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Developing An Efficient High-Trust Model Within Audit Teams

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Introduction

Much of the business world relies on intense collaborative group work. The magnitude and scope of projects undertaken in the modern business arena make it virtually impossible for any one person to reasonably complete the tasks that organizations now undertake on a daily basis. Thus, the work-group has become an essential feature within a business, and much research has been devoted to examining the components of work-groups and what can produce the most effective group, with the realization that the whole may be greater than simply the sum of the parts.

The external audit of a company by an auditing firm is one of the most complicated events to regularly occur in the business world. While there are two main parties involved in the audit, the auditing firm and the auditing client, there are many individuals involved from both organizations, and many interactions between these members that are necessary. And while within an organization, the goals may be the same to encourage efficient behavior, inter-organizationally, this agreement on a common goal may not be apparent. Therefore, there may be uncertainty towards whether one can be vulnerable in regards to expecting the partner organization will work towards, or at least not against, one's goals. This expectance, as defined later in this thesis, can be categorized as trust. But while inter-organizational trust can be seen as a key and volatile component, interpersonal trust can also be seen as equally as important. Studies researching the effect of trust on work-place performance have observed positive effects in terms of both outright performance as well as ancillary positive effects of trust in conjunction with other motivators. As companies pour countless resources into technology and other areas for increasingly marginal benefits to performance, an

examination and concentration on improving trust may be a cost-efficient yet extremely effective method to improve performance. With this motivation in mind, this paper will try to identify the components of trust within an audit engagement, and examine what is necessary to create optimal performance via modification of trust.

Definition of Trust

Trust is a broad and often vague term that is used by many individuals with various meanings in various contexts. For example, trust in a professional context may be different than trust in a friendship context. It is very possible that one may have the utmost trust in a co-worker to do their work efficiently and effectively and at the same time have severe distrust of them as a friend and confidant. At times, the qualities and prerequisites we use to determine our trust in another in different contexts may be mutually exclusive, but at times these qualities and prerequisites can be intertwined and correlated, and it is even possible for them to be negatively associated with one another. Take for example the qualities that we search for to trust in a spy or other clandestine agent as a worker. In this regard, we would trust those with the ability to lie, who are secretive, and will not divulge secrets easily. Contrast these qualities with those that we often desire in a romantic partner: openness and ease of communication. It becomes easy to see that where in the former situation, one who fits these requirements would gain our trust easily, in the latter situation these very same situations would cause immediate distrust and suspicion. This is one simple example showing how varied both the definition and requirements of trust can be depending on the situation and context. As Kramer notes in his review of trust literature, "trust is used in a variety of distinct, and not always compatible, ways within organizational research." (Kramer, 1999)

Trust then can be seen as having a plethora of definitions, with each having common core concepts, but many having unique inherent characteristics. Thus it is necessary that I establish at the onset of this paper a definition of trust that will operate as my view of what trust is in order to effectively apply methods in which I believe that trust can be earned and managed. With a concrete definition established of trust, it is possible to identify the essential conditions needed for trust in situations. Following this, one can then establish what is needed in a given context to create and foster trust. This is the approach that I will be taking in this paper, and I will begin by establishing a definition of trust.

The first step in establishing my definition of trust will be to place constraints to limit the definition of trust to what is pertinent in this thesis. As this thesis is concerned with trust in the arena of an audit engagement there are certain inherent restrictions that will be placed on its definition. Firstly, the definition of trust in this paper will be limited to inter-personal and inter-organizational trust. One's trust can be placed in a myriad of concepts and constructs. However, this paper will only be concerned with the trust interactions between those individuals involved in an audit engagement. Therefore, definitions of trust that involve trust in ideas or concepts outside of this scope will be excluded as they are not pertinent to the subject examined in this paper.

In addition, this paper will focus exclusively on the professional trust relationships between the involved members of an audit engagement. There are multiple types of trust relationships that one may have with another individual. For example, one may develop a high-trust friendly relationship with a doctor that they trust professionally. However, these relationships are more often than not mutually exclusive (Shaw, Trust in the Balance). Our trust in another's abilities as a friend will not necessarily extend to our trust in their

performance as a professional. Our trust in another in one aspect of our relationship does not project to other aspects of the relationship, let alone a completely separate relationship. As this paper examines trust relationships in an audit engagement, there is then no need to assess trust relationships outside professional trust relationships. While extraneous trust relationships, whether romantic or friendly, may aid in the facilitation of a professional trust relationship, they will have little direct impact on work performance, and thus will be excluded from the scope of this paper.

Trust will be measured by tangible operational effects on work performance that it is causal towards. A trusting relationship has many benefits, both quantitative and qualitative, in many arenas from professional to personal life. Higher trust has been associated with increased worker satisfaction as well as an increase in general living contentment (Bejou et al, 1983). As the scope of this paper focuses on trust's effect on performance, those effects by trust on realms outside of professional life will be ignored with the exception of effects that may indirectly influence work performance. With these constraints placed, this thesis will now attempt to derive a working definition of trust with which it can operate on.

Robert Shaw in *Trust in the Balance* makes an important demarcation between pure faith, trust, and confidence in others (Shaw, Trust in the Balance). Pure faith is the blind trust one may place in an object or concept. Pure faith can be characterized by an unmoving belief in defiance of contradictions and detriments to the "believer." In addition, faith is not constrained to merely concepts such as religion. A coach may place faith in a rookie player as a star player despite the fact that the rookie has proven nothing. The coach can attribute this faith to a "gut feeling," and may remain by this decision, even as the rookie fails to fulfill these expectations, possibly performing detrimental to the team and coach. This one

example is a common occurrence in sports that demonstrates the unwavering resilience of faith. In contrast, trust is more fragile and easier to lose, with a stronger basis on evidence.

However, at the opposite end of the spectrum to faith, simple confidence relies purely on past performance and specific knowledge, applying logic and reason to develop future expectations. Some authors believe that confidence is a necessary condition for trust. Deutsch stated that in order to trust, "[an] individual must have confidence that the other individual has the ability and intention to produce it" (Deutsch, 1958). Cook and Wall defined trust as "the extent to which one is willing to ascribe good intentions to and have confidence in the words and actions of other people" (Cook and Wall, 1980). However, as Luhmann observes, simple confidence is distinct from trust in that trust in addition requires that one recognize risks in their object of trust, and accept these risks (Luhmann, 1988). Luhmann states that the distinction between trust and confidence, "depends on perception and attribution. If you do not consider alternatives (every morning you leave the house with out a weapon!), you are in a situation of confidence. If you choose one action in preference to others in spite of the possibility of being disappointed by that action of others, you define the situation as one of trust" (Luhmann, 1988). Therefore, while simple confidence is only given towards a subject when there is no risk of unfulfillment, trust is not bound by such strict requirements. Trust is in fact usually given to the subject by the trustor with full awareness of this risk, differentiating it from confidence. Following, trust cannot be defined merely as blind faith, nor as simple confidence. In the spectrum that these two extremes straddle, trust lies on a medium between the two, with the trustor, or person placing their trust, themselves acting as the establisher of where their trust falls in relation to these two.

