Northumbria Research Link

AUDITOR INDEPENDENCE IN THE UK: UNDERSTANDING THE IMPACT OF RECLAIMING PROFESSIONAL LEGITIMACY ON THE SOCIAL CONTRACT OF AUDIT.

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Abstract

This thesis explores how auditors in the United Kingdom understand the fundamental principle of independence and how, if at all, this differs across the profession and in time. The overarching aim of this research is to address the gap in understanding independence as a phenomenon that underpins the profession's legitimacy and upholds the social contract that exists between it and society, from the perspective of those in practice. Although existing research has explored different aspects of auditor independence such as its importance in appearance, it has yet to explore how those in the profession understand this fundamental concept and how it shapes their perception of the audits social purpose today. Concerns surrounding auditor independence remain and in recent years there has been a surge of public scrutiny surrounding the profession's ability to act independently due to an increased number of highly public scandals.

This research is underpinned by a social constructionist epistemology and a phenomenological philosophical perspective. Data was collected through 20 face-to-face, semi-constructed interviews. Participants all had auditing experience which ranged from current audit trainees to individuals with over 30 years' experience. Analysis was through an inductive, interpretive phenomenological analysis combined with a thematic approach, allowing themes to emerge.

The core findings are that there exists a significant difference in auditors' understanding of independence as well as the social purpose of audit across the profession. More specifically, this difference was found to be between two groups that emerged through the analysis of the data, those who qualified prior to early 2000s (pre-Enron) and those qualified after the mid-2000s (Post-Enron). A number of the participants cited that the Enron scandal of 2001 had significantly changed the overarching principle of independence and the profession's purpose in society. Further analysis found that due to several highly publicised auditing scandals, the profession has used a number of mechanisms to reclaim its legitimacy, including increased standardisation, scapegoating and blame avoiding, as well as shifting the institutional logic of society's expectations. Concurrently to this, this thesis finds significant evidence of the long-term impact of both increased commercialisation of the profession as well as intensified pressures of audit-market-competition. This in turn has removed both individual auditor professional autonomy and identity as an 'auditor' and has created a new set of compliant 'accountants' who do not see a purpose to their role and puts professional commitment at risk of being lost.

The contribution of this thesis is therefore fourfold, firstly, it expands current understandings of the Social Contract theory and its relationship with Legitimacy Theory specifically in the context of the auditing profession. Second, it provides new nuanced insight into the lived experiences of auditors who entered the profession prior and after the Arthur-Andersen collapse and the differences in their experiences and understanding audit as a social phenomenon. Further, the unique approach to conducting and analysing data provides new guidance in the phenomenological methodology area. Finally, the findings of this research add contemporary understanding the to the profession's own knowledge of auditing in the UK and how their own focus of changes made may not be impacting their professional members in the way they intended.

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Glossary and definitions

Acronym	Meaning
AAT	Association of Accounting Technicians
ACCA	Association of Chartered Certified Accountants
AIA	The Association of International Accountants
Big 4	PwC, EY, Deloitte and KPMG
CAI	Chartered Accountants Ireland
CIMA	Chartered Institute of Management Accountants
CIPFA	Chartered Institute of Public Finance and Accountancy
FRC	Financial Reporting Council
FTSE	Financial Times Stock Exchange
IAS	International Accounting Standards
ICAEW	Institute of Chartered Accountants in England and Wales
ICAS	Institute of Chartered Accountants of Scotland
IFRS	International Financial Reporting Standards
ISA (UK)	International Standards of Auditing (UK)
LLP	Limited Liability Partnership
NAS	Non-Audit-Service
PIEs	Public Interest Entity
Definitions	
Audit	An independent process that enhances the confidence of financial statement users through obtaining reasonable assurance from the entity that the statements are free from material misstatements (FRC, 2018).
Independence in-appearance	The focus on the avoidance by the auditor of circumstances where a reasonable and informed third party would question the auditor's ability to act independent (Beattie & Fearnley, 2004).
Independence in-fact	The mental attitude of auditors, that is unbiased and help them act with integrity and objectivity (Flint, 1988).

Legitimacy	Considers the conditions that exist when an entity's value system is congruent with the value system of a larger social system of which the entity is part of (Lindblom, 1994).
Legitimacy Theory	Considers the survival of a profession will be threatened when they are in breach of the social contract and society no longer believes then to be legitimate (Deegan, 2002).
Professions	An organised body of experts, who have specific knowledge about particular topics that they specialise, in a needed area of expertise (Abbott, 1988).
Social Contract Theory	A series of mutual rights and duties embedded within the relationship between society and those charged with power (Cruess & Cruess, 2008).

Acknowledgements

Life is really simple, but we insist on making it complicated - Confucius

Writing this doctoral thesis has been one of the biggest challenges I've faced so far. However, there have been a number of people (and animals) who have helped, supported and cheerled me throughout. I would now like to take this opportunity to thank them.

Declaration

I declare that the work contained in this thesis has not been submitted for any other award and that it is all my own work. I also confirm that this work fully acknowledges opinions, ideas and contributions from the work of others.

Any ethical clearance for the research presented in this thesis has been approved. Approval has been sought and granted by the Faculty Ethics Committee on 24th June 2016.

I declare that the Word Count of this thesis is 84,242

Name: Rosemary Diamanti

Signature: R.Diamanti

Date: 12/06/2022

Chapter One: Introduction

In many ways, audit is a 19th-century product adjusting to a 21st-century global economy. So it is perhaps not surprising that the nature and quality of audit is not what we want or what we need today…Instead, too many senior people in the industry prefer to talk about an expectation gap: people are expecting too much of audit. I reject that. We found not an expectation gap; but serious delivery gaps…If there is an expectation gap, it is fuelled by auditors themselves, who are very happy to tell us what audit doesn't do.

(Rachel Reeves MP, Keynote speech on Future of Audit report, 2019, np).

1.1 Introduction

The above quote was taken from MP Rachel Reeves' keynote speech in 2019, on the future of audit. Reeves was the chair for the parliamentary inquiry into why auditing firms in the United Kingdom had failed to spot key warning signs for a string of highly publicised corporate collapses. Between 2016 to 2020, auditing has been at the forefront of discussion for the Business, Energy and Industrial Strategy Parliament committee for the collapse of BHS, Patisserie Valerie and Carillion. Not only these collapses, but failings in the performance of the auditing profession during the financial crisis 2007/08, bring fresh questions to the purpose of an audit and indeed the profession's legitimacy.

The above quote encapsulates this wider question around the purpose of auditing in the UK, supported by Sir Donald Brydon CBE, who led an independent inquiry into the quality and effectiveness of audit in the UK, said that "*audit is not broken but has lost its way*" (2019, p.4) and calling for a redefinition of audit and its purpose in society.

It is therefore important to explore the relationship between auditing, its actors and society, as well as the current purpose of audit and the profession and it's members, which will be reviewed in chapter two section 2.3 and 2.4.

This chapter will begin by showcasing the audit profession as it stands today in the United Kingdom, specifically looking at its dominance in the corporate world, changes that have led to this dominance, and issues that have brought us to this time in which these fundamental questions around audit's purpose are being asked. This chapter will further show what the relevance of this research is and where it is positioned in the current auditing research domain as well sharing as the author's own motivation in conducting this research. Finally, the research questions that underpin this thesis will be explained and an outline of the remaining thesis structure detailed. The following section aims to give an overview of the current UK auditing profession.

1.2 The current audit profession

"*Where expectations are disappointed is it not simply naïve to carry on as before?*" (Power, 1997, p.2).

This quote, from Power (1997), decades before the quote from Reeves at the beginning of this thesis, demonstrates that auditing has never been perfect. The auditing profession and their activities, need to change to keep up with globalisation and digitalisation in business (Eulerich & Kalinichenko, 2018). As explained further in section 1.3, research around auditing as a phenomenon has developed and expanded over time, and with that, new criticisms of the profession come to light. However, increasing calls for the profession to address these issues are now becoming a core criticism of the auditing profession in itself (see: Power, 1997; Bazerman & Moore, 2011; Sikka *et al.*, 2018, Reeves, 2019).

The current UK auditing profession has seen exponential growth in recent decades both in wealth and in membership uptake. Brooks (2018, p.2) notes the change in the profession can be seen by the wealth of accountancy firm leaders, "*next time you peer into a flashy car wondering if it's being driven by a film star, you're more likely to find yourself gawping at a bean counter*". Gone are the days of the "*grey accountant*" which, considering the growth of the profession, its membership and revenue is not surprising (Jeacle, 2008, p. 1297).

In the UK accountancy market, the number of members belonging to the seven UK accountancy professional membership bodies[1] has steadily grown over the past five years (2015-2020) (FRC, 2020). However, the number of auditing firms registered has been in decline since 2017 (FRC, 2020). Referred to as the Big 4, Deloitte LLP, EY LLP, KPMG LLP and PricewaterhouseCoopers LLP dominate the audit market in the UK, and between them they audit 100% of the FTSE 100 and 85% of the FTSE 250, with BDO and Grand Thornton making up the rest (FRC, 2020)[2]. In 2019 alone, the Big 4 firms received more than £2.2bn income from audit fees, plus an extra £737m fee income from their audit clients on non-audit work (FRC, 2020). Other non-audit fee income in 2019 from non-audit clients for the Big 4 firms was over £8.7bn for that year alone. In contrast, the next five firms[3] total audit fee income added amounted to £498m, with non-audit fee income from their audit clients totalling, £242m and fee income from non-audited clients totalling £959m for 2019 (2020). Figure 1.1 illustrates the total fee income split for the top nine UK auditing firms.

Income split for top nine firms 2019 (£m)

■ Total fee income split 2019 (£m) Fee income: Non-audit client (£m)
■ Total fee income split 2019 (£m) Fee income: NAS to Audit Clients (£m)
■ Total fee income split 2019 (£m) Fee income: Audit (£m)
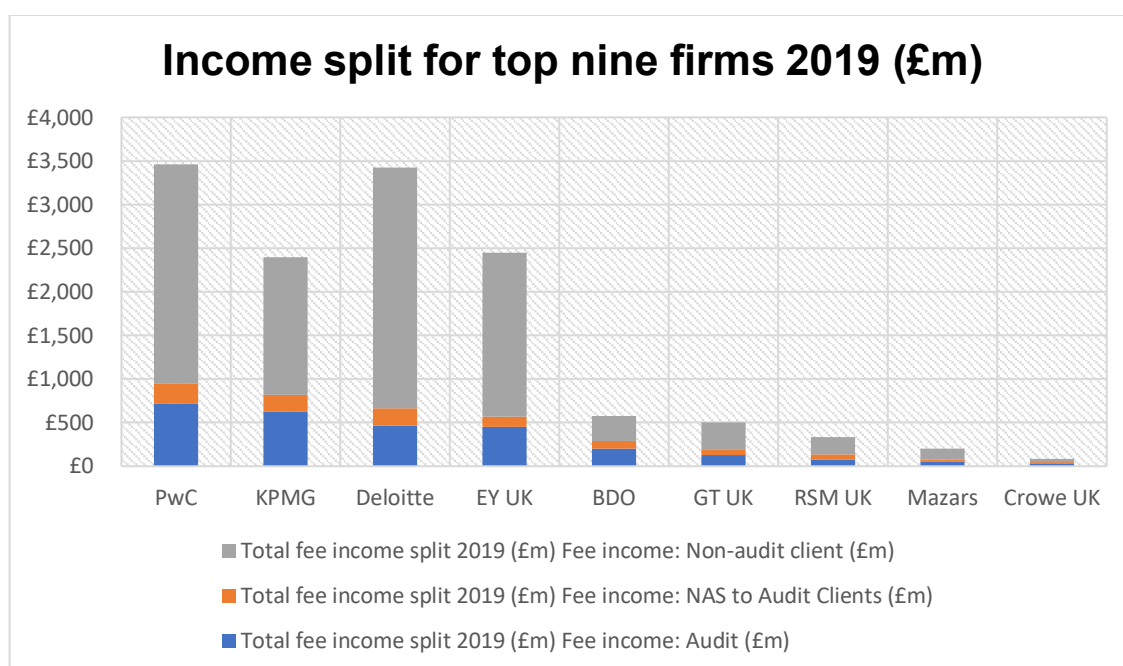
Figure 1. 1 Total fee income split for top nine audit firms UK (FRC, 2020)

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[1] Seven membership bodies include: ICAEW, ACCA, CIPFA, ICAS, CIMA, AIA, AAT, and CAI (FRC,2020).
[2] Statistics for 2019 (FRC, 2020).
[3] Next five audit firms include: BDO, Grant Thornton UK, RSM UK, Mazars and Crowe UK (FRC, 2020).

