (IAASB, 2014). Given the potentially complex nature of audit engagements and junior's lack of familiarity in dealing with more complex audit matters, it is fairly common for junior auditors to start their career by mimicking a more senior person performing a similar job (Cannon, 2016). Yet, while learning through imitation seems to be an everyday practice, there is limited evidence on the impact of such mimetic or imitative behavior on the exercise of individual auditor judgment. The first objective of this research therefore is to examine the role of mimicking in senior-junior auditor relationships and its consequences for audit quality. In particular, we advance the argument that this imitation tendency may lead junior auditors to follow seniors' auditing practices styles, even when those practices are not always ideal. Moreover, one can expect that this tendency to imitate might become stronger when the stakes for the junior are high, such as when the junior is scheduled for a promotion in which the more senior person has a decisive voice. Therefore, we also consider promotion-based incentives as an important factor that may affect audit quality through mimicking. In doing so, we respond to Knechel et al.'s (2013) call for more research related to the way in which promotion policies within audit firms can influence individual auditor decisions.

Apart from interacting with their seniors, auditors interact with each other as peers in team audit assignments. These interactions can lead to process gains in terms of audit quality, but they can also lead to process losses. Prior research suggests, for example, that individual auditors may hesitate to raise potentially important audit issues because of group dynamics and the personal risk of doing so (Bennet & Hatfield, 2013; Kadous, Proell, Rich & Zhou, 2017). This issue becomes important as audit standards require a 'discussion' (IAASB 2016) or a 'brainstorming session' (AICPA 2002) among audit team members on whether a client's financial statements may be susceptible to material misstatement due to fraud, implying that the auditor has an obligation to alert the team to any relevant information. The second objective of this research builds on this and introduces the impact of herding behavior in the context of auditors' responsibilities with respect to fraud. In particular, we propose that reputation concerns and task ambiguity can at times lead auditors to ignore private information and copy the actions or opinions of others; that is, to herd. Such herding behavior can be particularly problematic when auditors fail to account for their private information in their judgments, even though standards of due care imply that auditors should incorporate and share such information in conducting quality audits.

<u>Interactions with groups outside the audit firm</u>

Concerning stakeholders *outside* of the audit firm, the auditor often interacts with the audit committee members and firm management. In fact, International Auditing Standards (ISA) require auditors to report to and discuss particular findings with management (CFO) or entities such as the audit committee that are responsible for financial reporting within the client firm. Among others, ISA 260 requires auditors to obtain information that is relevant to the audit from those charged with governance (TCWG) and to promote effective two-way communication between both parties. Similarly, ISA 265 stipulates that auditors should communicate deficiencies in the firm's internal control structure to management and TCWG on a timely basis. These standards, and the discussions originating from these guidelines, are highly relevant and important to achieve a high audit quality. However, during these discussions, sensitive matters can pop-up, which investors should disclose to external investors, but which the firm management may not want to have disclosed externally. Recent guidelines on the disclosure of critical audit matters (CAMs) require auditors to disclose more about what they learned during these discussions. Also such CAMs may contain sensitive matters that management may want to withhold. Not much evidence exists about how connections between the auditor and firm management, their audit committee members or shareholder pressures inhibit (or enhance) effective reporting of these CAMs. This is an important third pillar of our investigation.

Outline of the review

In what follows, we will elaborate on how the above-mentioned auditor interactions may compromise the quality of the audit, while at the same time identifying remedies of how these issues could be resolved. The theoretical and contextual background on the identified phenomena is discussed in section II. Section III illustrates the practical relevance of the topic and its consequences for audit practice. Special attention is given to imitation and herd behavior, which are both phenomena that can emerge in inter-auditor relationships, and can have a strong impact on audit quality. In addition, we discuss the dynamics of interactions between the auditor and external parties (e.g. shareholders, management), with a particular focus on the reporting of critical audit matters (CAMs) in relation to the auditor's tenure and the shareholders' involvement in the selection of the auditor. To conclude, section IV will synthesize the key take-aways and highlight the project's contribution to the existing literature.