Despite many divergences on many researchers definitions of trust, many do agree that trust is fundamentally a psychological state. Zaheer et al. define trust as "the expectation that an actor (1) can be relied on to fulfill obligations (Anderson and Weitz, 1989), (2) will behave in a predictable manner, and (3) will act and negotiate fairly when the possibility for opportunism is present (Anderson and Narus 1990, Bromiley and Cummings 1995)" (Zaheer et al. 1998). Mayer et al. define trust as "the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party. Dirks and Ferrin, in their definition of trust, include mention of the accepted perception of trust as a psychological state stating, "we are consistent with almost all of the studies included in [their] review in treating trust as a unidimensional psychological state" (Dirks and Ferrin, 2001). The operative words of "willingness" and "expectation," both being psychological states of the trustor, and used by Zaheer et al. and Mayer et al. in their definitions respectively, agrees with this opinion by Dirks and Ferrin. In addition, Kramer's review of trust literature observes that, "despite divergence in such particulars, most trust theorist agree that, whatever else its essential features, trust is fundamentally a psychological state" (Kramer, 1999). Some theorists argue that there is usefulness in the concept of trust in terms of the trustor's choice behavior in various situations (Arrow 1974, Kreps 1990, Miller 1992). However, in this thesis I will adhere to the concept of trust as a psychological state which serves as part of the context under which the trustor-trustee relationship operates. An audit engagement spans an extended period of time, and there are often repetitive situations in terms of repeated interactions between the individuals involved in audits in terms of reoccurring audits. Due to these repeated interactions, it seems more appropriate to view
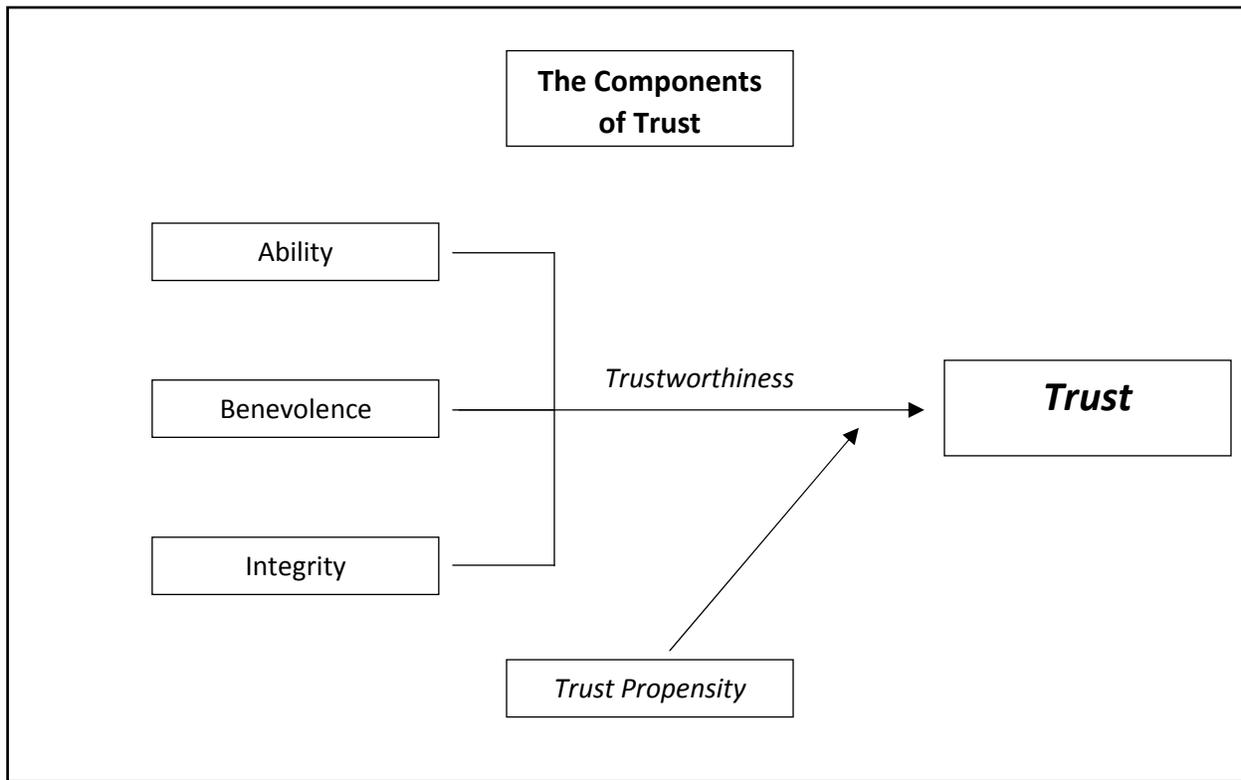
trust between audit participants be embodied by a psychological state, as it may be repeatedly drawn upon and modified repeatedly, rather than mutually exclusive occurrences.

Trust is also enduringly associated with vulnerability and the acceptance of risk on the part of the trustor. Vulnerability on the part of the trustor is often an integral part of the definition of trust of many researchers. Mayer et al. use a definition of trust saying that trust "is the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party" (Mayer et al. 1995). In order to trust, the trustor must knowingly and place themselves at the discretion and mercy of the trustee to act of their own volition with an implicit expectation that the trustee will act to the trustor's benefit.

There are various views on the definition of trust. In Kramer's review on the literature of trust, he notes that, "although social scientists have afforded considerable attention to the problem of defining trust (e.g. Barber 1983, Luhmann 1988, Mayer et al 1995), a concise and universally accepted definition has remained elusive" (Kramer, 1999). Specifically, there are many opinions on what the components of trust are and to what degree those components must exist for one to have trust. Rousseau et al. defined trust as: a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behavior of another (Rousseau et al., 1998). Many individual researchers base their definitions on this definition, with modifications that operationalize trust as expectations or beliefs with which one can rely on, and this thesis will follow Rousseau's definition as well. In addition, this thesis will focus on identifying the

observable effects of trust on a relationship and the summative outputs of the individuals

involved.

Chapter 2: The Components of Trust

In order to create a model in which trust can be optimized, the requirements and characteristics of trust must first be defined. By understanding the components of trust and what these components contribute, a model can then be constructed that maximizes these respective components to create a trusting environment.

Much of the research agrees that there are two main influencers in a trusting relationship. These are the trustor and the trustee. As trust is a dyadic relationship between the two parties, the influence of both these parties, while varying in strength, are nevertheless crucial, as a trusting relationship cannot form without the participation of each party. The specific influence associated with the trustor is the propensity, or tendency, to trust, while the influence of the trustee is in their trustworthiness. We will first examine the trustor, and the propensity to trust.

The propensity to trust by the trustor is the first necessary antecedent of a trusting relationship. As trust is the psychological state of the trustor's willingness to be vulnerable towards the trustee, the importance of the trustor's tendency to trust is paramount. This is especially true in the initial stages of the trusting relationship, where there is relatively little shared experience in trusting between the two parties. However, the influence of the trustor's propensity to trust is not just limited to the initial stages of the relationship. The trustor's trusting propensities and tendencies often serve as a lens through which the trustor continues to evaluate the trustee's actions and behaviors.

Propensity to trust can be characterized as the willingness and tendency of the trustor to trust another absent any contextual information. Given all other variables held equal, there remains variability between trusting relationships, and this variability can be explained by this propensity to trust. Propensity to trust is an attitude associated solely with the trustor, and results from the combined experiences that the trustor has used to inform themselves to the current point. It is the first requirement to create a trust relationship between the trustor and the trustee as the trustor must be a willing participant in the relationship in order to form the bond of trust.

Propensity to trust in itself can be seen being a trust threshold. The trust threshold can be seen as a vulnerability tolerance. The issue of trusting someone is not binary, but rather a question of to what degree are we willing to trust a trustee. With a high trust threshold, the trustor will allow themselves to enter into situations with increased vulnerability and risk of negative consequences, trustworthiness of the trustee remaining equal. In addition, a high trust threshold will serve to nullify an action that negatively affects

trust as well. Conversely, a low trust threshold trustor will have low tolerance for risk and trust-negative actions, thereby decreasing their propensity to trust.

