ABSTRACT

In a profession with high turnover, auditors often transition from their firm to an audit client. However, regulators and researchers are concerned about lingering relationships between auditors and their former colleagues which might represent a threat to auditor independence. While the limited research investigates the influence of alumni affiliation during later phases of the audit, our study examines the effect of alumni affiliation during evidence collection. We predict and find that alumni affiliation can benefit the audit in some circumstances by reducing the perceived social mismatch between the auditor and client documented in the literature. Additionally, we expect a common feature of the audit environment, fatigue, may reverse any positive effects of affiliation. We find that non-fatigued auditors interacting with an affiliated client collect more evidence compared to those with a non-affiliated client. We also find that with an affiliated client, fatigued auditors collect less evidence than non-fatigued auditors, and this effect is minimal with auditors who have a non-affiliated client. The results inform regulators, practitioners, and financial statement users by demonstrating that alumni affiliation may not always have a negative impact on audits, as long as auditors are not experiencing fatigue.