II. Theoretical and Contextual Background

Individuals do not operate in isolation but rather in a broader social context in which they interact and influence each other. One practice that deserves particular attention in this regard is mimicry or imitation[1]. Essentially, these concepts relate to the reproduction of an observed behavior by an agent who recognizes the goal-directed nature of the behavior and has an interest in or, a concern for, adopting the precise technique used by the demonstrator (Tomasello, 1996, 1999; Fridland & Moore, 2015). As such, following a more senior experienced auditor plays an important role in people's learning process and tacit knowledge development, and junior auditors may use it as an effective strategy to acquire new skills (Bandura, 1977; Hopper, 2010). Furthermore, mimicry, conscious or unconscious, is vital to the establishment of interpersonal relationships (Chartrand, Maddux & Lakin, 2005; Lakin & Chartrand, 2003). In particular, automatic imitation behavior is said to function as a 'social glue' by increasing, among others, pro-social behavior and feelings of affiliation and liking between interaction partners (Kavanagh & Winkielman, 2016; Chartrand & van Baaren, 2009). Given its usefulness in daily life, it should not be surprising that people already start imitating from a very early age and increasingly do so over the course of their career (Nadel & Butterworth, 1999; McGuigan, Makinson & Whiten, 2010).

People's high commitment to imitate others has led many researchers to uncover the drivers of mimicry. Thorndike (1898) was among the first to highlight mimicry's usefulness as a way

[1] The terms mimicking and imitation appear interchangeably in this text and are, generally, used to describe individuals repeating an action or decision that others have taken.

to learn new abilities from other individuals by acting in the way they do. Such learning by imitation is practiced in the most varied sets of circumstances, from mundane everyday activities, to intricate organizational decisions. In particular, the recognition of learning processes as an important influence on work behavior (Manz & Sims, 1981) would mean that imitation would play an important role in knowledge-driven organizations or professional settings, such as audit firms. Via imitation, inexperienced hires can get acquainted with the skills and capabilities that are relevant for properly executing their professional duties. Moreover, research shows that people's motivation to imitate can be heightened by providing incentives, also in professional contexts. Stajkovic and Luthans (1997, 2001), for instance, remark in their field study that incentives are an effective modifier of employee behavior. Similarly, Bandura (1969) argues that an individual's behavior is a function of this person's expectation of the reward that will be obtained by engaging in that behavior, which advocates that behavior similarity with a 'significant other' increases as stakes become higher. As such, incentives such as a promotion opportunity can act as a motivator for imitation when people are a priori aware of the importance to ingratiate themselves with the significant other to obtain the reward associated with the mimicking behavior. This could arise when junior auditors for example feel that their senior expert colleague has an important influence on career advancement, and thus mimicking could be helpful for increasing the pace of their promotion.

Another human tendency that we wish to examine is the phenomenon of herding behavior. This phenomena of herding is important in audit settings as auditors often perform the audit with a team of colleagues. In its purest form, herding relates to a situation where everyone is doing exactly what everyone else is doing (Banerjee, 1992) and is closely linked to imitation (Kameda, Inukai, Wisdom & Toyokawa, 2012). By definition, herd behavior has two aspects: (1) imitating others and (2) discounting one's own information. Imitating others means that a person who is herding observes others and makes the same decisions or choices that the others have made. Discounting one's own information, in turn, means that, when herding, one may be less responsive to his/her own private information or beliefs. This would mean that individuals who herd may actually engage in the discounting of their own beliefs, where the underlying rationale is that they believe the others to have information that justifies their actions (Shiller, 1995). In this regard, herding also fits the idea of social learning (Bikhchandani, Hirshleifer & Welch, 1992) and can be argued to sprout from people's deeply-rooted social orientation. An interesting question is what exactly drives people to simply say or do what others do (i.e. to herd). An early experiment conducted by Asch (1956) shows that people tend to agree with a clearly erroneous majority view. Individuals often do so to avoid embarrassment or sanctions. In other words, people appear to be receptive to the thriving social norms, i.e. they know what is expected from them and act accordingly (Simon, 1990; Kameda & Tindale, 2006).

In fact, group membership seems to affect people's information processing through social projection (Ames, Weber & Zou, 2012). This happens to the extent that people disregard their own views to avoid flouting the group and, hence, secure their status and position in this group. These concerns are indeed present in an audit team setting where audit teams often form a strong cohesion. Especially individuals who end up in unfamiliar, ambiguous situations are more inclined to herd. Such situations are quite common in an audit context. Prior research has established that uncertainty is often the reason why people seek for social proof and imitate the actions of others instead of simply doing what they themselves believe is right (e.g. Cialdini, 2001). Conversely, experienced people who got more acquainted with particular situations over time are less likely to herd as they are typically more confident about their own views and can afford to make a mistake (e.g. Scharfstein & Stein, 1990). Put differently, there are indications that both environmental ambiguity and a person's knowledgeability or experience may contribute to the occurrence of herd behavior.

