

# LITERATURE NOTE

## Can Prior Consultation with Specialists Backfire on Auditors?

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### KEY TAKE-AWAYS

Auditors often limit specialist involvement due to concerns about budget overruns, deadlines, and client relationships. Treating this as an outsourced task severely hinders effective knowledge sharing.

Having strong team identities or social bonds creates a dangerous trust. Auditors might overly rely on advice and fail to objectively assess its quality. A weaker team identity actually promotes better professional skepticism.

Relying too heavily on colleagues for explicit knowledge has negative consequences. Excessively seeking out common information that is readily available elsewhere negatively impacts job performance.

The new FAR study demonstrates that prior consultations can backfire. Superiors may view an auditor as more competent, yet they rely less on the auditor's independent work. Consultation history can signal a dependence on specialists.

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**What Do We Know About Auditors' Use of Advice?**

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## **Executive Summary**

Auditors often seek both formal and informal advice from a variety of sources, including specialists (e.g., IT, valuation, tax, and/or forensic experts), national offices, and engagement team members. This literature note reviews six academic studies on auditors' use of advice and its impact on their professional judgment and audit quality.

Specialists provide critical expertise, yet prior research finds that auditors often limit expert involvement due to concerns about budgets, deadlines, and client relationships. Furthermore, misaligned perceptions and communication gaps between auditors and specialists reduce effective knowledge sharing and integration of expertise. The need to balance between professionalism and client service further adds to the complexity of the issue.

The quality of auditor-specialist relationships and the strength of shared team identity can influence auditors' reliance on specialist advice. Positive relationships facilitate integration and mutual understanding, while strained relationships can hinder audit effectiveness.

However, a strong identity or social bond may create trust heuristics (i.e., auditors overly rely on the advice regardless of its quality). Excessive dependence on seeking explicit knowledge—knowledge that can be accessed more efficiently elsewhere—from colleagues can harm auditor reputation and performance.

## **Introduction**

Audits increasingly require expertise beyond traditional financial statement auditing, prompting audit teams to consult IT specialists, valuation experts, tax professionals, forensic specialists, and national offices. The purpose of this literature note is to review and synthesize six academic studies that examine how auditors seek, receive, and incorporate advice, and how these practices affect audit processes and outcomes. It provides insights into the current status of specialist consultations and their interactions with auditors, the factors that influence the quality of these interactions, and the outcomes of such consultations.

## **Research Study Discussions**

### **Research Study 1: Auditors' and Specialists' Views about the Use of Specialists During an Audit**

Boritz, Kochetova, Robinson, and Wong (2020)

- **What is the study about?**

Through interviews with both auditors and specialists, this study examines the state of

specialist involvement in audits at the time the study was conducted, providing insights from both perspectives.

- **Main findings**

Although multiple external (e.g., regulators) and organizational (e.g., firm policies) sources encourage auditors to engage specialists, auditors often seek to limit specialist involvement in practice. Auditors express concerns about budget overruns, delays, and a potential strain on client relationships arising from (overly) meticulous specialists. Specialists, in contrast, worry that auditors constrain the scope of specialist involvement or engage them too late in the audit process. Rather than fostering collaborative knowledge sharing, auditors appear to adopt an outsourcing mindset when engaging specialists, such as delegating tasks to specialists with little follow-up. Overall, specialists indicate a preference for earlier and more extensive participation in audits than is currently typical.

With respect to the supervision of specialist work, auditors generally report being satisfied with their oversight. More experienced specialists, however, express limited confidence in auditors' ability to supervise their work effectively due to auditors' lack of technical expertise in specialized areas. Auditors and specialists also hold different perceptions related to their communication. While most auditors indicate satisfaction with the interactions, specialists often do not perceive the communication as timely. This divergence likely reflects a broader lack of mutual understanding between auditors and specialists, including misaligned perceptions of each other's knowledge, skills, and working preferences.

- **Practical implications**

Merely requiring specialist involvement is insufficient. To ensure that such involvement is substantive rather than symbolic, firms should also pay attention to the timing of involvement, clarity of scope, mutual understanding, knowledge integration, and effective communication.

## **Research Study 2: One Team or Two? Investigating Relationship Quality between Auditors and IT Specialists: Implications for Audit Team Identity and the Audit Process**

Bauer and Estep (2019)

- **What is the study about?**

Through interviews, this study investigates how auditors and IT specialists perceive their

working relationships and how the audit process unfolds differently depending on whether their relationships are positive versus difficult.

