Auditor Tenure Staggering and Audit Quality: A Team Collaboration Perspective

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Abstract. This study delves into the intricate association between staggered auditor tenures and audit quality, adopting a perspective rooted in team collaboration. The research uncovers a dual influence on audit quality. On one hand, there is an "enhancement effect" manifested through knowledge complementarity among auditors, experience sharing within the team, and strengthened independence, all of which contribute positively to audit quality. On the other hand, a "reduction effect" is observed, stemming from increased collaboration costs, relational audit risks that may arise, and ambiguity in accountability. Effective team collaboration mechanisms, including optimized resource allocation, standardized workflows to ensure smooth operations, and trust-driven cultures that foster cooperation, play a crucial role. They amplify the positive aspects while alleviating potential drawbacks. The findings convincingly demonstrate that, overall, staggered tenures have a predominantly positive impact on audit quality, offering valuable insights for enhancing audit practices.

Keywords: Staggered auditor tenure; Audit quality; Team collaboration

1 Introduction

In capital markets, auditing serves as a critical external oversight mechanism, ensuring the authenticity, reliability, and transparency of financial information.In recent years, with the exposure of a series of financial fraud incidents, the quality of auditing has received wide attention from all sectors of society. In auditing practice, staggered auditor tenure represents a widespread phenomenon. Specifically, the staggered tenure of signing auditors refers to a situation where two signing auditors assigned to the same audit client have partially overlapping but non-identical service periods.

This research explores the relationship between staggered auditor tenure and audit quality through a team synergy lens, expanding the scope of inquiry into audit quality determinants and contributing to auditing theory refinement. By dissecting the motivations behind staggered tenure arrangements and their mechanisms of influence on audit quality, this study deepens understanding of collaborative dynamics and behavioral logic within audit teams, providing a theoretical foundation for future research on audit team management.

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2 Literature Review

2.1 Research on the Relationship between Auditor Tenure and Audit Quality

The impact of auditor tenure on audit quality has long been central to academic debates, with existing studies identifying three conclusions: positive, negative, or nonlinear correlations. First, a positive correlation exists between auditor tenure and audit quality. Kim and Son (2024)[1] showed extended tenure accumulates industry knowledge and client-specific information, improving competence to detect non-GAAP earnings manipulation and reduce misstatement risks. Ghosh and Moon (2022)[2] argued long-term collaboration deepens client process understanding, enhancing complex transaction risk assessment and audit quality. Xu Diwei (2022)[3] proposed prolonged tenure builds industry-specific knowledge and risk identification, boosting quality. Xia Yanchun et al. (2024)[4] found that after auditor changes, successor auditors increase audit conservatism driven by reputation protection motives. Second, a negative correlation exists when tenure is excessively long. Cheynel and Zhou (2024)[5] showed overly long tenures raise auditor-client interest dependence and collusion risks. Brooks et al. (2022)[6] found over-familiarity in long tenures reduces professional skepticism, lowering audit quality. Hu Guoqiang et al. (2024)[7] noted long-term tenures lead to templated key audit matter disclosures, undermining transparency. Chen Lihong et al. (2023)[8] found that excessively long tenures reduce auditors' sensitivity to client anomalies. Third, a nonlinear relationship between auditor tenure and audit quality has been identified. Lin and Yen (2022)[9] proposed early tenure enhances quality via knowledge accumulation, while prolonged tenure introduces independence risks, causing deterioration.

2.2 Research on the Team Synergy Effect of Staggered Auditor Tenure

On the one hand, staggered tenure enhances audit quality through team experience diversity. Zhou et al. (2024)[10] argued it introduces diverse experience, fostering knowledge complementarity and innovative thinking to identify routine audit oversights. Federsel (2025)[11], based on European partner rotation cases, proposed a "fresh perspective effect" boosting independence. Yan Huanmin et al. (2022)[12] noted reasonable staggered arrangements balance continuity and independence, improving quality through team experience complementarity. On the other hand, imperfect collaboration mechanisms in staggered tenures may reduce efficiency. Pittman et al. (2022)[13] showed experiential differences raise communication costs, potentially lowering efficiency. Zheng Qianwen et al. (2022)[14] emphasized poor communication causes redundant procedures or omissions. Du Meijie et al. (2024)[15] found external penalties strengthen responsibility, curbing opportunism. Wang Yun and Liu Kexin (2024)[16] highlighted internal-external supervision synergy regulating auditor behavior. Liu Liyu (2021)[17] cautioned that some auditors use staggered tenures to indirectly circumvent mandatory rotation rules, potentially impairing audit quality.