One last phenomenon that we consider is the willingness to communicate information with third parties. This aspect also occurs in an audit context where new regulation requires auditors to report on important audit matters (learned via interactions with management) through the outside world. Such reporting can be relevant for investors and the stock market. Whether a person, i.e. the auditor, is inclined to disclose the information acquired through daily interactions with other individuals, may depend on several circumstances. Social bonding, which develops when people frequently interact with each other over a longer period of time (Sanchiz, Ibarra, Nikitina, Báez & Casati, 2016) has been shown to have a negative effect on the likelihood that information about the other party is being disclosed externally. Such withholding of information to external parties can stem from the fact that over a longer time period (e.g. long auditor-client engagement), one starts to care more deeply about those with whom one is closely tied (e.g. Cocking & Kennett, 1998). These studies provide preliminary insights that one's tendency to disclose information is moderated by a wide array of aspects that can prevent auditors from disclosing important information about management to external stakeholders. The next part will seek to apply these concepts to an audit setting and highlight their relevance and applicability in this particular context.

III. Applicability to the Audit Setting

As outlined above, a financial statement audit takes place within a larger, social setting where auditors have to regularly interact with different people, i.e. with seniors, peers and third parties. The precise nature of the audit setting paves the way for social behavior to arise, which could impact auditors' judgment and decision-making.

An interesting question is whether auditors are likely to engage in imitation behavior when performing their job. We are specifically interested in the impact of imitation on audit quality and the potentially moderating role of promotion incentives. In an audit context, it is likely for junior auditors to mimic the senior auditors as the latter often function as role models or experts for juniors to learn from. Among others, Cannon (2016) argues that it is common practice for juniors to start their career as an auditor by means of mimicking a more senior person performing a similar job. Hence, the popular saying 'monkey see, monkey do' seems to occur in practice. Following Wedemeyer (2010), juniors' lack of direct on the job experience in making judgments that are required to complete the audit can be advanced as one of the key reason why senior lead auditors are important for people that start their career. Indeed, training and expertise on the job are important for audit firms to deliver high-quality audits (Francis, 2011; DeFond & Zhang, 2014). Remarkably, even though learning by imitation might seem innocent and desirable at first, it could have negative implications. Given that people mimic others as a way to develop new skills (see also, Yale University, 2007), undesirable outcomes are likely to emerge in case the role model has insufficient knowledge or does not apply sufficient diligence in his or her work. Imitation is important to study given the common practice at many audit firms where seniors are stimulated to share their working papers or to document their working style to enhance knowledge development among junior auditors. In many offices senior consultation is possible or documentation of past cases from the senior with whom the junior interacts, are available for juniors for checking. We argue that junior auditors may end up in adopting an inappropriate working style if the senior does not set the 'right' example. Not setting the right example could ultimately compromise audit quality.

Even though the international auditing standards (ISA) require auditors to exercise professional skepticism, which implies, among other things, the adoption of a questioning mind (IAASB, 2014), anecdotes suggests that this requirement may not always be satisfied in practice. In studies conducted by DeZoort and Lord (1997) and Lord and DeZoort (2001), auditors were observed not to be resilient to inappropriate influence pressure from superiors within the accounting firm, but rather to alter their behavior accordingly. In addition, Bruynseels and Van Brenk (2016) found that the style of a junior auditor's superior plays an important role in the review of the audit working papers, with junior auditors anticipating the way in which these will be reviewed by them. In a similar vein, Peecher (1996), Wilks (2002), and Shankar and Tan (2006) concluded that auditors are biased in their judgments when they are a priori aware of their reviewers' preferences. This, in turn, might practically translate into a deliberate alignment with the reviewer's anticipated judgment to please them. These practices could also be regarded as support for imitation's function as some sort of 'social glue' among individuals within this setting, with juniors trying to please and ingratiate themselves with their senior superiors. The tendency for auditors to do so is likely to be further reinforced in the presence of promotion incentives. That is, incentives alter people's behavior as they act as an extrinsic motivator (e.g. Stajkovic & Luthans 1997, 2001; Bandura, 1969). Taken together, it is likely that a senior's working style will have an impact on the average audit quality delivered by the junior as the latter will eventually adopt the former's way of working. In this respect, it appears logical that juniors exposed to the working style of a diligent superior, i.e. someone who rigorously applies all auditing standards and examines every detail, deliver a higher average audit quality compared to those that face a more commercially-oriented senior auditor. Ideally, juniors should abstain from blindly following for example a more senior expert auditor who is strongly driven by commercial considerations and hence, is willing to abstain from sufficient substantive testing to please the client. If they don't deviate and thus follow the style of the less diligent auditor, this can be regarded as evidence for imitation to have taken place. Promotion incentives are foreseen to act as a moderator of this effect. When the senior is important to the career advancement of the junior, mimicking behavior can be reinforced and, as such can even more strongly hamper audit quality when a wrong lead senior auditor is being imitated.