Trustworthiness is the other component of the trusting relationship, and it is associated with the trustee. Where propensity to trust serves as the lens through which actions are analyzed, trustworthiness provides the context for which we can measure the owner of these actions. The trustworthiness of the trustee in combination with the trustor's propensity to trust determines whether the trustor will place their trust in the trustee and to what degree they will trust.

However, trustworthiness, and more generally the characteristics of the trustee that influence the trustor's trust, have proven difficult for trust researchers to define. Hoyland, Janis, and Kelly (1988) in their Yale experiments named the defining trust characteristic of the trustee as credibility, and defined it as having two factors, expertise and trustworthiness. However, more recent studies of trustee characteristics have both agreed and digressed from this opinion, and even now, there remains ample debate on what specifically causes a trustee to seem "trustworthy." However, Mayer et al (1995) in their review observed three reoccurring core characteristics in the trust literature: Ability, benevolence, and integrity. These characteristics combined would serve to manufacture the trustworthiness of the trustee.

Ability

The first characteristic that influences trustworthiness is ability. Ability is defined by Mayer et al. as what "enable[s] a party to have influence within some specific domain," (Mayer et al. 1995) Ability is a combination of both a party's technical expertise, but also their charismatic influence as well. A trustee may have the technical ability necessary for what the trustor expects of him, but may lack the charisma or personal ability. Conversely, the trustee

may have the charisma and personal ability the trustor may need, but lack the technical prowess necessary. The fulfillment of both these antecedents is necessary in order to satisfy the requirement ability of trustworthiness. Interestingly, the specificity necessary in both technical prowess and personal ability to satisfy ability thus limits trustworthiness to a specific domain. This is intuitive however, as it is a frequent that we observe a person having different levels of trust in another in different domains (eg friendship, professional).

Benevolence

Benevolence is, "The extent to which a trustee is believed to want to do good to the trustor, aside from an egocentric profit motive."(Mayer et al, 1995) Benevolence is the interest of the trustee in benefitting the trustor. In order to display benevolence, the trustee must act, or the trustor must perceive that the trustee will act, to the benefit of the trustor. This addresses the vulnerability of placing trust in another; the trustor before placing trust in the trustee, must be assured of the minimization of the risk from that vulnerability by the trustee's actions. We are much more comfortable placing our trust in those that want to prevent us from harm. An important distinction that must be made is that benevolence must be removed from the egocentric motive. The trustee must be genuinely interested in the trustor's interest primarily. A trustee that acts to the benefit of the trustor, but with egocentric motives (eg. Monetary reward) is not acting with benevolence, and thus does not increase their trustworthiness.

Integrity

The final influencer of trustworthiness is integrity. Integrity is defined as that, "[the] trustee adheres to a set of principles that the trustor finds acceptable."(Mayer et al, 1995) It is most closely associated with the consistency. Integrity is the ability of the trustee to act

predictably. However, the predictability can only accrue trust worthiness if the predictable actions are in line with the trustor's views. We can perceive someone as predictably bad, but that does not warrant us to place our trust in them. For example, we may come to expect a person to always lie to us in certain situations. However, despite their personal integrity displayed in their adherence to consistency in these situations, we are no more likely to place our trust in them. There are two implicit components within this definition: personal integrity and moral integrity. Personal integrity relates to the trustee's ability to stay consistent with their personal principles. In order to risk vulnerability via trusting, we would like to minimize that risk, and the trustee can minimize that risk by lowering the variability of their actions. When a trustee has high personal integrity and rarely diverts from their set principles, we inherently find them more trustworthy as rarely will they divert from the behavior we may predict from them. However, consistency to one's principles is not sufficient to increase trustworthiness. While it is important to the trustor that the trustee adheres to their personal principles, it is equally important that the trustee's principles align with those of the trustor. This alignment of the trustee's principle's being deemed acceptable by the trustor is defined as moral integrity. When the trustee is able to have both moral integrity with the trustor as well as has personal integrity, they then fulfill the integrity component of trustworthiness.

Interactivity of the components of trustworthiness

While each of the components of these three components of trust can exist exclusive of the others, their singular existences does not guarantee that trust will necessarily exist. Take for example the existence of benevolence and integrity absent ability. We may know that one is genuinely interested in our goals and will consistently act in accordance with these

goals. However, without the apparent social or technical resources and skills to be able to solve occurring obstacles towards our goals, we would still remain hesitant to trust that person. With the existence of ability and benevolence absent integrity, we may be aware of the interest the trustee has in our success, and they may have the resources to properly invest in the achievement of our goals. However, the trustee may have erratic behaviors and principles or may have disparate principles to ours that we may not agree to, and thus create themselves as a highly variable object for our trust, making us wary to risk placing our trust on their unpredictability. Finally, with integrity and ability present absent benevolence, we may be fully aware of someone's technical and social proficiency and that they have personally consistent integrity in their principles that we agree towards. However, if there is no genuine interest in our goals on their part, we will not place our trust in them as there is no motivation for them to act towards our benefit. Finally, even if all three components may be present within a trustee it may still not be sufficient for trust. If the trustor has extremely low trust propensity, then they may refuse to trust even the most trustworthy trustee.

In addition, each of the components and sub-components of trust can interact with one another, amplifying and nullifying the growth of one another, and in effect, the growth of trust. If a trustor has a high trust propensity, they may assess more easily any given person as more trustworthy. High trust propensity would create a lower threshold for the trustee to meet in order to display each subcomponent of trustworthiness. The subcomponents within trustworthiness are also able to influence each other. Most commonly, if a trustee were to repeatedly act with benevolence in regards to us, we would be led assume that benevolence towards us would be inherent to their principles, and thus benevolence would act to amplify

our perception of integrity in the trustee and we see the interconnectedness of the

components of trustworthiness.

Chapter 3: Effects of Trust, Roles and Relationships in an Audit Engagement

The effect of Trust

Trust has long been studied for its effects on both organizational and individual output. There have been observed noticeable positive effects of trust on workers own outputs and interactions, as well as the collective output and performance of a group working under high trust conditions. Generally, there have been two views on the effects of trust on performance. The first of these views is the Main Effect.

Main Effect

The Main Effect can be observed as the direct effect of trust on workplace interactions. Dirks and Ferrin explained the main line effect as, "higher levels of trust are expected to result in more positive attitudes, higher levels of cooperation and other forms of workplace behavior, and superior levels of performance."(Dirks and Ferrin, 2001) The Main Effect conforms to the more classic view in organizational trust research that trust has a direct correlation with a number of workplace behaviors and performances. This rests on the premise that the trustor's individual beliefs about the trustee will affect their behavior, as the trustor refers to their current state of their trust relationship with the trustee when determining when to act.