2.3 Literature Review

Scholars globally have extensively studied the relationship between auditor tenure and audit quality, as well as staggered tenures. Early research posited that longer tenures allow auditors to accumulate industry-specific knowledge and client-specific information, enhancing competence and audit quality. As studies evolved, some challenged linear assumptions with negative and nonlinear correlations, highlighting knowledge-independence trade-offs to enrich theoretical frameworks. However, existing research on audit tenure and quality, while considering competence and independence, has overlooked team collaboration and inter-auditor synergies.

This paper explores staggered auditor tenures via team synergy, analyzing motivations and examining both "enhancement" and "diminution" effects of signing auditors' staggered tenures on audit quality. It aims to offer new perspectives for studying how staggered tenures relate to audit quality.

3 Analysis of Motivations for Staggered Auditor Tenures from a Team Collaboration Perspective

From an economic perspective, staggered tenures often aim to maximize client-related revenue by enabling business teams to circumvent rotation constraints and secure long-term client retention, though excessive focus on economic gains may undermine audit quality as independence risks rise. Another key motivation is regulatory avoidance: auditors adopt staggered tenures to maintain entrenched client relationships while superficially complying with mandatory rotation rules, thereby preserving influence and revenue streams. Additionally, staggered tenures facilitate team collaboration and knowledge sharing: tenured auditors bring deep client-specific expertise in operations, controls, and risk assessment, while newly appointed members introduce innovative methodologies, technologies, and market insights, enhancing the team's composite capabilities through complementary skill integration.

4 The Impact of Staggered Auditor Tenures on Audit Quality

4.1 The "Enhancement Effect" of Staggered Tenures on Audit Quality

4.1.1 Knowledge Complementarity and Experience Sharing.

Long-tenured auditors, through years of engagement, develop profound and comprehensive insights into clients' business models, financial processes, and internal control systems. In contrast, newly rotated auditors bring fresh perspectives to the team, often equipped with cutting-edge audit technologies, updated regulatory knowledge, and industry trends. Staggered tenures facilitate dynamic knowledge exchange: long-tenured auditors mentor newcomers by sharing client-specific insights and practical experience, accelerating their acclimation to client environments, while new auditors introduce advanced methodologies and challenge conventional practices,

stimulating innovation. This synergy elevates the team's collective competence, enabling more thorough identification of audit issues and enhancing overall audit quality.

4.1.2 Strengthening Auditor Independence.

Extended auditor-client engagements may foster entrenched interests or personal ties, exposing auditors to pressures that threaten impartiality. For instance, auditors might tolerate client misconduct to retain lucrative contracts or face undue influence during opinion formulation. Staggered tenures disrupt such entrenched dynamics. By rotating auditors across different phases of an engagement, the arrangement reduces individual auditors' prolonged exposure to clients, lowering the likelihood of familiarity threats. Newly assigned auditors, unburdened by prior relational biases, approach client financials and operations with heightened objectivity. Their limited history with the client diminishes susceptibility to interference, empowering them to rigorously challenge questionable practices.

4.2 The "Reduction Effect" of Staggered Tenures on Audit Quality

4.2.1 Increased Collaboration Costs.

Differences in mindsets and work habits between auditors of varying tenures reduce communication efficiency. Long-tenured auditors often adhere to established audit procedures and judgment criteria, relying on ingrained perceptions of client risks and operational practices. In contrast, newly rotated auditors may prioritize adherence to updated auditing standards or innovative methodologies. Such disparities can lead to conflicts during collaboration. Resolving these conflicts demands additional time for discussions, negotiations, and repeated validation of differing viewpoints, thereby prolonging audit timelines.