Herding is another practice that can further affect an individual auditor's behavior. Prior research shows the occurrence of herding of for example audit committee members, in which the audit committee herds and follows the auditor's judgement no matter what its own insights suggest (Schöndube-Pirchegger & Schöndube, 2011). In our study, we will consider such behavior in a setting where auditors interact and work with each other as peers in team audit assignments. We are especially interested in whether ambiguity and career or reputation concerns influence its occurrence, and aim to investigate the implications of herding for audit quality. In particular, as part of the fraud detection planning process, auditing standards require a discussion or brainstorming session between audit team members, including how and when the client's financial statements may be susceptible to material misstatement due to fraud (Trotman, Bauer & Humphreys, 2015). Because lower-level (staff) auditors likely possess valuable information that is known only to them from their close daily interactions with client personnel, it is important that these auditors are willing to share such information with other members of the team in order to arrive at accurate judgments. However, even though standards of due care imply that all team members have the responsibility to bring potential issues to the table, recent research has raised some concerns regarding the willingness of auditors to speak-up and to share privately known, fraud-relevant information (e.g. Gissel & Johnstone, 2017; Nelson, Proell & Randel, 2016, Bennet & Hatfield, 2013, Kadous, Proell, Rich & Zhou, 2017). More specifically, career concerns and their desire to safeguard their reputation can lead decision-makers to ignore private information and copy the actions or opinions of others: that is, to herd (Hong, Kubik & Solomon, 2000). The underlying idea is that voicing problems or a desire to change the status quo is risky. Following the literature on reputation-based herding, we advance the argument that this may lead individual auditors to follow others' opinions, even though their private information suggests something quite differently. Audit engagements where some individual auditors have important fraud-relevant information about the client, but the team's consensus is that the likelihood of fraud is low at the client firm, are particularly at risk when herding behavior would occur. Existing studies yield little insight on the impact of team consensus on individual auditor judgments. The aim of this study is to shed light on these issues and in particular to investigate how learning about the team's consensus would influence individual auditors' tendency to incorporate own private information in their judgments.

The literature suggests that some characteristics pertaining to either the individual auditor or the working environment may weaken or strengthen the auditor's tendency to herd. Generally speaking, one can expect that an auditor's propensity to herd varies over different stages of his/her professional life. Herding theories suggest that younger professionals face more reputation concerns and therefore should take fewer risks in their judgments (Hong et al., 2000) compared to their more experienced, senior peers. Indeed, auditors possess increasing levels of professionally relevant task knowledge as they advance in their careers (Gissel & Johnstone, 2017). As such, the less-knowledgeable auditors have a greater incentive to herd as they believe not to have superior insights and consider the consensus to be more accurate than their own judgment. In this regard, herding provides a reasonable strategy to avoid damage to their reputations resulting from 'bucking the consensus', especially when it turns out that their judgment was incorrect or unwarranted (Brazel, Jackson, Schaefer & Stewart, 2016). On the contrary, going against the consensus may not be so risky for more-knowledgeable auditors who might be better able to justify their judgments. In fact, competence or expertise could help people take credit when they succeed and sometimes provides protection against blame when they fail. That is, experts can, attribute failure to chance whereas attributing success to knowledge (Evgeniou, Fang, Hogarth & Karelaia, 2013). Apart from experience, herding theories also suggest that uncertainty is another important factor that may affect an individual's likelihood to herd (Sun, 2013). Given that ambiguity is pervasive in many complex audit matters and in the audit of riskier clients (Brown-Liburd, Issa & Lombardi, 2015), herding and its implications for audit quality are important for the profession to consider. Our goal is to investigate the joint effects of auditor knowledge and issue ambiguity on auditors' herd behavior in fraud assessment tasks.