Brooks (2018) describes the Big 4 as an elitist network of firms, Sikka *et al.,* (2018) describe them as professional establishment that gets away with delivering little benefit to society but reaps the financial reward regardless. The growth of these firms, which can be dated back to the early nineteenth century (Matthews, 2006), has long been beyond just auditing and often the Big 4 and smaller firms use the term "professional service firms" to describe their operations[4]. Further discussed in chapter two in sections 2.3 and 2.8 respectively, growth in size and revenue of firms increased due to the changing landscape of business entities and the offer of non-audit services (NAS) to their audit clients.

As figure 1.1 shows, revenue in fees across the Big 4 runs into the billions, specifically, as mentioned earlier in this section, the fees received from NAS equates to nearly four times more than the Big 4's total income from audit fees[5]. The growth in services such as tax and legal advice, advisory advice spanning across specialisms such as digital adoption and transformation to environmental and sustainability strategy, has accelerated over the past few decades (Power, 1997; Hanlon, 1994; Bazerman *et al.*, 2006; Brooks, 2018; Sikka *et al.*, 2018). Specifically, this explosion in other services beyond the traditional accounting and audit service has been termed 'the commercialisation of accountancy' (Hanlon, 1994; Power, 1994 & 1997).

Auditing firms in the UK have been criticised for their silence in the lead up to the financial crisis 2007/08 (Sikka, 2009). Sikka (2009) found that of the eight leading UK banks that saw significant distress after the financial crisis, all of these banks had been given an unqualified audit report at the beginning of 2008 by Big 4 firms[6]. An unqualified audit report being based on the opinion that financial statements are completely satisfactory, there is no risk to the going concern assumptions stated by management and the auditing firm has been able to gather appropriate evidence to support this opinion (Millichamp & Taylor, 2012; ICAEW, 2019). All of the big 4 firms received millions of

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[4] See website for example: https://home.kpmg/xx/en/home/about/who-we-are.html

[5] Total auditing fees for Big 4 Firms in 2019 was £2.2bn whereas their non-audit fees were £8.7bn (FRC, 2020).

[6] Eight banks in distress include, Abbey National, Alliance and Leicester, Barclays, Bradford and Bingley, HBOS, Lloyds TSB, Northern Rock and RBS (Sikka, 2009).

pounds in fees from both their audit services and non-audit services given to the same banks (Sikka, 2009). Of these eight banks in distress, one remains in its original form (Barclays Bank), with the other seven either being merged, nationalised or disappearing (Sikka, 2009; The Guardian, 2009; BBC News, 2010).

Since then, an there has been ongoing amendment to existing legislation and audit changes to audit regulation in the UK. 2014 saw the amendment of the 2006 EU Directive on statutory audits on annual accounts and the introduction of regulation on specific requirements on statutory audits of Public Interest Entities (PIEs)[7], both of which became applicable to the UK's auditing profession from June 2016. The core objective of these reforms being to reduce conflicts of interest and familiarity between the auditing firms and their respective clients (ESMA, 2014). Specifically, some of the changes included capping the amount of NAS fees an auditing firm can receive from their respective audited clients, limiting the length of the audit tenure through mandatory audit firm rotation and completely prohibiting some NAS's being undertaken by the same auditing firms completely[8].

Of course, since both the financial crash of 07/08 and the amendments to legislation discussed above, other corporate scandal and collapses have occurred in the UK. In 2018, the Financial Reporting Council (FRC) published findings that PwC had signed off BHS's annual accounts despite being "*incomplete, inaccurate and misleading*" (Farrell, 2018, p.1). The unqualifed audit report was signed in March 2015, days before the company was sold for £1, with a £571m pension deficit causing the retailer to collapse, leaving 11,000 employees jobless and 9,000 without a guaranteed pension (Farrell, 2018). Similar to the issues with BHS, Carillion PLC collapsed in January 2018, at which point the company was owing around £1.3bn to its lenders

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[7] Directive 2014/56/ EU: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32014L0056
Regulation (EU) No 537/2014: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32014R0537
[8] Prohibited NAS's include tax and tax compliance services, services involved with management decision-making, financing, capital structure and investment strategy, share advice, certain legal advice, preparing accounts and payroll services, designing internal control/risk management, valuation services, advice for internal audit and HRM advice. See:
https://www.pwc.com/gx/en/about/assets/gra-non-audit-services.pdf

and had an £800m pension deficit as well as only £29m in cash (O'Dwyer &
Kindder, 2020). It was also uncovered that just a few months before this
collapse, an unqualifed audit report had been signed by its statutory auditor
at the time, KPMG. The past decade since 2008 has seen a string of
scandals involving the big 4 and the next big 5 auditing firms[9] and from these
issues have come new investigations about what can be done. This includes
three simultaneous independent inquiries, The Competition Market
Authority's inquiry on market competition amongst statutory auditors in the
UK, Sir Donald Brydon CBE's inquiry into the quality and effectiveness of
audit and Sir John Kingman KCB's inquiry into the Financial Reporting
Council (GOV.UK, October, 2018; February, 2019 & December 2018
respectively). A further review, commissioned by John McDonnell MP into
how the auditing profession could reform was conducted by Sikka and others
in 2018 (Sikka *et al.,* 2018) and a parliamentary inquiry by the BEIS
committee, which produced "*The Future of Audit"* report, was published in
2019[10].

These reports compliment the research and findings from this thesis, in that
they found there was a need to question the presuppositions of auditing, the
meaning of independence and the purpose of an audit in society today.
Understanding how this is all perceived from the perspective of those who
that make up the profession, auditors, is the aim of this thesis. The following
section 1.3 explains why this thesis is well-positioned in the auditing research
field and beyond.

1.3 Finding a place for the research topic
Inquiry into the auditing profession has become a cornerstone of the field of
research on accounting (Carter, Spence & Muzio, 2015). Research into the
philosophy and the purpose of audit was conducted by Mautz and Sharaf
(1964) and supported and developed by Flint (1988). This early research
underpins our contemporary understanding of auditing, explains the social

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[9] Others include the closure of Patisserie Valarie in 2019 and Sports Direct (the first listed company
unable to obtain an auditor): https://www.ft.com/content/af9fc1f2-ff64-4536-918f-0bfeaab221e9 &
https://www.theguardian.com/business/2019/aug/14/sports-direct-faces-race-against-time-as-
auditor-grant-thornton-quits
[10] https://publications.parliament.uk/pa/cm201719/cmselect/cmbeis/1718/171802.htm

purpose of the profession in the 60's and late 80's and demonstrates the magnitude of social impact audit has on wider society. Hanlon (1994) discussed the way in which auditing and accountancy had commercialised and Power (1994 & 1997) described an explosion of audits and questioned the purpose of auditing in society. Post-2001, the Enron and Arthur Andersen scandal gave the scholarly audit community a wave of opportunities to scrutinise different aspects of auditing, including, but not limited to, auditor independence (e.g. Sikka & Willmott, 1995; Bazerman, Morgan & Loewenstein, 1997; Beattie & Fearnley, 2002; Bazerman & Moore, 2011), the expectation gap (e.g. Humphrey, Moizer & Turley, 1993; Geiger, 1994; Sikka *et al.*, 1998; McEnroe & Martens, 2001), regulatory reform (e.g. Humphrey & Moizer, 1990; Quick, Turley & Willekens, 2007; Samsonova-Taddei & Siddiqui, 2016), ethics and the rise of professional service firms (e.g. Beattie & Fearnley, 1995; Dunn & Sikka, 1999; Mitchell & Sikka, 2002; Suddaby, Gendron & Lam, 2009; Guénin-Paracini & Gendron, 2010).

However, exploration into the contract audit and the profession has with society today is less common, and the recent UK government publications (discussed in section 1.2) raise questions about whether audit is fulfilling its expected purpose. Therefore this research investigates audit through a Social Contract Theory (SCT) lens, to determine how the profession upholds this contract (Rousseau, 1762; Cruess & Cruess, 2008). Furthermore, after reviewing the literature around the contract between audit and society, and how audit upholds the social contact, the literature indicated that the profession will push for strengthened legitimacy through increases in independence. Though, the researcher found that the connection between the these three concepts (SCT, Legitimacy and Independence) had not yet been considered.

Furthermore, as the research field of auditing has rightly pointed out, the audit profession has changed, but there is a lack of research around how these changes have impacted current auditors' understanding of their role in society and their interpretations of 'independence' as a phenomenon. Therefore, the aim of this research is to address the gap in understanding independence as a core phenomenon that underpins the professional

legitimacy of the audit profession and consequently the social contact that exists. In Particular, this research aims to explore this from the perspective of those in practice and to see if this is a factor contributing to ongoing issues in the profession today. Specifically, this thesis aims to answer the following research questions:

Thesis Research Questions
1. What purpose do auditors have in society today?
2. What changes have impacted auditor's the ability to be independent?
3. How is the fundamental principle of independence understood across the profession, and does this differ?
4. What motivates auditors to uphold the principle of independence and therefore the profession's legitimacy?