The Main Effect model poses that higher trust can be correlated with positive workplace outcomes and attitudes. Mayer et al. in their model, believed that the trustor's belief in the trustee would lead to a higher willingness to perform risky activities with the trustee such as cooperation and sharing of information, which in turn would lead to positive outcomes, namely individual performance. In addition, Larson and LaFasto also posited that

in social units such as work groups, these risky activities would also lead to higher unit performance. Higher trust can then be seen under the Main Effect model to be a direct causal agent for increased positive workplace outcomes. Dirks and Ferrin observed the different behavioral and performance outcomes examined by researchers, which included communication and information sharing, organizational citizenship behavior, effort, conflict, negotiation behaviors, individual performance, and unit performance (Dirks and Ferrin, 2001), and found that many of the studies noted that a number of the studies noted significant positive correlations with these activities. However, the behaviors and outcomes with the strongest empirical support were organizational citizenship behaviors and individual performance. (Dirks and Ferrin, 2001). Organizational citizenship behavior (OCB), as defined by Dennis Organ, considered the father of OCB, is, "individual behavior discretionary not directly or explicitly recognized by the formal reward system, and that in the aggregate promotes the effective functioning of the organization (p. 4)." As trust increases, an employee will willingly perform above and beyond the work that they are necessarily compensated for. This behavior in aggregate increases the efficiency of the organization, which in this particular case is the audit engagement team.

In addition, Dirks and Ferrin noted that trust also had main effects on certain attitudes, perceptions, as well as other cognitive constructs. Namely, they observed that trust affected the acceptance of information and the assumption of its accuracy regardless of true value of accuracy. A high trusting individual was more willing to accept at face value a statement from the trustee, allowing for relatively seamless transferal of information. Conversely a low-trusting individual exhibited skepticism at information supplied by the

trustee. This caused hesitation in the trustor to process and act on this information, leading to less efficient production as the trustor verified information before acting.

Moderation Effect

In contrast to the Main Effect, the Moderation Effect looks at the role of trust in an organization as not so much a motivational catalyst, but an amplifier of other motivating objects in promoting workplace performance. Dirks and Ferrin posit that, "trust provides the conditions under which cooperation, higher performance, and /or more positive attitudes and perceptions are likely to occur" (Dirks and Ferrin, 2001). They posit that high trust isolated is not sufficient to encourage positive workplace outcomes, but instead moderates the effectiveness of the main determinants of workplace outcomes. Namely, they observe two components of how trust serves in a moderating role, positing that, "Trust moderates the effect of primary determinants (causal factors) on outcomes by affecting how one asses the future behavior or interprets the past actions of another party" (Dirks and Ferrin, 2001). Trust can be seen as an amplifier of the actual causers of productivity, and although trust itself cannot increase productivity itself, it enhances the ability to be more productive. Trust affects how the trustor assesses the future behavior of the trustee on whom they are interdependent. In addition, level of trust affects the interpretation of past and present actions of the trustee by the trustor.

The first level in which trust acts in the Moderation Effect according to Dirks and Ferrin is that trust moderates the relationship between motivational constructs and workplace behaviors and outcomes. They argue that, "trust might more appropriately be viewed as influencing the type of, or degree of, behavior that such determinants result in." Trust can be
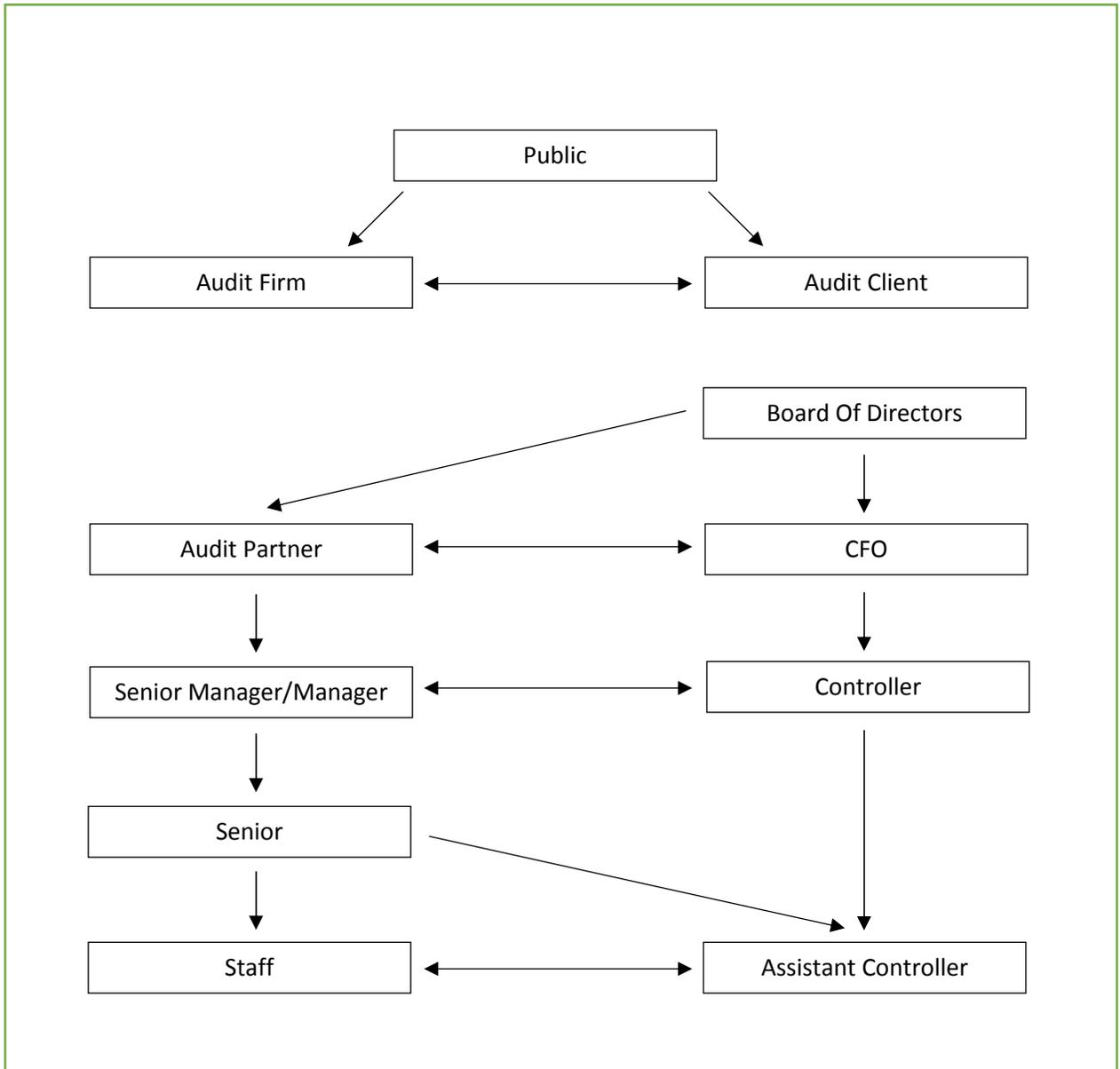
seen as an influence on how the trustor will act in respect to the trustee, given a motivator.

For example, were the trustee to be given some sort of incentive or motivational object in their cooperation with the trustee, we can expect to find more risk-taking behavior, with risk-taking behavior being connected with increased individual performance. Given the strength of the motivator being equal, we would still see variable action from the trustor with respect to the trustee given different levels of trust. In a high-trust situation, the motivational object would have a stronger effect on increasing the performance of the trustor, and conversely, in a lower trust situation we would observe a weaker effect. This causes Dirks and Ferrin to conclude, that trust acts not as a motivator in itself, "but as a moderating construct that influences the strength of the relationship between the behavioral cue and the individual's behavior" (Dirks and Ferrin, 2001).