4.2.2 Relational Audit Risks.

Relational audit risks occur when close auditor-client ties erode independence and objectivity, weakening audit judgment rigor. Long-tenured auditors, via extended client engagement, may develop deep personal ties or conflicting interests that undermine objectivity, leading to overlooked malpractices or tacit collusion to protect profits. Newly rotated auditors, motivated by team assimilation and client acceptance, are also susceptible to undue influence: clients may exploit their inexperience or eagerness to pressure them into expediting processes, downplaying risks, or accepting substandard work

4.3 Balancing Dual Effects and Final Conclusions

In an audit team, although the staggered tenure model may give rise to issues such as increased synergy costs and relational risks, its positive effect on enhancing audit quality is more prominent under the team synergy mechanism.

First, the team synergy mechanism is capable of reducing the synergy costs brought about by staggered tenures. Within the synergy framework, open communi-

cation channels and standardized collaboration processes can facilitate information sharing and task coordination. For instance, through collaborative project management tools, team members are able to synchronize the audit progress in real-time and share working papers, thereby avoiding redundant work.

Second, collaborative mechanisms counteract relational risks. Long audit tenure can lead to excessive dependence between auditors and clients, and staggered tenure can break this dependence, but can increase the cost of internal team integration due to the addition of new members. Collaborative frameworks resolve this tension through explicit role definitions and a culture of mutual trust. Clear delineation of responsibilities and shared quality control standards enable both new and seasoned auditors to quickly adapt to their roles, reducing friction.

Third, team synergy has the ability to magnify the knowledge complementarity effect of staggered tenures. Long-tenured auditors are well-versed in clients' business processes and have profound industry knowledge, while newly appointed auditors may introduce novel audit methodologies and technological tools. Under the synergy mechanism, such knowledge differences can be transformed into team advantages. For example, through regular case study discussions and experience sharing sessions, both new and veteran auditors can learn from each other, combining traditional audit experience with innovative technologies.

5 Research Conclusions and Policy Recommendations

5.1 Research Conclusions

This study investigates the relationship between staggered auditor tenures and audit quality from a team collaboration perspective, yielding the following conclusions:

Staggered auditor tenures are primarily driven by economic incentives, regulatory avoidance, and team collaboration needs. Their impact on audit quality is dualistic. On the one hand, staggered tenures generate an "enhancement effect" through knowledge complementarity, experience transfer, and independence checks, improving audit teams' professional competence and risk identification capabilities. On the other hand, they may trigger a "reduction effect" due to increased collaboration costs, relational audit risks, and ambiguous accountability. Despite inherent risks such as collaboration costs, the net impact of staggered tenures on audit quality is positive under effective team collaboration mechanisms. With rational institutional design, staggered tenures can holistically improve audit quality.

5.2 Policy Recommendations

5.2.1 Refine Auditor Tenure Regulations.

For supervisory departments, it is essential to further refine the auditor rotation system and intensify oversight of staggered auditor tenures. Clear stipulations should be established regarding the reasonable limits and conditions for staggered auditor tenures to prevent auditors from circumventing the rotation system through staggered tenures, thereby safeguarding auditor independence. Non-compliance with staggered

tenure regulations should be penalized more severely, and the cost of non-compliance should be increased to effectively deter auditors from prioritizing economic benefits over audit quality. Additionally, a robust audit quality supervision system should be established to strengthen monitoring and inspection of the audit process and outcomes, enabling timely identification and rectification of audit quality issues.

5.2.2 Strengthen Audit Team Development.

Firms should strengthen the training of audit team members to improve their professional quality and teamwork ability. Regularly organize internal training courses, inviting industry experts and senior auditors to teach, covering the latest audit standards, regulations and policies, audit techniques and team cooperation skills. Optimize the staffing of the audit team, and reasonably arrange auditors with different professional backgrounds, experience and tenure according to the characteristics and needs of the audit project. When scheduling staggered tenure, full consideration should be given to the complementarity between auditors to ensure that the overall capabilities of the team are effectively utilized.

5.2.3 Strengthen Firm-Level Governance.

The firm should establish and improve the quality control system and strengthen the quality control of audit undertaking, audit process and audit report. Clarify the quality standards and responsibilities of each link, and ensure that auditors perform audit work in strict accordance with audit standards. Fostering a good organizational culture and setting up correct values is crucial to the development of the firm. The firm should promote the values of integrity, professionalism and responsibility, and integrate these values into the daily work of auditors through cultural activities and training. Strengthen the education of auditors' professional ethics, improve their level of professional ethics, make them consciously abide by the code of professional ethics, and maintain their independence and objectivity.

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