Table 1. 1 Thesis research questions
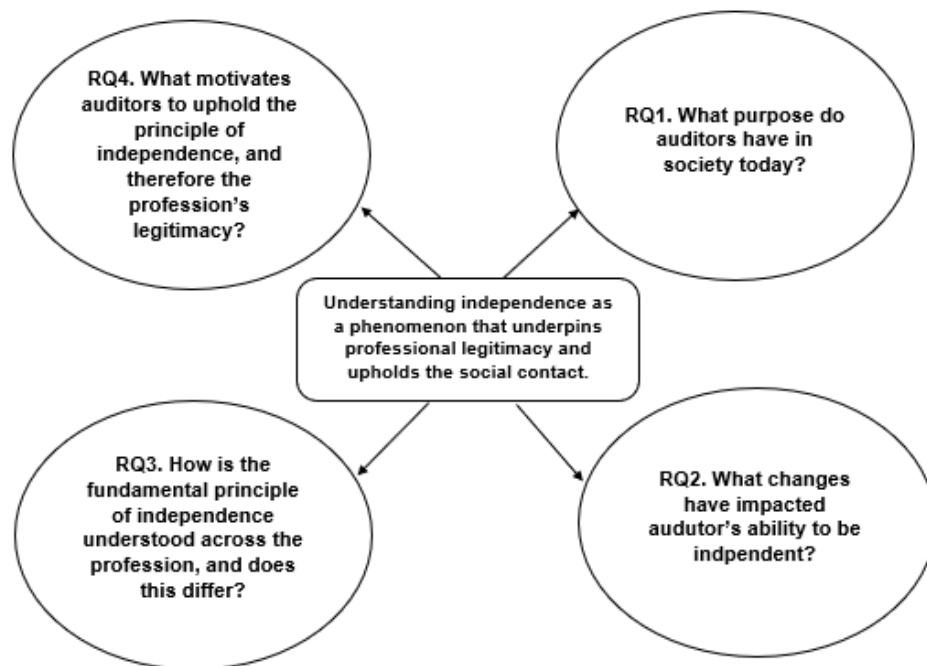
Figure 1. 2 Research questions addressing the research gap

The following section will explain the author's motivations in undertaking this research and explaining the background of the author's interest in auditing as a phenomenon and topic area for this thesis.

1.4 The author's motivation

It is hard to pinpoint the moment that pushed me to start this research journey, I believe this was probably due to a collection of conversations and experiences. Mostly though, the passion to investigate the topic of audit came from excellent teaching at an undergraduate level, which led to a UG dissertation exploring the responsibility of auditors in detecting fraud.

Further to this, I have a strong passion for justice, watching the outcome from poorly led audits on collapsed organisations like Carillion Plc, BHS Plc and Patisserie Valarie, I felt a sense of sorrow for the ordinary people who had their lives, careers and pensions destroyed. Many of them still don't have compensation in contrast to the senior agents in these companies and indeed the auditing firms[11]. However, I have also been in a position to teach future auditors studying Accountancy and have seen that there is a cohort of passionate, ethically conscious future auditors and accountants who are committed to holding those in senior positions to account. Whether that is for poor transparencyand planning, ensuring audit quality is at its highest, or simply just to do the right thing – I truly believes that audit, as a tool and a profession can be good for society. Things can improve, and from speaking to those in the profession there seems to be a longing for this to happen. I has always seen this research as an opening for discussion, a discussion that might be difficult at first but one that is necessary between practitioners and scholars in the effort to build and jointly understand what auditing can and should do for society.

The following section describes how this thesis is structured, with an outline of each chapter that makes it.

1.5 Thesis structure
Chapter one Introduction:

This chapter has introduced the thesis giving an overview of the audit profession today, as well as an idea of how this research is fundamental to

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[11] See: https://www.theguardian.com/business/2020/jan/15/carillion-collapse-two-years-on-government-has-learned-nothing#:~:text=The%20demise%20of%20Carillion%20was,sales%20of%20%C2%A35.2bn

the field of auditing research. The research questions have been explained and how they will address the gap in literature found from chapter two. This chapter has also outlined the thesis structure so the reader can navigate more easily.

Chapter two Literature Review:

This chapter explores the academic literature around the research field of auditing and professions. Specifically, it explores fundamental characteristics that make professions, the evolution of the auditing profession and its current purpose. It then goes on to examine what is understood by independence in the auditing profession, including key definitions. This chapter also addresses the changes in the profession through commercialisation and how the various mechanisms by which the profession upholds its legitimacy as a profession through various mechanisms. This chapter will allow the reader to understand where this research sits within scholarly research on audit specifically, and more broadly on professions.

Chapter three Methodology:

This chapter describes the philosophical underpinnings of the methodology and methods used in conducting the primary research in this thesis, which aims to answer the research questions set out in 1.3 of this chapter. Specifically, it considers the researcher's own presuppositions and philosophical beliefs and how that has been embedded in this research. Further, it describes in detail, the methods undertaken to arrive at the end of this thesis, including methods and techniques of data collection, participants' demographics and the tools of analysis tools used to explore the data and arrive at the findings. Important considerations of research ethics are included in this chapter.

Chapter four Findings:

This chapter explores the findings from the narratives given by the auditors interviewed for this research. Specifically, this chapter is split across three different sections that aim to highlight the differences in narratives and understandings across two groups of professional auditors, the pre-Enron group and the post-Enron group, named for when they joined the profession. The three section are: Section A "The Old Profession", Section B "The Changing Profession" and Section C "The New Profession". Each section

follows the subordinate themes found in the analysis, as discussed in chapter three.

Chapter five Discussion:

This chapter aims to discuss the previous chapters findings and explore what they mean in the context of auditing research. Specifically, this chapter goes through each of the section and the narratives by both pre- and post-Enron groups and discusses the implications of the findings on our current understanding of auditing. This chapter also provides a more meta-analytical view of the findings discussed in chapter four to develop an insight into what has caused the discoveries.

Chapter six Conclusion:

This chapter is the final chapter and will provide a conclusion to the thesis. It begins with recalling the overall aim of this research as well as an overview of the research conducted. This chapter then goes onto address and answer the research questions and overall aim of this thesis. Following this, the author explains the contribution to exisiting theory, knowledge, methodological understanding and practice this thesis adds to. Finally, the author explores possible directions for future research that have emerged from the data collected.

1.6 Summary

This chapter has provided an introduction to the topic this thesis addresses. It has contextualised the research need, the current auditing profession in the UK as well as outlining the research questions that will be answered by this thesis. Furthermore, the authors motivations have been shared so that the reader is able to understand the rationales behind this research. Finally, the structure with an overview of each chapter has been provided.

The following chapter will explore the existing literature around the field of auditing, professions and its relationship with society.

Chapter Two: Literature Review

2.1 Introduction

This thesis explores how auditors in the United Kingdom understand the fundamental principle of independence and how, if at all, this differs across the profession and over time. The overarching aim of this research is to address the gap in understanding independence as a core phenomenon that underpins the professional legitimacy of the audit profession from the perspective of those in practice and to see if this is a factor contributing to ongoing issues in the profession today. Specifically, this thesis aims to answer the following research questions,

1. What purpose do auditors have in society today?
2. What changes have impacted auditor's ability to be independent?
3. How is the fundamental principle of independence understood across the profession, and does this differ?
4. What motivates auditors to uphold the principle of independence and therefore the profession's legitimacy?

To address these questions, this chapter will critically review academic literature within the auditing research field. Specifically, this chapter starts with reviewing the literature to develop an understanding of the context of professions as a phenomenon, and what core theoretical components define a profession's legitimacy. This review of literature then goes onto examining the evolution of the auditing profession, drawing upon key changes to its structure and exploring the profession's purpose in society through a Social Contract theoretical lens. Key insight into the profession's fundamental principle of independence will be explored as well as how the profession upholds its legitimacy. Finally, consideration for the individual auditor's motivation to remain independent will be investigated. The following section will explore key understandings of professions as a phenomenon.

2.2 Understanding professions

"*The professions dominate our world. They heal our bodies, measure our profits, save our souls*" (Abbott, 1988, p.1).

To understand the auditing profession, we need to understand the context of professions in general. The professional context of auditing will be discussed separately, later in the chapter (Section 2.4 onwards).

Professions hold key characteristics and values that allow them to have, as Abbott (1988) states in the quote above, dominance in our world. Professions can be defined as organised bodies of experts, who have specific knowledge about particular topics, that is, they specialise in a needed area of expertise (Abbott, 1988; Hanlon, 1994; Muzio & Kirkpatrick, 2011). They develop when spaces in expertise and power become vacant, which can occur due to new demand for the professional specialism offered, or if an earlier holder of power has left (Abbott, 1988). Further to this, a profession can be expected to have a system of rules and standards, and often members of the profession will need to be tested to ensure they understand these (Abbott, 1988). Other components of the professions include what gives them the source of their legitimacy, often attributed to a trust-relationship with the people who require the profession's services (Carr-Saunders & Wilson, 1933: Abbott, 1988). Often, this trust is upheld by the popular inclusion of codes of ethics or behaviour, but also, as argued by Johnson (1967) and Friedson (1970b, 1986a) professions exist by the power and demand they create. They use this trust relationship to strengthen this existence and obtain legitimacy from society. Discussed in detail in section 2.4, there exists a social contract between society as a whole and professions as individual institutions in which legitimacy is given to professions which they earn through upholding their part of the bargain, in what has been coined as 'The Social Contract' (Rousseau, 1773; Bryan-Brown & Dracup, 2003). Ultimately, it is agreed that a Profession needs to be an occupational group of people, with special knowledge and skill that will require advanced training and examination, conferring exclusivity on both which gives the profession and its members exclusivity (Carr-Saunders and Wilson,1933; Abbott, 1988). The following section discusses how pofessions uphold this exclusivity through standardisation.

2.2.1 Standardisation of professions

As already discussed, an important component of the Professions is the need for intellectual specialism. This is a distinguishing characteristic that gives them purpose and demand. Specifically, Abbott (1988) explains that professions will seek out areas of social concern in which they can assert intellectual dominance. For example, the medical profession has continued to grow as demand for new fields of expertise expand. They have developed by seizing power over areas of social concern such as mental health, obesity and addiction (Abbott, 1988). As professions develop, their need to demonstrate professional legitimacy increases to ensure society trusts them in their new and exisiting fields of expertise (Abbott, 1988, Bryan-Brown & Dracup, 2003). Therefore, professions must ensure they uphold their level of legitimacy through standardisation of practice across all members (Carr-Saunders & Wilson, 1933; Abbott, 1988; Brunsson & Jacobsson, 2002). Standardisation is a form of regulation, a system of rules that are often described as voluntary that enable homogeneity in professions (Brunsson & Jacobsson, 2002). For professions, it allows symmetry in the members that make it, ensuring in the quality of the professional services they provide (Abbott, 1988). This has been a factor that has upheld professional legitimacy for some time, Carr-Saunders and Wilson (1933) date standardisation back to the Middle Ages, where surgeons were trained and tested before being allowed to become a member of the medical profession and perform their trade.

Brunsson and Jacobsson (2002) explain that there are three classifications of standards: those about being something, about having something and doing something. Standards about being something are classifying standards, often used as a measurement for example, the metric system or scientific measurements of what clasifies as a rock. Standards about what we have or should have are, for example, standards in knowledge or skill for a specific profession, such as medicine or auditing. Often this standard is met through qualifying factors, such as exams and training to aquire the expected knowledge needed. Finally, standards about what we do, for example those that govern the professional conduct of doctors or standards for expected

quality in a professional role or outcome, such as the outcome of an audit (Brunsson & Jacobsson, 2002). These standards and standardisation of professions allow for members to acquire competence in their field, enabling the profession to demonstrate their legitimacy to society. This in turn creates the need for exclusivity, through having barriers to entry systems in the profession that essentially shut individuals with minimum levels of the knowledge and skills needed in that specific professional field out, and therefore do not match the standard expected (Carr-Saunders & Wilson, 1933; Abbott, 1988). The latter two of these standards (what we have/should have and do) are essential for professions. Specifically, having standards in knowledge and in expected behaviour, as well as standardisation around how these are adhered to, are fundamental to the legitimacy of the auditing profession, which will be discussed in section 2.6 onwards. However, while standards and standardisation are important to ensuring the continued existance of professions, they must not be so restrictive as to remove their autonomy. Autonomy is another defining characteristic of professions, which the follow section explores.