The second level that Dirks and Ferrin observe trust exhibiting a Moderation Effect is in the effects that trust has on the trustor's perceptions of the trustee. Dirks and Ferrin posit that, "trust moderates the relationship between a partner's action and the trustor's response." (Dirks and Ferrin, 2001) The level of trust that the trustor experiences influences how they perceive the trustee's past, and following, current actions, as well as how they behave in relation to these expectancies. Once again, trust acts not as a primary effect on the outcome, but serves to amplify likeliness of better outcomes given other determinants, namely the actions of the trustee in this case. It has been observed that pre-existing beliefs influence and guide an individual's interpretations of reality, including others' behavior (Fiske and Taylor, 1991). As trust helps establish one's beliefs and perceptions, it follows that indirectly, trust will then affect the trustor's interpretations of the actions of the trustee, both current and past. Dirks and Ferrin posit that, "under high levels of trust, one is more likely to respond

favorably to a partner's action than under low levels of trust" (Dirks and Ferrin, 2001). Trust

is one of the core elements of one's understanding of their relationship with others

(Berscheid 1994). Because of this, the trustor's understanding of the actions of the trustee

can all be seen through the lens of the level of trust, and the actions of the trustor can be

framed in this manner as well.

Involved Parties in a Financial Statement Audit

Figure 3.1 Relationships within an audit

In a financial statement audit engagement, there are a plethora of relationships between numerous individuals involved in a financial statement audit as shown in Figure 3.1. Audit engagements are collaborative by nature. The two main parties involved within an audit are the audit client and the auditor. Within this thesis, the audit client and the auditor will refer to the client team and audit team respectively. These two parties are distinct organizations from one another and the relationship is characterized by informational flow

between the two. Each organizations, however, is comprised of multiple individuals serving interactive yet separate roles from within, yet constantly acting towards the common goal of their respective organizations. I will first define and characterize the relationship between the two overarching organizations, then examine the relationships within and between the subsections that comprise each organization.

The audit client is responsible for the hiring of the auditor, and is the main procurer of the financial statements as well as supporting documents that the auditor will examine in order to verify the validity of claims within the financial statements. As the direct employer of the auditor and the responsible party for the creation and editing of the financial statements, the client has considerable control and influence within the auditor-client relationship. However, this does not necessarily indicate that the audit team is completely subservient towards the client and all its corresponding subsections. As the auditor is hired by the board of directors (Board), and specifically the audit committee, in order to verify the accuracy of financial statements and the supporting information used to produce them, the audit team is endowed by the Board with the resources and unimpeded ability to pursue this goal. Members of the audit team are thus able to compel, with the support of the Board, documents and information needed from the responsible individuals within the client team.

In addition, publicly traded companies are required by the Securities and Exchange Commission (SEC) to be audited by an external auditor. This requirement places pressure on client teams that belong to these organizations to comply with the audit team as much as possible in order for the audit team to satisfactorily verify the content and substance of their financial statements and produce a supporting opinion. Thus, the relationship between the

client and the audit team is inherently complex, with neither party clearly being dominant over the other in the relationship.

   With the audit team-client relationship defined, I will now take a look at key subset interactions within the audit team itself that will be examined within this paper, beginning with defining the roles of the subsets within an audit team, then examining the relationships between subsets.

Audit Partner

   The partner is held directly responsible for the entire engagement oversight as well as the performance of the audit team, and any errors or misconduct on the part of the audit team is attributed directly to the manager. Complaints and penalties by the client or regulatory agencies are sent directly to the partner. This makes the partner extremely vulnerable towards the conduct of their audit team. However, the partner also has complete control of the audit team in order to minimize the risk from this vulnerability. The audit partner is able to select the audit team, and through final review is able to verify and confirm all actions of the audit team with respect to conduct towards the financial statement audit. The partner's role also includes performing acceptance and continuance of new and reoccurring engagements, and is the lead in planning and structuring the audit. Thus, the audit partner is endowed with full authority and power over the entire audit. However, audit partners are responsible for many audit engagements and have responsibilities to their respective audit firm that may prevent them from devoting undivided attention to any single audit. Thus, partners usually perform in a general oversight role, monitoring the general progress of the audit, with less attention paid to the day-to-day performance of the team. This responsibility usually falls under the roles and responsibilities of the manager.

Manager

Whereas the partner oversees solely the general conduct of the audit, the manager is responsible for total oversight of the audit, the manager is responsible for the day-to-day conduct and partitioning of duties between members of the audit staff. The manager is responsible for delegating work to the appropriate members of the audit team, and reviewing audit team work prior to the partner's review. They are the main resource for complex and specialized issues uncovered by the audit team, sometimes performing the audit procedures that audit staff are unable to perform themselves. Managers are also responsible for monitoring the actual versus planned progress of the audit, and if need be, are given the authority to edit or modify the plan in order to achieve the overarching objective of auditing the financial statements by the agree upon deadline

In addition, while the partner is the main contact for the client to both view audit progress and voice issues and concerns, the manager is often the regular point of contact for the client to interact with day-to-day. Because of this, the manager is often seen as the extension or stand-in for the often busy partner, and many meaningful conversations between the audit team and the client involve the manager.

Senior

Where the manager is seen as an extension, and if need be a stand-in, for the partner, the senior is an analogous extension of the manager to the audit staff. The senior is responsible for the minutiae and details of conducting audit procedures within the audit engagement, and serve as the first resource for solutions to issues experienced by the audit staff. The senior also serves as the first reviewer of the audit staff work, and as such is the primary enforcer of the audit performance standards established by the partners and

managers. In addition, the audit senior who is usually assigned to a significantly less

engagements than the manager and partner, is relied upon as an expert source of information

about the client to his superiors. The audit senior delegates individual tasks to individual

members of the audit staff and oversees their performance to completion, ensuring that the

audit procedures are being performed in a timely and efficient manner.

Audit Staff

The audit staff constitutes the bulk of the audit team as well as performance of the

majority of the audit procedures. The demographic of the audit staff typically consists of

new-hires and workers with one to two years of experience with the firm. The audit team is

assigned tasks directly from the audit senior and perform these tasks both individually and

collaboratively. The audit staff are primarily responsible for completing audit documentation

while performing the appropriate procedures, and are responsible for the compilation and

collection of the necessary supporting documents necessary for procedure completion.

Relationships within the Audit

After defining the key subsets within an audit team, I will now characterize the key

relationships within the audit team. There are a plethora of individual relationships, however

I will characterize those relationships that occur frequently and impact the audit completion

and performance the most, starting with the partner-manager relationship.

Partner-Manager

The partner-manager relationship can be characterized as an empowered leadership

style on the part of the partner. While the partner is the dominant superior to the manager,

considerable power is still ascribed towards the manager. Due to the crowded schedule of

the partner and their obligations both to the firm as well as other engagements, much of the

day-to-day oversight on any single engagement is handed to the manager, who conducts the audit and relays performance and progress to the manager in turn. Where the partner serves as the primary architect for the plan of the audit engagement, the manager is responsible for the implementation and execution of the plan. As the partner is ultimately held responsible for the quality of the audit, there is considerable vulnerability by the partner towards the manager. The partner does have final say due to their power of final review of audit work, however they entrust the manager to oversee and guide the audit team towards sufficient and competent performance of the audit engagement.

Manager-Senior

As the manager-senior relationship is approximately analogous to the partner-manager relationship, there are many shared characteristics between the two relationships. The manager oversees the audit engagement completion, but directs the senior to assign the individual procedures to be completed as well as other minutiae of the audit engagement. The manager trusts the senior to distribute the workload of the engagement in a manner that will facilitate the most efficient completion of the engagement. The manager trusts the leadership of the audit senior to guide the audit staff appropriately and to lead in a manner that the engagement is performed to the established audit standards. The manager also relies on the senior as the first reviewer of audit procedures, to identify and correct the majority of errors and work that does not conform to the aforementioned standards.