Finally, a last issue that deserves particular attention is auditors' willingness to disclose novel information that they discover at the client firm, and specifically the impact that shareholder involvement and auditor tenure have on this decision. Investigating this phenomenon is particularly relevant in the wake of the relatively new audit reporting standard that requires the communication of critical audit matters (CAMs) by auditors. The underlying idea is that the auditor contributes in the provision of more information to investors and the public. As defined in the PCAOB standard and related amendments a CAM is any matter arising from the current period's audit of the financial statements that was communicated or required to be communicated to the audit committee, and that (1) relates to accounts or disclosures that are material to the financial statements, and (2) involved especially challenging, subjective, or complex auditor judgment. CAMs should provide investors and other users of financial statements additional insight into the underlying key judgments that a company's outside auditor made. The reporting of these CAMs should reduce the information asymmetry between investors and auditors, which in turn should reduce the information gap between investors and the management about the company's financial performance and lead to more efficient capital allocation (PCAOB, 2017).

With the introduction of CAMs, however, firm managers and their audit committee members expressed serious concerns about the fact that the auditor may be in the position of communicating original information about the company that is required to be communicated to management and the audit committee, that should not be externally communicated? Such information may include corrected or uncorrected misstatements, qualitative aspects of significant accounting policies and practices, possible violations of law or regulation, independence considerations, disagreements with management, delays encountered in the audit, competency issues of management, etc. Commenters on the initial proposal standard therefore argued for excluding certain required audit committee communications from the source of CAMs. These communications relate to sensitive areas and may result in the auditor communicating information to shareholders that the company may not want to disclose yet. The final standard, however, does not exclude any required audit committee communications from the source of CAMs. To the extent that any such communication meets the CAM definition, the PCAOB believes it will be an appropriate subject for an auditor to communicate as a CAM. As a result, the extent to which the communication of CAMs results in the disclosure of information that is not disclosed by the company will largely depend on the auditors' decision.

Given the reasonably subjective nature of this process, the question raises whether there are elements that affect auditors' likelihood to disclose novel information in CAMs. Prior auditing research provides reasons to suspect that longer tenured auditors will not report new information compared to what management intends to disclose in the financial statements. In particular, studies have shown that when auditor tenure becomes very long (more than 9 years), circumstances might arise that cause auditor independence to decrease and audit quality to deteriorate (e.g. Bell, Causholli & Knechel, 2015; Brooks, Cheng & Reichelt, 2013). In a similar vein, recent evidence shows that auditors with extensive experience that repeatedly interact with the same client are more likely to overlook CEO fraud cues (Hobson, Mayew, Peecher & Venkatachalam, 2017). One argument is that longer tenure can create a strong social bond, which might cause the auditor to place undue reliance on client inquiries or findings from prior audits. A long tenure with a big client could also create strong economic bonding which can motivate auditors to shirk or to become less sceptic (Bell et al., 2015; PCAOB, 2011).

Furthermore, shareholder involvement in the selection of auditors is another aspect that may have an effect on information disclosure by the auditor and on audit quality. While the Sarbanes-Oxley Act made audit committees formally responsible for the selection and compensation of the external auditor, evidence indicates that even in the post-SOX era, managers exercise significant control over the hiring and firing of auditors (e.g. Cohen, Krishnamoorthy & Wright, 2010). If managers retain significant influence over auditor selection, then auditors may be more likely to go along with the preferences of managers (Saul, 1996). However, when companies put auditor selection to a shareholder vote such pressures can be strongly reduced (Dao, Raghunandan, and Rama, 2012). Yet big shareholers may still have some incentives to prevent that information is shared to the public. As such, shareholder involvement and auditor tenure are two important elements to consider in evaluating CAM reporting and its effect on audit quality.