2.2.2 Autonomy of professions

Autonomy is an important characteristic that allows professions to exercise their knowledge and expertise, as well as giving them an ability to express opinions that are free from influence (Abbott, 1988). It is an important dimension of professionalism and is defined by Kalbers and Cenker (2008) as "*the freedom or prerogative of professionals to carry out their own judgement in the application of their profession's body of knowledge*" (p.330). Engel (1970) conceptualises that autonomy in professions can exist in two levels: (1) with respect to the individual professional (for example, the auditor), and (2) concerning the occupation group or profession (for context, the auditing profession). The following part of this review will explore concept (1), the autonomy of individual professional and how concept (2) has impacted individual autonomy and agency. Later in this chapter, the autonomy of auditors will be discussed with respect to their independence (section 2.5) and as a profession (2.6). However, it is essential to clarify the importance of autonomy in professions as a whole.

Autonomous professions allow for their members to have more control or agency over their ability to exercise their judgement and reach objective and independent decisions. Agency is defined by Martin and Sugarman (2002, p.407) as *"the capability of individual human beings to make their own choices and to act on these choices in ways that make a difference in their lives".* In the context of professions, although professionals are not completely free to make independent choices and are therefore guided by standardisation, they must have the agency to develop objective decisions to pass independent judgement (Carr-Saunders & Wilson, 1933; Abbott, 1988; Martin & Sugarman, 2002). As discussed by Carr-Saunders and Wilson (1933) and Flint (1988), they are experts and require a certain degree of specific knowledge to be part of the profession to which they belong to and consequently, a preconstructed knowledge of the specific field of that profession. In the case of auditors, this would be the field of accounting. Therefore, there should be an element of autonomy given to individual professionals which would allow them a degree of agency or self-determination when it comes to making objective judgements objectively (Martin & Sugarman, 2002). When professional autonomy is removed, the quality of the professional service in question is reduced (Engel, 1970); however, in the context of professionals and their legitimacy, some level of bureaucracy is needed through standardisation (Engel, 1970). This will allow for quality and homogeneity across the profession (Engel, 1970; Brunsson & Jacobsson, 2002).

Wider institutional autonomy promotes the level of autonomy individual professionals have (Evetts, 2002; Muzio & Kirkpratrick, 2011). Meaning individual autonomy is strengthened by that of the profession, by being immune from external regulation or evaluation, something they obtain through legitimacy and exclusivity (Evetts, 2002). That is, they are specialist enough that those not within the profession, would not have the knowledge or understanding needed to evaluate the quality of the profession's services. Therefore, professions are autonomous in that they can self-regulate, allowing for its members to act autonomously to the extent the profession see as fit for that professional role (Abbott, 1988; Hanlon, 1994; Evetts, 2002).

Section 2.2 of this chapter has explored professions as a concept, as well as the fundamental characteristics by which they are defined that help professions stand out. Ultimately, for a profession to exist, they need to have power and exclusivity over knowledge, enabling them to create space for autonomy and self-regulation. To survive and remain legitimate throughout time, professions must have the ability to abstract old problems in new ways to remain needed by society.

The remainder of this chapter will consider these characteristics of a profession, specifically in the context of the audit profession. Similar to Samsonova (2008) in the investigation of trust in auditing in Russia, this chapter will look at the historic development of the auditing profession in the United Kingdom. To do this, it is necessary to consider the evolution of auditing over time (section 2.3) and to develop a critical understanding of how, as a profession, auditors have remained legitimate to society.

2.3 The evolution of audit

This section of chapter two aims to develop insight into how the auditing profession has evolved. It will consider core changes to the purpose of an audit, the evolution of the profession and how key changes throughout time have created today's profession. This section will allow contextualisation of the importance of auditing in society, and following this part, an in-depth exploration into the integral role that independence plays in auditing.

The earliest recognition of auditing has not been well documented but can be traced back to ancient civilisation (Boyd, 1905; Lee, 1994). The closest use of audit to today can be seen in ancient Greece (Boyd, 1905) and is discussed in Aristotle's writings, in which he describes public officers accounting for money and the consequences for those involved with embezzlement and fraud (McMickle, 1978; Teck-Heang & Ali, 2008). In the period before the industrial revolution, auditing was primarily used for verification and checking purposes. In England, audit was formally introduced during the reign of Henry I, who introduced the Exchequer and who appointed special auditing officers to account for state revenues and expenditure (Teck-Heang & Ali, 2008) and in ancient Italy, similar early developments in the use of accounting were seen (for example, Leonardo

Fibonacci and his development of double-entry bookkeeping and later, work by Luca Pacioli (1447-1517) elevated Italy's understanding of bookkeeping). The word 'audit' is the Latin word for 'listen', as it was primarily used by landowners in listening to their respective managers read out their estate transactions (Brooks, 2018). In summary, the earlier works of auditing were concerned with verifying those who held fiscal responsibility and detecting fraud (Fitzpatrick, 1939; Brown, 1962).

Between this earlier time, up until the Industrial Revolution, Brown (1962) notes that little in the overall objective of audit changed, in that its primary function was to detect fraudulent activity and to verify transactions. However, Brown (1962) does explain that a move for more standardisation and independent review of transactions became apparent during the 1800s, where the British Companies Acts in 1844, 1845 and amended again in 1862, referred to auditing and advised companies to have their accounts examined at least once a year by an appointed auditor. It is in this post-1850 time period, where significant economic growth in the UK pushed auditing to become more procedural, with sampling and testing becoming popular in use as a way to gain verification of a company's financial performance (Brown, 1962; Matthews, 2006; Teck-Heang & Ali, 2008). Carr-Saunders and Wilson (1933) locate the time of the professionalisation of the accounting profession with the emergence of the Companies Act 1862 and the Bankruptcy Act 1869 which created demand for professional accountants in independent practice who could act as auditors. In 1870 the first association was founded in Liverpool, and by 1880 the five associations of professional accountants in England were given charter status in which they merged to create the Institute of Chartered Accountants in England and Wales (Carr-Saunders & Wilson, 1933). This was the formation of the accounting profession in England.

The chartered status of the accounting profession was completed by the nineteenth century, with Queen Victoria granting royal charters to the Glasgow Institute of Accountants and Actuaries, the Edinburgh Society of Accountants and 26 years later, the Institute of Chartered Accountants in England and Wales (Gill, 2009; Brooks, 2018). This resulted in more

standardisation and increased the autonomy of the profession, which strengthened the legitimacy of auditing as a service and profession (Abbott, 1988; Hanlon, 1994; Evetts, 2002; Gill, 2009).

During this time, the role and purpose of auditing began to shift towards the review of transactions in preparation for the annual publication of company financial statements (Brown, 1962). This not only reflected the increasing complexity of organisations, but was also required to satisfy statutory law (e.g. Companies Acts of the 1800s). Specifically, during this earlier time, attention was on identifying and setting out the role and duty of auditors and the understanding the specialised area of knowledge and expertise the profession held. Some early evidence from high-profile court cases demonstrates this, for example, Brown, (1962) describes that in 1895 the London and General Bank case of 1895, the judge noted that *"where there is nothing to excite suspicion, very little inquiry will be reasonable…in practice, I believe businessmen select a few cases haphazard, see they are right and assume that others like them are correct also"* (p. 698). Further, the judge at the time clarified that an auditor must act with honesty, adding that the purpose of auditing was to *"ascertain and state the true financial position of the company at the time of the audit and his duty is confined to that"* and that *"unless he does this his duty will be worse than an idle farce"* (Millichamp & Taylor, 2012, p. 421).

It is further evident that the purpose of audit evolves during the nineteenth century in the Re: Kingston Cotton Mill (1896) case, where Lord Justice Lopes clarified that *"an auditor is not bound to be a detective, or, as was said, to approach his work with suspicion, or with a foregone conclusion that there is something wrong. He is a watchdog, but not a bloodhound"* (Sarup, 2005, p.1). It is at this point, we can conclude a shift from the objective of audit to detect fraud moved towards a determination of fairness in the company's reported financial position (Sarup, 2005). Although, some authors conclude that the duties of auditors at this time remained to detect fraud (e.g. Brown, 1962; Porter *et al.,* 2005; Teck-Haung & Ali, 2008) others such as Power, (1999); Sarup, (2004), and; Gill, (2009) suggest that these cases

helped shape the audit of today and encouraged the profession to adopt a more passive approach and lower their suspicions of management.

Further changes to the profession's specialism took place during the twentieth century. Lee (1979) specifically suggests a notable move in the objectives of audit during the 1930s, in which the objective of fraud detection is described as illogical. Lee (1979) argues that this move to verification of statements was due to companies getting larger which meant it was impractical to expect auditors to check all material. Further, this increase in organisational size meant more time was needed to audit and became costly for management, and companies themselves were beginning to take more responsibility in the management of fraud detection internally (Lee, 1979; Chandler, Edwards & Anderson, 1993). From a legal stance, the Companies Act 1929 did not suggest that it was the duty of an auditor to seek out fraud, therefore allowing this objective to be effectively removed from the purpose of audit (Lee, 1979). Throughout this time, the purpose of an audit and the exclusivity of the auditing profession has evolved, strengthened and been legitimised by society. The following section will discuss this in more detail, specifically exploring the purpose of an audit and the profession, as well as the role that auditing and the audit profession play in the wider society.

2.4 The purpose of an audit and the profession

To understand audit, it is useful to develop an understanding of its purpose. Flint (1988) suggests that as a phenomenon, an audit holds no use in society except for its production of a useful good that is needed. That is, it is utilitarian in nature, and would cease to exist if the utility audit creates, no longer satisfied the needs of its users (Flint, 1988; Teck-Heang & Ali, 2008). However, the function of audit has evolved to meet the needs of its users, and therefore its purpose and role in society have changed over time (Mautz & Sharaf, 1964; Flint 1988). Antle (1984) also suggests that the essence of audit is in its power to verify, describing the model of audit as a decision that arose from the potential that management may misrepresent financial statements and therefore, an audit was used to verify the soundness of statements to the owners of the business. Similarly, Power (1997) concludes that this system of verification occurs when society has doubts about the

truthfulness of accounts, and the call for an audit comes from this concern of conflict and threat. Looked at from a professional perspective, ISA (UK) 200[12] explains that the purpose of an audit is to enhance the confidence of financial statement users and the objective of the auditor is, therefore, to obtain reasonable assurance from the entity that the statements are free from material misstatements (p. 3-4). Furthermore, verification is expected to be conducted by an independent auditor, allowing for professional scepticism and reasonable challenge to management, which enables the audit to meet its purpose and objective (FRC, 2016). However, despite the standards suggesting that auditors should be acting in the public's best interest (society), this message is often construed as shareholders' best interest (Sikka, 2009; Brooks, 2018) or, in more critical investigations, the interests of the entities being audited (Bazerman, Loewenstein & Moore, 2002). This can also be seen in the professional curriculum[13] for trainee auditors, where the benefits of an audit are focused on investors and markets, rather than the wider public, and the use of the word 'client' is seen throughout, which may cause junior auditors to feel a sense of responsibility towards the entities they audit, possibly creating an unconscious bias for them (Bazerman, Loewenstein & Moore, 2002; Bazerman & Tenbrunsel, 2012). Gill (2009) further confirms ways in which auditors can become uncosciously biased for their clients. Noting, that although the objective for auditors is to give provision of independent opinion on financial statements, the competitive nature of the audit market creates an unconscious motive for auditors to retain their 'clients' by building relationships with them and providing additional services. Power (1991) also suggests that the trainee auditor curriculum erodes an auditor's ability to be critical in their role. Whilst there is some notion of acting in the public's best interest, this is mostly ignored and the education given to trainee auditors is a long way from contributing to enhancing their ethical understanding of the wider purpose of audit but instead becomes a rush to pass exams and taught with a "*you don't need to know that*" attitude (Power, 1991; Gill, 2011, p. 12).