Senior-Staff

The senior-staff relationship, in contrast to the manager-senior and partner-manager relationship, is characterized as a directive leadership relationship. The audit senior has direct authority to compel the audit staff to complete certain audit procedures, and the power

to review the completion of these procedures in order to guide staff performance to satisfactory standards. The staff in turn is directly responsible for the completion of the completion of these procedures and to compile necessary supporting documents for the completion of these procedures. They communicate the completion of the progress and eventual completion of the senior, who cannot initiate review of the manager until the completion of their respective review, which in turn depends on the initial completion of the procedure by the staff. Thus, despite the authoritative leadership of the senior, there is dependence, and consequently vulnerability, of the senior to the audit staff.

Chapter 4: An Efficient High-Trust Model in an Audit Engagement

In this chapter, this thesis will attempt to develop a model in which to create a high-trust environment within a highly efficient audit engagement in order to optimize performance via a high-trust environment without compromising performance in other aspects. The first part of this chapter will focus on the propensity to trust of the parties, approaching this from a global firm-wide approach. The second part will focus on building the trustworthiness of the key groups in an audit team both as a singular unit and secondly within the dyadic relationships between these groups.

Propensity to Trust

In terms of the professional auditing environment, propensity to trust is a difficult characteristic to influence significantly. Propensity to trust is an internal characteristic to the trustor, and is accumulated from the trustor's overarching experiences prior to that point. Any significant traits of propensity to trust have been gradually internalized, and any changes to will have to be gradual. In order to increase propensity to trust within an audit team, a general high-trusting environment must be created in hopes of encouraging all individuals to be more inclined to trust. Similar to an adopting parent attempting to imprint their positive values on their adopted child despite the child's experiences up to that point, an audit team can only hope to use a positive trusting environment to nurture a preference to trust from their employees. In order to create positive trusting environment in the audit engagement, a culture that encourages trusting must be advocated by the firm and perpetuated by the partners within their audit teams.

An ideal organizational model that would encourage a higher trusting environment would have an incentive system in place for trusting. There would be incentives for constant

cooperation and especially to trust new joiners to a team, even if there is a slight cost or drop in efficiency. This would encourage employees to raise their propensity to trust. In order to nullify the increased risk and vulnerability created by trusting, there would be clear and simple communication between the trustor and trustee as to the expectations of the trustor in the trustee. There then would be initially small, but steeply increasing penalties on those that harmed trustor's who had placed their trust in them. This would simultaneously decrease the occurrences of violation of trust via threat of penalty, thus encouraging members to feel comfortable trusting and increasing their propensity to trust, while still allowing those who are new to build their trustworthiness due to the initial small penalty of trust violation. This small, but exponentially increasing penalty would address another issue of engendering propensity to trust: experience with others. Propensity to trust is also influenced by continued trust experience. Our propensity to trust another person given all trustee characteristics equal is influenced by our similar previous experiences that we can draw upon. Thus, a Catch-22 dilemma arises where we are naturally hesitant to trust unless we have already trusted. Incentivizing audit members to trust while allowing initial leeway for error serves to catalyze this cycle, and begin to incline audit members to trust one another repeatedly. This inclination can also be built by sustained interaction between the two parties. As the growing trust familiarity develops between the audit team members, it is important to maintain extended contact between the two parties. Once propensity to trust has been built in one relationship, it would be beneficial to continue that relationship. In addition, continuing a relationship and encouraging familiarity between the audit team members also falls in line with performance efficiency as well, allowing the audit team to maintain high performance while also encouraging high trust.

Finally, propensity to trust is influenced by the trustee's trustworthiness. There has been observed interactivity between the trustworthiness of the trustee and the propensity to trust of the trustor. Propensity to trust will influence the perceived trustworthiness of the trustee and vice versa. Because of this, focusing on increasing the trustworthiness of the trustee will through a cyclical nature increase propensity of the trustor to trust. This then becomes an additional reason to focus on the components of trustworthiness and how to increase them, and that is what this thesis now focuses on.

Trustworthiness

This section of the chapter will now examine how to increase the trustworthiness of each of the different key roles in the audit team in order to maximize the trustworthiness of each in their dyadic role interactions with each other. The focus will be to maximize trustworthiness by focusing on each of the trustworthiness components. Many of the actions that will build trustworthiness are recurrent in each of the relationships, and may affect multiple trustworthiness components simultaneously. Each section will contain both specific actions each role can undertake towards the other as the trustee. In addition, there will also be global actions each role can take in respect to the general audit team to foster general trustworthiness. We will first examine building trustworthiness in the role of the partner.

Fig. 4.1 Partner Trustworthiness		
Trustor	*Action*	*Trust Component Affected*
Manager	Staffing	Benevolence, Ability
	Public supporting	Benevolence
	Consistent Plan	Integrity
	Aid on issues	Ability, Benevolence
	Mentorship	Benevolence
	Ethical Guidance	Integrity
Senior	Consistent Leadership	Integrity
	Continued Employment	Benevolence
	Aid on issues	Ability, Benevolence
Staff	Continued Employment	Benevolence
	Consistent Leadership	Integrity
	Aid on issues	Ability, Benevolence

Partner

The leading partner of the engagement is the highest ranking representative of the audit firm involved directly with the client in an audit engagement. Where every audit engagement can be considered analogous to business organization, the lead partner is analogous to the C-suite executives. The partner has complete control over the engagement and is the final decision-maker in all aspects of the audit engagement. By being the signor of the audit report, the partner also holds himself liable for the actions of the audit team. This then puts the partner as a crucial component with respect to all members of the audit team as both the trustor and trustee in dyadic trust relationships.

Figure 4.1 outlines some specific actions that a partner can do as a trustee in order to maximize their trustworthiness efficiently within their relationships in an audit team. As the trustee, the partner must display integrity and benevolence primarily through their leadership status. The audit partner is in charge of developing the audit plan, as the assumption is that they have the technical expertise to this point to lead the audit team to successfully complete

the audit engagement. Therefore, the partner must be able to create a plan and communicate to the audit team how the plan will effectively complete the audit engagement. In addition, the partner must stay consistent with this audit plan. By doing so, the partner displays integrity and benevolence towards the audit team both in showing interest in guaranteeing their work is employed efficiently as well as having a predictable and agreeable plan that the team can comprehend easily.

The partner must also provide benevolent leadership and guidance. The partner is ultimately responsible for the staffing of the audit engagement, so the audit team depends on the partner to effectively staff the engagement with the requisite personnel and guarantee their continued assignment on the engagement when needed. This displays benevolence on the part of the partner. In addition, the partner is the source for a solution to any issues from the audit team. As the most senior employee on the audit engagement, the partner is expected to have the utmost ability, both in technical and social ability, to solve any issues of ethics or technicalities that arise, and must have the benevolence towards their audit team member to provide their guidance and aid in these matters.

Manager

Fig. 4.2 Manager Trustworthiness		
Trustor	*Action*	*Trust Component Affected*
Partner	Satisfactorily oversee execution of audit plan	Ability, Integrity
	Handle day-to-day interaction with management on behalf of partner	Ability, Benevolence
	Communicate status of audit to partner	Benevolence
Senior	Communicate coherent plan for audit engagement	Integrity Benevolence
	Provide help on technical issues	Ability, Benevolence
	Relay additional staffing needs to partner	
Staff	Provide help on technical issues	Benevolence, Ability
	Coherent Leadership	Integrity

The manager is considered the right hand of the partner and the de facto leader of the audit team when the partner is elsewhere. Thus, the manager serves as a conduit and bridge between the audit team, and sometimes the audit client, for the sometimes absent partner. Therefore, the manager must be extremely trustworthy towards the partner who will have to place extreme trust in them, as well as a capable leader towards the rest of the audit team as well.