IV. Conclusion and Contribution

The purpose of our research is to shed further light on how interactions with seniors, peers and external clients can affect audit quality. In doing so, we provide several contributions to the academic literature. While clearly important for the audit profession that relies on juniors learning from seniors, research focusing on the potential detrimental effect of imitation behavior, and audit quality specifically, remains largely absent. Moreover, while many audit engagements require individual auditors to share crucial information related to an fraud, no research to date has specified and empirically examined herd behavior that prevents auditors from sharing that information (to not disturb the group consensus). Understanding these effects is important because herding may prevent that important fraud cases remain undetected. As such, investigating these phenomena and the underlying dynamics is highly important as to provide practitioners and regulators. Our research can improve novel insights on how interactions should best be structured such that negative effects of imitation and herding are less likely to occur which in turn can secure the quality of the audit. The research project thus offers an important first step in answering to the call for more research on how people, tasks, and the environment the auditors interact with influence audit task performance (Nelson & Tan, 2005; Trotman et al., 2015). More broadly we address some of the concerns raised by the European Commission in the wake of the Green Paper that was issued in 2010 and aligns with the IAASB's (2017) request for more research to aid in the development of new standards to improve audit quality. In particular, we aim to contribute to a better understanding of the behavioral phenomena behind audit quality and offer practical guidelines to better structure interactions at the audit offices that can help to improve audit quality. Thus, not only is our intention to identify these phenomena, but also to highlight potential interventions that could be implemented to enhance audit quality.

Specifically, recurring aspects which have been identified as influencing audit quality are: tone from the top and role model behavior, the quality of supervision and training, team interactions, and the extent to which the firm promotes an environment that favors speaking up about potential issues. In this context, we highlight the role of imitative and herding behavior which, in some cases, could be detrimental for the delivered audit quality. Especially if senior auditors acting as a role model do not set the 'right' example, or if individuals in a team are following 'the wisdom of the crowd' rather than voicing their own opinions, quality might be undermined. It is important for audit firms to recognize these phenomena, such that they could also install procedures to prevent audits from being affected by ineffective modelling or herding behavior. Developing expert knowledge databases in which multiple working papers can be consulted, might help to reduce this mimicking or herding behavior and may potentially increase audit quality. Also, rotating of juniors to different seniors may reduce the tendency to imitate. That is when receiving information about various styles on how to properly conduct the audit or by being exposed to best practices of expert colleagues, people may more confidently develop their own working style when confronted with a particular audit matter. To reduce herding behavior offering a climate where it is ok to speak up (e.g. what type of role models initiate a culture of speaking up) may help to safeguard the quality of the audit. Herding can also be reduced when cohesion of the majority is less strong. The role of diversity in audit teams may be important to consider. Also the team leader might also have a big influence to the extent to which herding behavior can occur. If he or she is open to listen or value any (even less valid opinions), herding behavior might be less likely to occur.

Finally in the past, concerns were raised that the auditor's standard report does not, but should provide information regarding the critical judgments used by the auditor in developing and supporting the audit opinion for a particular client firm. In response, international standards setters now require auditors to communicate CAMs in the auditor's report for audits of financial statements of listed entities. However, in the light of these standards managers of companies and audit committee members start to worry that the auditor may externally disclose information about the company that is mainly required to be only communicated internally. In this respect, our intention is to inform this debate by investigating how auditors make decisions in reporting CAMs and how they are influenced by social bonds with management or pressure by shareholders to not disclose information to the capital market. The outcome of this project is expected to provide insights on how the audit environment can aid decisions to report original information where it is needed or prevent such information from being disclosed when undesired and what actions can be done to mitigate concerns that such reporting of CAMs is too much influenced by management or shareholder pressures.

Our research is guided by issues that are highly relevant to the audit profession. Not only can the discussed behaviors have a potentially devastating impact on key audit tasks, they are also highly likely to occur in practice given the nature of the audit profession. Interactions between colleagues, consultation of senior experts, how auditors interact with clients, and how they deal with pressures from the environment in which they interact, can have an impact on how auditors make important decisions and on whether or not to reveal or withhold information that might be important for the audit. Raising awareness of the identified issues relating to auditor *internal* and *external* interactive relationships would allow for improvements in the quality of auditor judgments and their decision-making. Our recommendations that we plan to derive from our studies can thus have an impact on the audit quality as such.

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