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[12] ISA (UK) 200 (Revised June 2016) Overall objectives of the independent auditor and the conduct of an audit in accordance with International standards on auditing UK.
[13] ICAEW Audit and Assurance study manual twelfth edition (2018).

In summary, there is a lack of clarification and common understanding for whom audit should benefit and for what purpose it holds. Power (1997) has commented on the fact that the explosion of a need for verification through an audit, has done little to increase transparency and therefore trust. More recently, in the aftermath of several corporate collapses in the UK between 2016-2018, the purpose of audit has been under the spotlight, with independently led government reviews by Sir Donald Brydon questioning the whole system of audit (Brydon, 2019). But something that has been at the forefront of this debate is the role audit plays in society and the contract that exists between audit and society as a whole and whether society is benefiting from the profession. This relationship (or contract) will be discussed in the following section.

2.4.1 Social contract theory and audit

The most ancient of all societies, and the only one that is natural, is the family: and even so, the children remain attached to the father only so long as they need him for their preservation (Rousseau, 1762 quoted in Cole, 1979. p. 166).

This quote, by Rousseau (1762), demonstrates that a dependency exists between parties so long as it is needed by one party. Once that dependency ceases, the duties that were created by this social contract also end. It is then completely voluntary for any remaining relationship to exist between the two. Rousseau (1762) argues that this example between father and child is the first example of the social contract in societies (Rousseau, 1762, translated by Cole, 1979).

Social Contract Theory outlines a series of mutual rights and duties embedded within the relationship between society and those charged with power (Cruess & Cruess, 2008). Historically, this was primarily the contract between the monarchy and its citizens, however, there has been growing recognition that professions hold a duty towards society through the professional services they provide (Cruess & Cruess, 2008). This leans towards a more contemporary understanding of Social Contract Theory where, there exists a legitimate expectation of professions from society, and

vice versa, which means that when the expectations are not met, consequences occur (Bertram, 2004).

There is little research connecting social contract theory to auditing, although there has been significant literature produced around corporate social accounting and reporting (see: Ramanathan, 1976; Gray, Owen & Maunders, 1988; Deegan, 2014). As quoted by Ramanathan (1976, p.518), Shocker and Sethi (1974, p. 67) explain that;

> *Any social institution – and business is no exception – operates in society via a social contract, expressed or implied, whereby its survival and growth are based on: (1) the delivery of some socially desirable ends to society in general, and (2) the distribution of economic, social, or political benefits to groups from which it derives its power.*

Meaning, that the institution must satisfy the social contract by proving they are legitimate and relevant to society's requirements of them, and therefore demonstrating that society needs the services they require. In return, society's demand for the institution will continue. Furthermore, as discussed in section 2.2, it is understood specifically that professions, due to their uniqueness and special knowledge that separates them from other industries, have an embedded obligation to serve society (Bryan-Brown & Dracup, 2003). Again, society repays professions in this social contract through implied trust, the inherent privileges that come with being part of a profession as well as widely accepted self-regulation and exclusivity (Carr-Saunders & Wilson, 1933; Bryan-Brown & Dracup; 2003). Cruess and Cruess (2008) explore the relationship between society and the medical profession, stating that due the theoretical background of the social contract being embedded in professionalism, the relationship between medicine and society should be explored. Cruess and Cruess (2008) in their research, develop a schematic representation of the relationships between the medical profession and different members of society, including patients, the general public, government, and external influences on the contract that exists between. Adapting the work of Cruess and Cruess (2008), this author has illustrated (Figure 2.1) the social contract between audit and society and will discuss the relationship between the two parties (The auditing profession and society) in the following section. At the centre of this contract, is an

expectation that auditors and the wider profession will act with professionalism and independence; in turn, society's expectations match the profession and trust is mutual, as discussed in section 2.2. This will further be explained in section 2.6 where this chapter explores what happens when society's expectations are not met and which creates an expectation gap, bringing into question the legitimacy of the auditing profession (section 2.6).
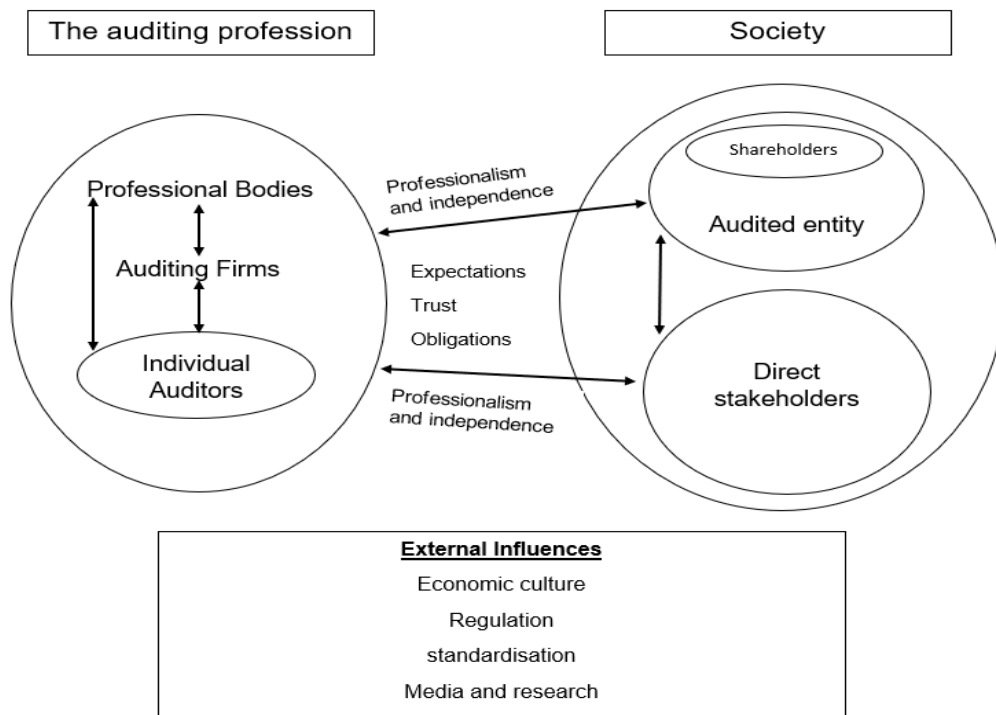
Figure 2. 1 The social contract between audit and society adapted from Cruess and Cruess (2008, p. 584)

2.4.2 The social contract between the profession and society

The audit profession in the UK is made up of individual auditors, auditing firms, and professional bodies. The relationship between professional bodies and individual auditors is both direct and indirect (Figure 2.1). That is, each auditor is a member of their respective bodies and will have direct contact with them and access to information (direct) and each firm must ensure their auditors are carrying out their professional duty through activities such as completing CPD tasks that are set by professional bodies (indirect) (Flint, 1988; Hanlon, 1994; Cruess & Cruess, 2008). Similar to the medical profession, the auditing profession in the UK is self-regulated, and within this professional system, it expected that all members of the profession

(individual auditors, firms, and professional bodies) strive to uphold one common goal and purpose (Abbott,1988; Turley, 2007; Gill, 2009). However, this central purpose or goal is difficult to define and there exists a conflict between the priorities of these parties that make up the audit profession.

One notable conflict is the one that exists between firms and auditors, where a conflict exists between the firm's professional norms and values and that of the professional auditor (Blau & Scott, 1962; Aranya & Ferris, 1984). This was found to exist predominantly in accounting firms, where a stronger deviation from professional values occurs to become more aligned with the firm's logic (Suddaby, Gendron & Lam, 2009). Specifically, for auditors, this can push them to align more with the firm rather than the profession as a whole (Aranya & Ferris, 1984). Although professional values should be aligned between the audit firm and wider profession, research suggests they are not, For example, Sikka (2008) explains that auditing firms now are increasingly willing to persue profitable enterprise that is inherently unethical, from tax avoidance advice to enablers of money laundering. Naturally, when this sort of culture exisits inside of a firm, it will influence the employees (Gino, Moore & Bazerman, 2008; Bazerman & Moore, 2011). The development of professional-organisational conflicts due to increased commericalisation of firms is further discussed in section 2.8. However, if the profession as a whole has competing logic around its central values, one could assume this would hinder the alignment and understanding of the purpose of auditing amongst its members, which in turn would have a detrimental impact of the social contract between the profession and wider society. This misalignment in the profession's understanding of the social purpose of auditing is underexplored. Suddaby, Gendron and Lam (2008) consider changing attitudes of an auditor's professional idiology in Canada. They found that the most prominent deviation from the core value (commitment to independence) was in the Big Four firms (Suddaby, Gendron & Lam, 2008). Research by Thorne, Massey and Jones (2004) considers the influence of unethical consensus across auditors and found that it can encourage other auditors to conform with the consensus. This may suggest ways in which shifts in understanding the social purpose of auditing occur.

Further research by Citron, (2003) found that changes to the profession can impact the way auditors understand specific values that underpin the legitimacy of the profession (discussed further in section 2.8). However, contemporary investigations into this potential misalignment have not occurred, and is a core gap that this thesis aims to address.

Members of society in the context of the social contract with the auditing profession consists of the entities being audited, the shareholders, and wider stakeholder groups. That is, there exists an expectation between audit and these parties, entities being audited have a product from the profession (audit opinion) on the soundness of their financial reports (Flint, 1988; Hanlon, 1994). The shareholders of the audited entity have trust that their invested capital has been utilised and reported on truly and fairly and wider stakeholders (employees, lenders, suppliers) have the assurance that their relationship with the audited entity will continue. As stated earlier (in section 2.4), there is a utility produced, meaning society will receive benefit and value from an audit, and as Rousseau states, the need for this benefit allows for this social contract to continue (Cole, 1973; Flint, 1988). However, as with Power and Gill (1991 &1997; 2009), Sikka (2014) more recently notes that the auditing profession has not held up its duties for the wider social good. Writing specifically on the aftermath of the banking crash of 2007-2008, Sikka (2014) notes that despite the expectations of audit being to highlight corporate failings, and therefore serve as a warning to benefit society, this did not occur.