As a trustee, the manager must display high trustworthiness to the partner. They must display benevolence in wanting to perform the audit for the partner as efficiently and effectively as possible, and must display integrity in aligning their principles in the audit engagement with the partners as to how the engagement and audit procedures must be performed. The manager must also be able to effectively communicate the status of the audit engagement to the partner, showing benevolence by keeping the partner informed throughout

the stages of the engagement. Finally, the manager must show the partner they can match their willingness to complete the audit engagement with the ability to complete the engagement in the pre-approved manner effectively. As the partner is not as frequently present to lead, they then trust the manager to lead the audit for them, and the manager should have the technical and social ability within the audit team to do so.

As a trustee to the rest of the audit team, the expectation of the manager should be similar to those for the partner. The manager should have the technical ability and benevolence to guide the audit senior as well as the staff through technical issues as well as direct them to tasks that need to be done, and must display integrity through their consistency in procedural format as well as their clear explanation of goals and alignment of their goals with the staff's.

Fig. 4.3 Senior Trustworthiness		
Trustor	*Action*	*Trust Component Affected*
Partner	Clearly communicate the status of the engagement	Benevolence, Integrity
	Technical mastery and complete knowledge of engagement	Ability
	Actively attempting to complete audit efficiently and effectively	Benevolence
Manager	Clearly communicate the status of the engagement	Benevolence, Integrity
	Effectively execute activities to further audit engagement	Benevolence
	Operate autonomously	Ability
Staff	Effectively direct staff to complete audit procedures	Integrity, Benevolence
	Provide help on technical issues	Ability

Senior

The audit senior reports to the manager and occasionally the partner about the status of the engagement. In addition, the manager and partner depend on the senior to direct the staff in the conduct of the audit and to be the first enforcer of the audit procedures and form. In being a trustee towards the partner and the manager, the senior must be able to clearly communicate the status of the audit engagement to the manager and the partner. In doing so, they are demonstrating both their benevolence and integrity, aligning their goals with the principles of the partner and manager and demonstrating interest in effectively completing the audit for them. The senior must also be autonomous, as they are directing the majority of the audit procedures, and must display ability in their technical understanding of all the parts of the parts within the audit.

In relation to the audit staff, the senior demonstrates their trustworthiness through their ability to lead the staff. The senior must direct and explain to the staff to complete audit procedures in an effective manner in order to complete the audit plan established by the manager and partner. This shows their integrity in aligning their principles with the leadership and consistently operating underneath those principles while communicating this to the staff. In addition, this shows their benevolence as they attempt to effectively manage the work and effort of the audit staff.

Fig. 4.4 Staff Trustworthiness		
Trustor	*Action*	*Trust Component Affected*
Partner	Ability to proficiently complete tasks	Ability
	Desire to continually aid to finish work for engagement	Integrity, Benevolence
Manager	Ability to proficiently complete tasks	Ability
	Desire to continually aid to finish work for engagement	Integrity, Benevolence
Senior	Constant willingness to help with audit procedures	Integrity, Benevolence
	Technical proficiency	Ability

Staff

Finally, the staff completes the bulk of the audit procedures under the guidance of the senior, as well as the discretion of the partner and manager. For the staff's role as a trustee in all relationships, the staff must display sufficient ability in being able to complete audit procedures sufficiently with minimal micro-managing. The staff must also be willing to work under the established audit format, showing their integrity through alignment with the principles of the partner, manager and senior, as well benevolence in their willingness to perform the audit procedures and task when directed to ass efficiently as possible, showing their interest in the success of the audit as well as the audit team.

General Trust-Building Behavior

In positing ways in which trust could efficiently be optimized for the audit engagement, this thesis observed several recurring global issues within the audit team that

would benefit all members of the team. Following is a summary of these issues and their importance to trust within an audit team.

Clear Communication

Clear communication allows all members of the audit team to work synchronously towards the objective of completing an efficient audit. Many of the audit procedures are performed by a single person. However, many of the procedures are dependent on one another, and therefore members within an audit team are dependent on each other despite working exclusively. Thus, clear communication becomes necessary in order to foster a high-trusting environment. With openness and willingness to share status, the team is able to monitor both the overall pace and progress of the engagement, and thus easily address issues and problems effectively as they occur while identifying areas that need additional attention. This strengthens the integrity of the entire team as they align their goals towards a common overarching goal of completing the audit efficiently.

Team-building

The cooperative nature of an audit engagement makes a cohesive team a necessity for the audit engagement. As each member is dependent on one another, the importance of each member being benevolent to one another becomes paramount. As one's work in an area of an audit might influence another's work, team-building affects the benevolence, giving one motivation to act on the behalf of their team-member as they form a social bond. The social bond creates a team-helping atmosphere where members do not just work for themselves, but for the benefit for each other.

Striving for technical excellence and investing in one another

In constantly teaching and challenging members towards new roles, both ability and benevolence are influenced. Firstly, by teaching proper methods and expanding roles, the ability of the audit team members, especially the newer staff, are greatly enhanced, allowing them to raise their technical level of ability. For seniors, partners and managers endowing them methods and roles in leading the team allows them to expand their social abilities dramatically as their technical abilities plateau. Thus, the staff and seniors benefit in their trustworthiness through raising of their social abilities.

However, the managers and partners also benefit in their trustworthiness through an increase in benevolence. In spending the time to expand the roles of subordinate team members, managers and seniors display the willingness and dedication to invest time and resources into the respective careers and statures of their team members. They create a professional connection between themselves and their team members, and thus in investing in the staff and seniors, the partners and managers raise their benevolence and trustworthiness as well.

Chapter 5: Conclusion and Further Discussion

Conclusion

This thesis explored the role of trust in audit engagements and posited how to cost-effectively encourage a high-trust environment that improves performance. The first part of this thesis sought to establish a definition and a scope of trust to be referred to. Due to the use of trust as a global term, a more specific meaning was needed for the purposes of reference. Trust was narrowed down to a dyadic relationship between a trustor and a trustee, where the trustor "trusts" the trustee. Trusting was defined as psychological state in which the trustor has willingness to allow themselves to be vulnerable towards the trustee. In addition, trust in the scope of this thesis was constrained to professional relationships.

This thesis then examined the reasons why investing resources in trust in audit team is beneficial, and examining the effects of trust on performance. It was observed that trust can influence performance in two ways. The first method that trust influences performance is through the Main Effect. In the main effect, higher trust is seen as being a motivator, that leads to higher performance via trust leading to the trustor taking higher risks in respect to the trustee, increasing their individual performance. The second method, the Moderation Effect, observed trust, not as a motivator in itself, but an amplifier for other motivational objects, allowing these motivating objects to have a stronger effect in the dyadic performance of the trustor and trustee. Thus, trust will then lead the pair to higher performance, not directly, but in its aid to other motivators.