- **Main findings**

IT specialists overall consider themselves part of the audit team. However, some auditors perceive that IT specialists do not see themselves as team members. While many auditors report embracing a one-team view of the audit team that includes IT specialists, IT specialists often feel that auditors saw them as a separate group—a “necessary evil.”

Overall, this misalignment suggests an “it’s not us, it’s them” mentality: both auditors and IT specialists believe they embrace a one-team view, yet each perceive the other as not fully sharing that perspective.

The audit process—including planning, division of responsibilities, issue resolution, and completion—varies significantly depending on whether the relationships between auditors and IT specialists are positive or strained. In difficult relationships, the two groups frequently struggle for status and engage in limited communication, making little effort to understand how their work integrates. Such relationships are at risk for poor coordination and unsupported reliance on IT functions. Conversely, in good relationships, auditors and IT specialists maintain frequent and open dialogue, facilitating mutual understanding, coordination, and the successful completion of the audit.

- **Practical implications**

Audit firms should emphasize the value of IT specialists and building mutual trust, thereby enhancing the quality of relationships between auditors and IT specialists. This can be achieved by prioritizing open, real-time communication—e.g., face-to-face or via phone—rather than relying solely on email updates or placing workpapers in the audit file, which can hinder the integration of critical information. Additionally, involving IT specialists early and actively in audit planning and scoping helps ensure that quality of control testing. These practices collectively support more effective coordination, improved trust, and higher-quality audits.

### **Research Study 3: Auditor Integration of IT Specialist Input on Internal Control Issues: How a Weaker Team Identity Can Be Beneficial**

Estep (2021)

- **What is the study about?**

While prior research often highlights the benefits of stronger team identities, a stronger team identity can lead members to place excessive trust in their in-group colleagues. This experimental study examines how IT specialists' team identity affects auditors' integration of specialist input when evaluating internal control over financial reporting (ICFR) issues.

- **Main findings**

The study finds that a specialist's weaker team identity can yield benefits, and the effects of team identity depend on the type of issue being evaluated. For IT-related issues, auditors rely more on the input of a specialist with a weaker team identity, as the specialist's distinct IT expertise becomes more salient. In contrast, for non-IT issues, auditors rely more on input from a specialist with a stronger team identity, likely because the perceived similarities become more salient in this context. Notably, this increased reliance occurs regardless of the input quality for the non-IT issues, suggesting the presence of a trust heuristic. When auditors share a weaker team identity with the specialist, they differentiate more clearly between higher- and lower-quality input for the non-IT issues, placing greater weight on higher-quality advice. Overall, the findings suggest that a strong team identity may foster overreliance and excessive trust, whereas a weaker identity can promote more critical evaluation of specialist input.

- **Practical implications**

Audit firms should be attentive to how specialists are positioned within audit engagements. While promoting a "one-team" perspective can strengthen coordination and facilitate knowledge sharing, excessive integration may inadvertently reduce auditors' professional skepticism and critical evaluation of specialist input (e.g., a trust heuristic). Firms should therefore balance collaboration with safeguards that preserve independent judgment. Audit firms could establish clear role expectations, define accountability, and set up formal review processes to ensure that auditors maintain objectivity and specialist expertise enhances audit quality.

#### **Research Study 4: How Do Auditors Weight Informal Contrary Advice? The Joint Influence of Advisor Social Bond and Advice Justifiability**

Kadous, Leiby, and Peecher (2013)

- **What is the study about?**

Prior research finds that auditors tend to accept supportive advice but heavily discount contrary advice. This experimental study examines how auditors weight informal contrary

advice depending on the auditor's social bond with the advisor (stronger vs. weaker) and the justifiability of the advice (better justified vs. less justified).

- **Main findings**

The results provide evidence of a trust heuristic among auditors who share a stronger social bond with the advisor. Specifically, auditors who are not industry specialists fail to objectively assess advice quality. They weight advice more heavily when it comes from a stronger social bond advisor, regardless of its justifiability (e.g., the extent of information search, reasoning, and effort involved in developing the advice). In contrast, they weigh the advice properly according to its justifiability when it comes from a weaker social bond advisor. Auditors who are industry specialists, while less susceptible to the trust heuristic, display a different bias in their advice weighting. They discount better justified advice from stronger social bond advisors, despite rating the advice as relatively high quality. This defensiveness likely arises from specialists feeling threatened when comparing themselves with the advisor.