The banking crash of 2007-08 is a good example of the social contract between society and the auditing profession beginning to break. Audit played an important role in the lead-up to the financial crisis in the UK, providing clean opinions on the financial stability of banks before the crash despite clear warning signs (Sikka, 2009; 2014). As the aftermath was felt predominantly by the welfare of the wider public rather than shareholders and audited-entities, it is hardly surprising then that the wider society has begun to question the purpose of an audit, which in turn strains the social contract that allows audit to exist (Cruess & Cruess, 2008). Audit should be adapting to the needs of society, the benefits of this are wider than public welfare and

the long-term advantages include private interests being met and economic satisfaction (Flint, 1988; de Almeida, 2017). It should be the audit profession's priority to fix this relationship and rebuild the social contract that allows the existence of the profession in society, but to do that, a clear purpose is needed across the profession. In summary, the social contract between the audit profession and society has become strained and understanding how the profession views their social purpose is under-researched and is a gap that is addressed in this thesis.

Other members of this social contract are external influencing factors and parties. As discussed in section 2.2, professions in general, have similar structures and characteristics, one core characteristic, as seen in Figure 2.1, is standardisation (Abbott, 1988; Brunsson & Jacobsson, 2002). Of course, these standards also play an influencing role on the auditing profession, and indeed the auditors. Recently, this was debated in parliament in the aftermath of the Carillion and Patisserie Valerie collapse (highlighted in chapter one), in which key senior officials from the auditing profession blamed the restrictions of the standards for the inability to foresee the collapse of these corporations[14]. Further to standardisation, regulation or 'self-regulation' in the context of the auditing profession is another structural factor that influences the social contract between the auditing profession and society (figure 2.1). As discussed in section 2.2, autonomy through self-regulation is a central character in professions and is the framework of regulation in the auditing profession in the UK (Abbott, 1988; Turley, 2008). Overseen by the Financial Reporting Council, which is the UK's independent regulator for the auditing profession, their mission is to serve society by holding the auditing profession to account and setting the expected standard of quality (FRC, 2020). This standard of quality is the expectations from society seen in figure 2.1, specifically the expectation that the auditing profession remains always professional and independent. Like autonomy, independence is a fundamental priciple that underpins professions and is critical to the inner workings of an audit (Flint, 1988). So far this chapter has reviewed the landscape of the auditing profession, including the contract that exists

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[14] See: https://www.parliamentlive.tv/Event/Index/ef281d07-1e6b-4dcd-ae12-3c5b08fbfe47

between it and society; the next section focuses on this fundamental principle, to explore its importance in audit as well as its meaning. As independence is a product that underpins the social contract between society and the profession, it is necessary to evaluate the inherent structures that impact this.

2.5 Independence

Audit independence is confirmed by many to be a foundational element of the auditing profession (Mautz and Sharaf, 1961; Flint, 1988) and is widely thought to be a necessary characteristic in ensuring the legitimacy of professions, especially in audit (Beattie *et al*., 1999; Jamal and Sunder, 2011). Similar to the research aim of this thesis, understanding audit independence from the perspectives of auditors has been an important part of developing insight into the importance of independence (Beattie *et al*., 1999; Law, 2008). However, past research has often presumed the definition of independence to be unchanged and to be understood by auditors in the same way. The following sections of this review in literature will explore the different definitions of auditor independence, including independence *in-fact* and *in-appearance*. Following this, a discussion will be led on some of the issues identified in this section, specifically around the profession's shift in focus towards increasing independence *in-appearance*.

2.5.1 Defining audit independence

Defining audit independence has been a popular avenue of investigation both in the wider professional research domain as well as in auditing. Antle (1984) investigates Audit Independence as a concept. Agreeing that it is an important characteristic of the function of audit, Antle (1984) notes that up until his research, the actual phrase 'Audit Independence' has no consistent meaning and suggests that previous development of the concept was "*hopelessly ambiguous*" (p. 1). As well as its importance in the upholding of the social contract between auditing and society, Antle (1984) suggests that the role of an auditor is to verify the financial reports independently, with the incentive to remove any potential collusion between financial reporting and management incentives tied to good company performance. Antle (1984) further explains that to define audit independence, finding the line between

self-interest (in carrying out their duties) and collusion (with managers or owners) is the point that needs to be defined to develop the definition of Audit Independence. Antle (1984) develops two definitions of auditor independence. The first definition is that the auditor is highly independent if they cannot gain anything from harming the owner(s) of the audited entity. However, Antle (1984) notes that there is an issue with a highly independent auditor, that is the auditor's behaviour may not be incentivised to be self-interested (to perform their duty). Therefore, Antle's (1984) second definition explains that for auditiors to be independent, there needs to be a strong incentive to have interest in performing their duty to be independent as a core element of their roles purpose. This second definition specifically calls for the owner to enhance the incentive of auditor self-interest so it is dominant in the relationship between the managers of the audited entity and the auditors. In essence, the auditor needs to have an element of self-interest, which Antle suggests must be in their ability to perform their duties, and that self-interest needs to be dominant in the relationship between auditor and manager as well as auditor and owner (1984). Importantly, Antle's (1984) research and definition of independence demonstrates the complexity of independence in action, which is a common thread in literature around it. This idea of an auditor's self-interest being mandated by their professional duties and the complexity of an auditor's role is similarly linked to independence by Mautz and Sharaf (1964).

Mautz and Sharaf (1964) encapture this idea of professional duty and assumptions around acting on these duties. They suggest that "*when examining financial data for the purpose of expressing an independent opinion thereon, the auditor acts exclusively in the capacity of an auditor*" and that, "*the professional status of the independent auditor imposes commensurate professional obligations*" (p. 42). That is to say, a duty exists and that the auditor (when auditing) will act in the interest of that duty which will allow for independent thinking to develop and express an independent opinion. Furthermore, Mautz and Sharaf (1964) suggest that for an audit to fulfil its purpose, there must be no necessary conflict of interest between auditors and those tasked with governance at the entity being audited,

stressing the importance of management's role in acting rationally and honestly. Similar to Antle (1984), Mautz and Sharaf (1964) recognise that there is a relationship between the auditor and auditee and explain that although the independent auditor can serve the audited entity in different ways, it must be solely as an auditor while performing an audit. They further stress the importance of an auditor's duty, stating that anything other than the service of the audit must be seen as secondary and that anything that infringes independence should be viewed with serious concern (Mautz and Sharaf, 1964). There has to be a commitment to due care as an auditor, which in theory should underpin audit and ensure auditors act in line with their duty, rather than self-interest. However, in contrast with Antle's (1984) work, this suggests that acting in line with their auditing professional duty is not an act of self-interest in itself. Flint (1988) further postulates that "*essential distinguishing characteristics of audit are the independence of its status and its freedom from investigatory and reporting constraints*" (p. 22). Further to this, Flint (1988) suggests that this characteristic of independence has developed from societal expectations and that,

> *…judgement that is formed should be completely objective, unprejudiced by previous involvement in the subject of audit, uncompromised by vested interest in the outcome or its consequences, unbiased and uninfluenced by considerations extraneous to the matter at issue.* (p. 29).

Flint's (1988) supports the idea that an auditor's professional duty will underpin independence, and explains that independence in itself, gives the profession of audit its authority and acceptance in society (p. 29). However, as discussed in section 2.4, this professional duty needs to be embedded and understood throughout the profession. This understanding in the auditing profession is under-researched and is a gap that this thesis aims to address.

When looking at definitions around audit independence, it is common to see these split into more than one, like Antle (1984), Power (1997) breaks his understanding of independence into two sub-categories, namely *organisational independence* and *operational independence* (p. 131-134).

The former, concerns the manner of how independent auditors are appointed, the development of ethical rules, and the issue that providing NAS has on the auditing role. The latter, *operational independence* specifically focuses on the process of audit concerning the auditor's ability to escalate concerns about the audited entity independently (Power, 1997). Power (1997) further explains that there also exists a difference between *informational independence* and *epistemic independence,* where the former concerns the issue of information asymmetry and the fact that auditors to some extent will need to trust management information. Whereas the latter explains regardless of informational (in)dependence, the audit process is epistemically independent to that of the audited entity (Power, 1997). However, Power (1997) does argue that with a shift in the purpose of audit (i.e. from audit to inspection) and increasing regulatory emphasis, this epistemic independence deteriorates.

This idea of epistemic independence can perhaps be supported by what Mautz and Sharaf (1964); Flint (1988) and Beattie *et al*., (1999) explain as audit independence, in which they split auditor independence into two distinctive dimensions. Mautz and Sharaf (1964) explain that for independence in audit to be of use, it must be evident as well as real. Therefore, Mautz and Sharaf (1964) distinguish between two aspects of independence; the first, '*practitioner-independence*' specifically refers to the real independence of the practitioner in their work, and second, the '*profession-independence'* which is the apparent independence of auditors as a professional group (p. 204-205).

This distinction is further supported by Flint (1988) who suggests that auditor independence is both a mental attitude and a public belief that independence is real. Beattie *et al*., (1999) summarise this distinction as '*independence in-fact'* which relates to the auditor's unbiased mental attitude, and '*independence in-appearance'*, which they explain is the ability of the reasonable observer to see that there is no inherent conflict between auditor and auditee. These two aspects of independence will be reviewed in more detail in the following sections, but before this it is important to consider the ethical importance of independence in auditing. The following sections will

therefore discuss, the ethics of audit independence, independence in-fact and independence in-appearance.

2.5.2 The Ethics of audit independence

Indeed, the importance of independence in auditing is underpinned by professional ethics. Like all people, auditors are driven by ethics (Crane & Matten, 2010) and for the UK profession, detailed frameworks and standards have been developed over time to guide auditors. As discussed in section 2.2.1 and further discussed later in this chapter in section 2.7.1, standards and standardisation play a large role in an auditor's day-to-day activities and ISA's as well as the Financial Reporting Council's Ethical Standard are seen as the foundations that uphold auditors' professional ethics and behaviour in the UK (Sikka, 2009). Independence itself is not standardised alone, but instead reflected and embedded throughout the ethical framework of audit. This reflects what has been discussed by (Flint, 1988; Beauchamp & Bowie, 1997; Sikka, 2009; Bazerman & Sezer, 2016; Samsonova-Taddei & Siddiqui, 2016) in which the principle of independence and professional ethics is a fundamental characteristic to the philosophy of audit.

Perspectives of ethics within audit have often focused on the way in which ethical theories underpin auditor behaviour, specifically when faced with a moral dilemma. Moizer (1995) explores the way two types of ethical thought can be used to analysed dilemmas faced by auditors. The first being consequentialism, in which the outcome of the decision is said to be a driving force for the ethical decisions made by the auditor, that being the decision that leads to the best outcome for society. The second, deontology, which considers Kant's perspective that is to be duty-bound by rules, and therefore the consequences of the decision are not a factor to the ethical decision-making of the auditor (Moizer, 1995). Moizer (1995) explains that this ethical perspective (deontology) could be seen throughout the professional rules at the time, likewise, when looking at the current Ethical Standard issued by the UK regulator, the same can be found. Although commonly known as a principle-based system of expectations and rules, there is still strong rule-based and duty-bound language found in the ES1, for example, in Part A section A1:

The firm and its partners and all staff shall behave with integrity and objectivity in all professional and business activities and relationships.