The next part of this thesis then identified the components of trust in a dyadic relationship between trustor and trustee. It identified two main components that affect the level of trust in a trust relationship, trust propensity and trustworthiness. Trust propensity,

the trustor-associated component, is seen as the natural tendency to trust of the trustor. It is the threshold that the trustor will allow themselves naturally to be vulnerable to a trustee, everything else held equal, and is the explanation for variable levels of trusting by trustors despite similar circumstances. Trust propensity can also be seen as a lens through which the trustor assesses actions of the trustee and makes further trust-related evaluations. The trustee-associated component of trust was trustworthiness. Trustworthiness is a collection of traits the trustee displays towards the trustor that heightens the trustor's tendency to trust the trustee in particular. The three general traits that this thesis observed that composed trustworthiness are ability, benevolence, and integrity. These three traits interact with one another to create a general level of trustworthiness and were all necessary in order to build trust.

The first component of trustworthiness, ability, determined the domain specific nature of trust. Ability was defined as both technical and personal ability, and both were needed in order to display overall ability. The second component of trustworthiness was benevolence. Benevolence was seen as the genuine apparent interest in the trustor by the trustee. The need for genuine apparent interest precludes the motivation of money in order for caring, and for mere superficial acts of caring on the part of the trustee to be taken as benevolence. The trustee must display interest in the well-being of the trustor's interests without ulterior motivators. The final component of trust observed was integrity. Integrity was composed of two types of integrity, personal and moral integrity. Personal integrity was the adherence of the trustee to their principles. This was desirable as it makes the trustee less variable and unpredictable in the eyes of the trustor and less risky, thus making them more attractive in terms of an object to trust. However, mere adherence to their principles by the trustee is

sufficient, the principles of the trustee must also be in alignment with the goals and principles of the trustor, thus displaying moral integrity. With these two items, the trustee would then have sufficient integrity for the trustor.

The combination of these three sub-components of trust to create trustworthiness, combined with the propensity to trust of the trustor, creates the level of trust in the trustor-trustee relationship. However, these components are by no means mutually exclusive, and in fact influence one another, both positively and negatively, and can be intertwined at times as to almost be inseparable in their observed effects on trust.

The roles within an audit team were then examined in order to give a sufficient background in order to create an efficient high-trust model. The relationship between the audit firm and the audit client was examined, as it is a crucial part of the audit engagement. However, as the scope of this thesis focuses on trust between the major roles within an audit team, the examination of the roles and interactions in the audit team is more extensive.

This thesis broke the roles of the audit team into four distinct roles, regardless of the actual numbers within an audit team: Partner, Manager, Senior, and Staff. Each of these four roles has unique responsibilities and each role interacts with the other in a unique way. The Partner, who is the leader of the audit engagement, holds ultimate liability for the conduct of the audit, and is responsible for the general oversight of the audit. The direct liability of the partner towards the audit report as well as their ability to employ staffing for the engagement means that the Partner's role as both a trustor and trustee is a key component in the processes of the audit engagement. Working directly subordinate to the Partner is the Manager. As the Partner is usually diverting attention towards several audit engagements simultaneously, as well as handling the business of the audit firm itself, the Manager often

assumes day-to-day leadership and management of the audit engagement. The Manager is responsible for communicating the status of the audit engagement to the Partner as well as ensuring that the audit engagement is completed to the satisfaction of the Partner and the audit plan. Thus, the Manager is a key trustee in their relationship with the Partner and a trustor in their relationship with the rest of the audit team. Working directly under the Manager is the Senior. The Senior directs the Staff in their individual tasks to complete the audit plan, and communicates the status of the staff to the Manager and the Partner. The Senior then is the trustee in relation to the Partner and the Manager, and trustor to the Staff. Finally, the Staff works directly under the Senior, conducting the bulk of the audit procedures under the guidance of the Manager and Senior, and reporting their status and completion of these tasks to the Senior who relays that information to upper management of the audit engagement. The Staff then is the trustee in relation to all other roles in the audit engagement.

With the relationships between the different roles in the audit engagement established, this thesis developed a trust model within an audit team, positing specific actions in order to optimize trust efficiently, as well as examining global tendencies within the audit engagement that optimized trust.

Further Discussion

While there has extensive research on trust, as well as extensive development on the structure of audits and performance optimization, there has been very little research that combines the two. This thesis addressed the issue of trust within a team in an audit engagement, yet there are many more issues that would further the research of trust in the

realm of audit engagements. Following are some of the issues that this author believes would merit further research and insight into:

The effect of global firm activities on trust within individual audit teams

This thesis focused on the dyadic trust relationships within the audit team. However, the components of trust are not exclusively influenced by merely the two actors in the trust relationship. In particular, trust propensity is frequently influenced equally as heavily if not more so by past influences far outside the sphere of influence of the trustee. For audit team members who have been with the audit firm for a long time, their trust propensity has been heavily influenced by the previous audits and experiences that they have had with the firm. Thus, the environment of the firm, which affects the conduct of its employees, may have an impactful effect on trustors who have been with the firm for extended periods of team, which is typical of Managers and Partners. This warrants further observation of the effects of audit firms on the trust propensity and trustworthiness of its employees.

Leadership and trust

Leadership and trust share many of the same traits. A leader can be defined as someone with both the technical ability to excel in a certain domain, as well as the expertise to direct and guide others towards a common goal. These traits in leadership mirror the traits necessary to build high-trust relationships, and as seen in this thesis, many of the actions to build high-trust coincide with the actions associated with good leadership. The parallel between these two can be seen as an indicator that these two separate issues may be more intertwined than they are currently perceived, which warrants further investigation into their interconnectedness.

In addition, the partner's role as a trustor is perhaps the most influential role in the entire audit engagement, as the partner places themselves most vulnerable being the signor of the audit. Thus, the propensity of the partner to trust is a crucial element of trust in the entire audit. It is crucial that the audit partner have high trust propensity towards their team due to the huge need for vulnerability towards their audit team. Being a subordinate trustee is fairly simple in that one must be align their principles with the superior trustor's principles and satisfactorily complete task with their ability. However, a leader's role as a trustee is more interactive as they are more vulnerable towards their subordinates, yet there are expectations from the leader as trustees as well. This more complex trust role in leadership should be investigated further as well.

Audit client inter-organizational trust

While this thesis focused on the dyadic trust relationships within an audit team in an audit engagement, another realm of dyadic relationships that is just as important to the performance of the audit engagement is the inter-organizational dyadic relationship between the audit firm and the audit client, both as organizations, as well as employee dyadic inter-organizational relationships. There are many interactions between members of the audit team and the audit client that are necessary for the completion of the audit and would benefit from increased trust. In addition, the audit firm and audit client as a whole can be considered as being part of entering into a dyadic relationship that can be influenced by trust as well, and the trust interactions between the two firms within their relationships merits further investigation.

Importance of integrity

Finally, of all the components of trust, integrity can be considered the most important and complicated within an audit engagement. The regulative nature of the audit means that the auditor must have extremely high personal integrity. However, the moral integrity the auditor is not merely in the relationship between the auditor and the client. As the auditor is ensuring the validity of the statements, the auditor must have moral integrity with the public, as they depend on the auditor to ensure against financial statement manipulation and fraud. Thus in auditing, the integrity of the auditor must be high, and not just to the client, but to the public as well.

Final Thoughts

Where countless resources are being dedicated in more sophisticated ways for marginal benefits in performance, trust is a simple yet effective method in which to increase performance. As an industry, there is much attention paid within auditing on the trust given to the audit firms by the public and organizations. However, just as crucial in the minds of audit firms should be the individual trust relationships within the tight-knit audit teams that perform the audit engagements. Trust is a powerful tool in the independent yet intertwined process of an audit engagement, and through trust, performance can be enhanced greatly without the sacrifice of precious resources.

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