- **Practical implications**

Social dynamics could influence advice weighting. Although advice is intended to enhance judgment quality, auditors may rely on heuristics rather than objectively evaluating the advice quality. Audit firms should therefore train auditors on how to objectively evaluate advice, focusing on its quality and justification rather than being influenced by non-diagnostic cues such as social bonds.

## **Research Study 5: The Ties That Bind: Knowledge-Seeking Networks and Auditor Job Performance**

Causholli, Floyd, Jenkins, and Soltis (2021)

- **What is the study about?**

Using both proprietary archival and survey data, this study examines knowledge-seeking networks within audit firms (i.e., the number of coworkers an auditor seek out for audit knowledge and advice) and their relationship to individual auditor job performance.

- **Main findings**

The size of an auditor's knowledge-seeking network is negatively associated with individual auditor performance. The negative association is driven by the seeking of explicit knowledge—common or codifiable knowledge that is readily available

elsewhere—rather than tacit knowledge. In particular, explicit knowledge seeking by higher-ranked auditors could have negative consequences for performance.

- **Practical implications**

Consultation and knowledge-seeking can become inefficient if used excessively or inappropriately. Audit firms may benefit from understanding how different forms and sources of knowledge-seeking impact performance and using this insight to structure information flows that maximize the effectiveness of consultations.

### **Research Study 6: Revealing Oz: Institutional Work Shaping Auditors' National Office Consultations**

Aghazadeh, Dodgson, Kang, and Peytcheva (2021)

- **What is the study about?**

Through interviews, this study examines how key actors within audit firms, such as engagement team and national office partners, shape national office consultation (NOC) practices in the post-SOX environment. This study focuses on how their work and interactions influence the balance between professionalism and commercialism in current NOC processes.

- **Main findings**

In the early post-SOX period, firm leadership restructured NOCs to reduce commercialism and strengthen professionalism, creating a more insulated, “Oz”-like national office. However, over time, decision-making authority imbalances between national office partners and engagement team partners and the related auditor-client relationships led to a reintroduction of client-service considerations. Practices such as embedding national office personnel in local offices and rotating engagement partners into the national office enhance expertise but also expose the national office to commercialistic mindsets. Consequently, NOCs have become more client-inclusive and “user-friendly,” with engagement partners viewing the national office as an open and interactive unit that values client service, rather than an “ivory tower” or “Oz”-like structure. Aligned with this user-friendly theme, the national office emphasizes collaboration with engagement teams to ensure a common understanding during NOCs.

- **Practical implications**

While collaboration improves accessibility and knowledge sharing, increasing client inclusion in NOCs may raise independence and objectivity concerns. Firms must carefully

manage the balance between professionalism and commercialism in NOC practices, monitoring NOC closely, establishing clear boundaries, and implementing structured review processes.

## **Conclusion**

As advanced audit data analytics (ADA), including artificial intelligence, become increasingly sophisticated, auditor consultations with an emerging type of specialists, in-house ADA specialists, are likely to become commonplace. In the current FAR study—*Can Prior Consultation with Specialists Backfire on Auditors?*—we examine whether auditors’ prior ADA consultation experience affects their superiors’ reliance on their ADA work performed independently of specialists. On one hand, learning through prior specialist consultation may enhance auditors’ technological proficiency, increasing superiors’ reliance on their ADA testing. On the other hand, a history of consultation may signal dependence on specialists. This signal may conflict with superiors’ expectations that auditors can perform ADA tasks independently and trigger a backlash effect that ultimately undermines reliance. In an experiment, we find that when an audit senior has prior experience consulting with ADA specialists, audit managers evaluate the senior as more competent, yet rely *less* on the senior’s independent ADA work. This pattern is consistent with a backlash effect. We observe that this backlash effect occurs even when the subordinate’s ADA skill level is low.

This FAR study extends audit research on auditor-specialist interactions, which has primarily focused on dyadic relationships, such as the processes by which auditors seek and use specialist advice (e.g., Kadous et al. 2013; Bauer and Estep 2019; Boritz et al. 2020; Estep 2021). We contribute new insights by showing how audit *superiors* interpret and respond to subordinates’ prior consultation behavior. Building on research documenting the potential drawbacks of consultation in performance evaluation (e.g., Causholli et al. 2021), we identify a backlash effect on superiors’ actions that are directly linked to audit quality, such as their decision to propose an audit adjustment identified by a subordinate.

The observed backlash effect is concerning, as it may discourage consultation even among auditors with lower ADA skills who need it most for learning and skill development. Our findings highlight the importance of managing the interpersonal dynamics of engagement teams when incorporating ADA into audits.

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