Moizer (1995) explains that the standards for auditor behaviour tend to be written in a more deontological manner, and that this is a useful way to ensure that ethical behaviour has been conducted in an audit, as the consequences have already been evaluated for the profession as a whole (p 430). Like Moizer (1995), Preuss (1998) considers the embedded ethical theories used within auditing standards and how that encourages auditors to behave independently and professionally. However, they find that a blended-ethical approach may be needed to account for the moral and ethical complexity of auditing (Preuss, 1998). Likewise, Preuss (1998) also suggests that on their own, codes of ethics are not enough to aid auditors when faced with ethical conflict. One way in which literature has sought to inform auditing policy is through the increasing consideration of virtue ethics, which, reflects the Aristotelian view of ethical theory and emphasises the traits of the individuals rather than the consequences of their action (Samsanova-Taddei & Siddiqui, 2016; Crane & Matten, 2010; Beadle & Moore, 2006). Libby and Thorne (2006) developed measures of auditor virtues, so that academics and the profession could have a more robust way to develop virtuous behaviour in auditors and uphold professional ethics across the profession. The authors found in their investigation that the most important auditor virtues are, truthfulness, independence, objectivity and integrity (Libby & Thone, 2006). As Libby and Thorne (2006) found, these four virtues can be found throughout the professional standards and guidance given by regulators and bodies today, however, the standards themselves pass responsibility to instil these behavioural virtues in auditors onto the firms. This can be seen for example in Ethical Standard (2019, p. 12), which states "*The senior management of the firm and those with direct responsibility for the management of the firm's audit… shall instil the necessary culture and behaviours respectively throughout the firm*". Likewise, Samsonova-Taddei and Siddiqui (2016) found similar passiveness to the ethics of auditors in the most recent updated version of EU Directives overruling Audit in all member states. It could be considered that the profession as a whole, is taking a more

passive approach to ethics in audit, something that has often been equated to the increasing commercialisation of the profession, something that will be discussed further in section 2.8 (Hanlon, 1994; Power, 1998; Mueller et al, 2011).

It could also be considered that an issue that impacts independence in audit is beyond what an ethical theory or framework can assist with. Despite knowing the role and purpose of an auditor, students in a study conducted by Bazerman, Loewenstein and Moore (2002) displayed clear bias in their ethical decision-making when faced with a situation that had distinguishable ethical ambiguity. It was found that one of the biggest threats to an auditor's ethical decision-making and independent judgement was unconscious bias (Bazerman et al, 2002). Furthermore, when it comes to auditor independence and ethical decision-making, there is further psychological restrictions that can lead to an unexpected and undesired audit outcome, that is being psychologically bound (Chugh & Bazerman, 2007; Bazerman & Sezer, 2016). Bounded awareness can lead to bounded ethicality in that cognitive shortcomings can lead to the auditor making a decision that are not within their usual ethics. This suggests that if the individual had more awareness both professionally and ethically, they would make a different decision (Bazerman & Sezer, 2016). This is similar to Samsonova-Taddei and Siddiqui (2016) discuss in which they reflect on what Koehn (1995) suggests, where ethical behaviour is the outcome of continuous learning, and therefore should be embedded meaningfully throughout the auditors' professional frameworks, standards, and culture. However, as discussed in chapter one, there remains ongoing concerns around the professional ethics and independence of auditors in the UK, therefore this research aims to seek an understanding of what it means to be an ethical and professional auditor and how one ensures independence in their daily working lives.

2.5.3 Independence in-fact

As previously stated, independence as a concept in auditing can be broken into two sub-categories. This section of the review in literature will focus on the first of these two, which will be referred to here as '*independence in-fact*' (Beattie *et al*., 1999).

Specifically, independence *in-fact* refers to the mental attitude of auditors, that being the understanding that auditors will have an unbiased mindset, which will help them act with objectivity and integrity (Flint, 1988). This unbiased mindset is used by the auditor in their role and enhances the ability to create independent judgements on the entity they audit (Gendron, Suddaby & Lam, 2006). The concept of auditor independence *in-fact*, is prominent in codes of ethics and standards for auditors. For example, the FRC's Ethical Standard part A focuses on the behavioural aspect of independence, whilst the second half of the standard concentrates on the appearance of independence (FRC, 2018). The principle behind independence *in-fact*, is that it is embedded in the character of an auditor, however, as scandals have happened, the trust in an auditors character has been questioned and increasing amounts of standards and legislation has developed in hopes this will rebuild this independent character (Preston *et al.,* 1995; Gendron, *et al.,* 2006). Gendron *et al.,* (2006) investigate the commitment to independence by auditors, which is the extent to which auditors see independence as a key attribute in the profession. They found the commitment was high and that auditors supported regulatory measures to support independence. Gendron *et al.,* (2006) note that this suggests that auditors generally are less trustworthy of their peers' ability to be independent *in-fact*, which historically, has been the core underpinnings of trust in audit. This study also indicates that auditors of large firms have a lower independence commitment than those in smaller firms and that auditors from larger firms see independence as a more appearance benefit and less significant to their mindset (Wyatt, 2004; Gendron *et al.,* 2006). This similarly suggests misalignment in the core understanding of independence in the profession, which is a key gap this thesis aims to address.

Independence *in-fact* has also been seen to be stronger in auditors who have a higher salience to professional identity (Warren & Alzola, 2009). Warren and Alzola (2009) further state that when the professions image is damaged the auditor will have a weaker salience to the professional identity and therefore independence is risked. The fact that auditors should be independent in their role, can be motivated by a sense of identity in the

profession (Warren & Alzola, 2009). Similarly, Reiter and Williams (2004) note that a shift from professional identity to a more economic identity has shifted the character of the auditor to a more self-interested one, and in that shift the commitment to being ethical and independent *in-fact* is reduced. Further research by Windsor and Warming-Ramussen (2007) finds that increased regulation has hindered the auditor's ability to be independent *in-fact*.

This suggests that independence *in-fact* has decreased in the auditing profession over time, and an increase in regulation around independence, specifically with a focus on the behaviour of auditors has failed. Something that has been found to hinder audit independence is the continuous feature of unconscious bias, which Bazerman, Loewenstein, and Moore (2002) suggest is one of the more significant issues impacting auditor's ability to be independent *in-fact*.

In their research, Bazerman, Loewenstein, and Moore (2002, p. 3) suggest that "*the real problem isn't conscious corruption, it's unconscious bias*" that impacts auditors' ability to be independent *in-fact* and results in poorly performed audits. They note that personal desires have a significant influence on decision-making and will reduce a person's ability to be objective (Bazerman *et al.,* 2002). In an experiment, Bazerman *et al.,* (2002) found that experienced auditors will be biased towards client information and that even auditors who aren't in a direct relationship with the client, will be biased for the previous auditors' work. Further to this, our awareness can impact our ability to recognise our own biases. Bazerman and Sezar (2015) found that when our awareness is limited, our ability to see a decision as wrong or a judgement as unethical is impacted and therefore our views are skewed and biased. Of course, these more neuroscientific issues surrounding auditor independence are an issue on their own, but something that the profession has focused on to avoid such issues is the increased presence of independence *in-appearance* which the following section explores (Beattie *et al.,* 1999).

2.5.4 Independence in-appearance

Independence *in-appearance* is an important aspect of auditor independence as interested parties are unable to see independence *in-fact,* and therefore rely on the appearance of independence (Beattie & Fearnley, 1999). This is defined by Beattie and Fearnley (2004, p. 120) who state that independence *in-appearance* is "*a focus on the avoidance by the auditor of circumstances where a reasonable and informed third party (or public perception) would question the auditor's ability to act objectively".* This is to avoid threats that may hinder an auditor's ability to be independent *in-fact*, such as a reliance on fees, familiarity threats and self-interest. For auditing, the appearance of independence relates to these threats that can arise from the non-audit services given in conjunction to auditee clients by their respective auditing firms (Beattie & Fearnley, 1999, 2004). As discussed by Flint (1988), users need to trust that auditors have been independent, and therefore the profession needs to demonstrate they have taken appropriate, visible measures in doing so. In turn, trust is strengthened, and the legitimacy and credibility of the auditing profession is upheld (Flint, 1988). Beattie and Fearnley (1999) explain that four issues impacting the appearance of auditor independence are, economic dependency, audit market competition, the provision of non-audit services and a relaxed regulatory framework.

Bazerman, Morgan and Loewenstein (1997) also note that the structure of auditing and its relationship with clients and wider users create inherent barriers to independence. Specifically, they narrow these structural features down to one core issue, the power of the hiring and firing of the auditing firm (Bazerman, Morgan & Loewenstein, 1997). They argue that due to increased market competition, auditors will have inherent bias for their clients through the creation of self-interest because of financial dependency and concern for losing their client (Bazerman, Morgan & Loewenstein, 1997). Research has generally been mixed in findings on whether fees impact the quality and outcome of an audit. For example, Kinney, Palmrose and Scholz (2003) found little evidence of economic dependency, noting that when the audit and NAS fee increased, the likelihood of auditors missing aggressive reporting was not evident. However, fee dependency was supported by

Ettredge *et al.,* (2014), who found that during the financial crisis 2007/08, clients who exerted fee pressure on their auditors through threat of tendering, were more likely to have financial misstatements, showing a reduction of quality in the annual audits.

A core debate around the concept of independence *in-appearance* is the provision of non-audit services provided by the auditing firm (Beattie & Fearnley, 1997, 2004; Moore *et al.,* 2006; Sikka, 2007). Sikka (2007) establishes that a push for wealth creation through an increase in enterprise culture in the corporate world, has provided opportunities for auditing firms to capitalise of NAS. Specifically, Sikka (2007) explains that although the auditing firms claim legitimacy through their distinction of being a profession and therefore standards in quality and ethics, (discussed earlier in this chapter), they are themselves capitalist organisations and will be inherently measured by their success in increasing fees and profit. Furthermore, as discussed in chapter one, NAS fees are now the main way auditing firms make profit. Despite this, there has been an increase in focus from the profession itself, to deter threats to independence *in-appearance*, as seen in the 2014 publication of the EU Directive and Regulation, in which a fee and tenure cap has been introduced as well as introducing prohibited NAS[15]. For audit rotation, it now mandatory for PIEs to hold a public tender for audit firms every ten years but may extend the current audit firm for a maximum of twenty (ESMA, 2014). Furthermore, the fees a firm can receive from NAS given to their respective auditing clients, cannot exceed 70% of the average audit fees paid in the last three years (ESMA, 2014). Consequently, the Financial Reporting Council has amended the revised Ethical Standard (2019), which provides explicit guidance for auditors and their firms, on how to avoid conflicts of interest (whether real or perceived) that may hinder the auditor's independence *in-appearance[16].*

As noted earlier, Flint (1988) and Sikka (2007) explain that ensuring public perception of independence through increasing the appearance of it, is a

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[15] See Chapter one for a link and list of prohibited NAS.
[16] December 2019 Revised Ethical Standard https://www.frc.org.uk/getattachment/601c8b09-2c0a-4a6c-8080-30f63e50b4a2/Revised-Ethical-Standards-2019-Updated-With-Covers.pdf

mechanism used by the profession to demonstrate legitimacy. Independence *in-appearance* gives society the tools to judge the auditing profession, and build trust (Beattie & Fearnley, 2004). This in turn gives the profession the legitimacy they need to exist and strengthen the social contract between them and society. This idea of trust and legitimacy will be explored in the following section, specifically, looking at the auditing profession through a legitimacy theoretical lens, and exploring ways in which the profession creates legitimacy and what causes the profession's legitimacy to fall.

2.6 Trust and legitimacy

As discussed in section 2.4, the audit profession is part of a broader social system and from a political-economic perspective, audits can serve as an economic, social and political tool (Guthrie and Parker, 1990; Deegan, 2002).

"*Organisations exist to the extent that the particular society considers that they are legitimate*" (Deegan, 2002, p. 292). Deegan (2002) further states that the idea of legitimacy can be directly linked to Social Contract Theory and as discussed in section 2.3, a social contract exists between organisations (in this case the auditing profession) and individual members and groups of society. This social contract benefits the audit profession by giving them rights to exist as an institution. For example, a profession does not have inherent privileges to social resources (such as trust) and they receive this trust and acceptance from society who believe them to be legitimate (Matthews, 1993; Deegan, 2002). Legitimacy Theory considers a profession's survival will be threatened if they are perceived to be in breach of its contract with society and when society believes them to no longer be 'legitimate' through this breach, they can revoke the social contract between them (Deegan, 2002; Suddaby & Greenwood, 2005).

Legitimacy is defined by Lindblom (1994, p.2) as:

> A condition…which exists when an entity's value system is congruent with the value system of a larger social system of which the entity is part.

That legitimacy is threatened when a gap exists, either actually or perceived between society and audit, and is known in the audit context as the audit

expectation gap (Deegan, 2002; Power, 1999). This gap was first considered by Liggio (1974) who suggested that it is created when the levels of expected performance in audit are not met. This has been developed into different sub-groups of the gap, such has Porter's (1993) explanation, confirming there are two gaps: the first being the reasonableness gap that is the difference between what society expects auditors to achieve and what can be reasonably expected. Porter's (1993) second gap being the performance gap, which is the difference in society's expectation on performance and the auditor's actual performance. These gaps often widen when corporate scandals that include auditing at the forefront occur and result in a loss of trust in the profession and scepticism from society over their legitimacy (Guénin-Paracini & Gendron, 2010). Legitimacy is a resource that both the profession and individual firms depend on, that is created by the trust given to them by society (Flint, 1988; Guénin-Paracini & Gendron, 2010). It ensures survival as a profession, and firm leaders and regulators will develop strategies to safeguard the supply of it, including intentional disclosures, collaborating with others they see as holding legitimacy (Deegan, 2002). One notable way the auditing profession secures legitimacy, as discussed by Guénin-Paracini and Gendron (2010), is sacrificing the wrongdoer of the incident that caused legitimacy to be lost. They concluded this occurred in 2001, where the wider auditing profession in the aftermath of the Enron-Arthur Andersen scandal, distanced itself from Arthur Andersen. Guénin-Paracini and Gendron (2010) suggest this to be a technique used to reclaim the legitimacy lost and resulted in the closure of the global firm after independent regulators, who are part of the profession, renounced them.

Suddaby and Greenwood (2005) explain that legitimacy exists when the service provided by an entity offers some form of a collective good (utility), which serves as protection against scepticism from society that may lead to legitimacy being lost. However, they further note that to keep this up, an organisation will use mechanisms to shift the perception of legitimacy to match that of the deviant act which caused society's scepticism in the first place (further discussed in the following section, 2.7) (Suddaby & Greenwood, 2005). This is interesting when we consider what was discussed

in section 2.4, where it was concluded there does exist a contract between audit and society. Furthermore, when trust is broken between society and the profession, the profession aims to restrengthen it, but it may be the audit profession uses mechanisms such as Suddaby and Greenwood (2005) suggests, to reclaim legitimacy and narrow the expectation gap. As discussed, when this expectation gap widens, legitimacy begins to be erroded and can risk the social contract between audit and society. A strategy to close the expectation gap is to reclaim the legitimacy which was lost, Suddaby and Greenwood (2005) note that this criterion of firms having legitimacy is enriched in institutional reason, and one of the ways a profession may reclaim it, especially when the profession no longer sits within that institutional logic, is to change the logic to establish new criteria for legitimacy. The following section of this chapter will look at how the audit profession has and may attempt to reclaim this with the hope to sustain the social contract it has with society, as well as further exploring Suddaby and Greenwood's (2005) work.

2.7 Mechanisms to reclaim legitimacy

A good example of the audit profession having to reclaim legitimacy is the 2001 case of Arthur Andersen and Enron. At the time of Enron and Arthur Andersen, there were no comparable failures in the UK, but due to worldwide legitimacy being lost in the profession and pressure from society, the UK government set up the Coordinating Group on Audit and Accounting Issues (CGAA) in 2002 in response (Fearnley & Beattie, 2004). A core focus for CGAA was to review the UK framework for Audit Independence, specifically looking at audit firm rotation, non-audit service fees, and length of service (Fearnley and Beattie, 2004). The objective of this was to improve independence *in-fact* through increasing independence *in-appearance* (discussed in section 2.5), that is with the assumption that reducing the chances of being dependent will encourage auditors to have an independent state of mind. At the same time, several regulatory and standard changes were being made in the UK and although they were influenced by both Enron and the US, the UK had planned to make changes regardless (Turley, 2008). Specifically, key changes to the regulatory framework that applied to auditing

in the UK were introduced in 2002 and so came a more formal independent regulator for the accounting profession (Turley, 2008). This included the introduction of new boards which sat alongside the Auditing Practices Board (APB) and fell under the Accountancy Foundation Board's overall management (see Figure 2.2).
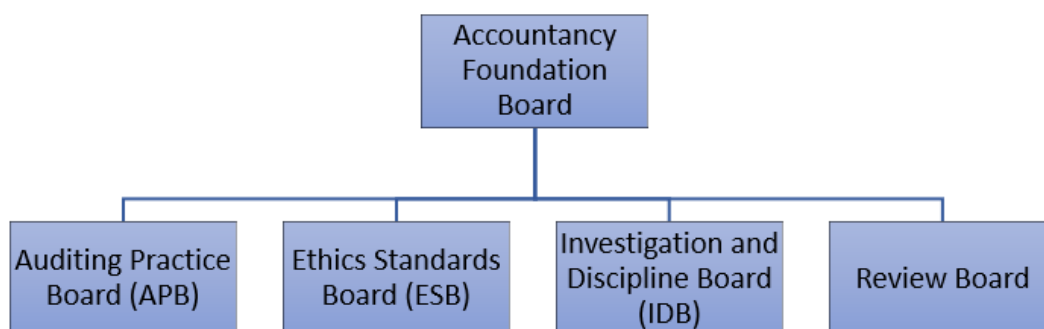
Figure 2. 2 The audit regulatory framework in the UK 2002-2004 (adapted from Turley, 2008, p. 207)

Before these changes made in 2002, the compliance to standards in practice was loosely monitored by the professional bodies (for example ICAEW), as was auditor ethical guidance (Turley, 2008). This new framework enabled external and independent scrutiny of the profession and started to shift oversight from a self-regulation model. However, it is worth noting that members of these oversight boards are often from the profession, meaning although visually this looks like an independent oversight, realistically it is still more in line with self-regulation.

Globally, there had been a push to reclaim the legitimacy the profession lost after the Enron collapse, for example in the US the Sarbanes-Oxley Act was passed, which focused on transparency around financial reporting and auditing. Further, in 2003 the International Auditing and Assurance Committee (now named International Auditing and Assurance Standards Board) published the International Standards of Auditing (IAASB, 2003; Turley, 2008). At the same time, the UK government was undertaking several reviews in the UK audit profession and the European Commission was modernising the 8th Directive for member states, all to rebuild the trust lost in

auditing. These reviews included evaluating the independent regulation of the profession, scrutinizing the profession's efforts in reducing core issues that arose in the 2001 and assessing the strength of independence in audit (Accountancy Foundation, 2002; CCGA, 2002 & 2003; DTI, 2003).

As a result of findings from reviews conducted by the CGAA and Department of Trade and Industry (DTI) further changes to the UK audit regulation framework were introduced to strengthen its independence and authority as well as enhance transparency (CCGA, 2002; DTI, 2002; Fearnley and Beattie, 2004; Turley, 2008). Specifically, these recommendations terminated the Accountancy Foundation and transferred this responsibility to the FRC and several boards in the earlier structure (figure 2.2) were absorbed by others and therefore dissolved (Turley, 2008). This new regulatory structure was fully introduced in 2004 (see Figure 2.3).
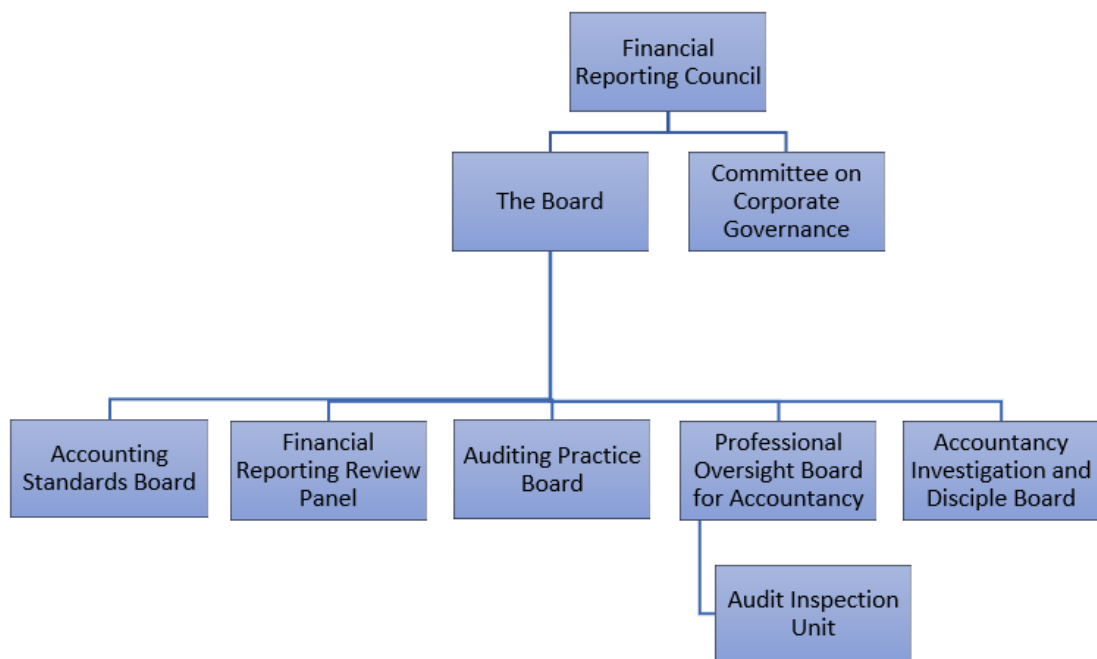
Figure 2. 3 The audit regulatory framework in the UK 2004-2012 (adapted from Turley, 2008, p. 209)

These regulatory changes can be seen as the auditing professions attempt to reclaim legitimacy they lost, due to the aftermath of several corporate scandals in the noughties. These attempts have resurfaced in the UK after calls for the audit profession to improve significantly were raised from a string

of cases from 2014-2018 (discussed in chapter one). Specifically, three reviews were conducted looking at the audit market, regulator, and effectiveness of the profession[17]. At the time of writing, these reviews are published but action has not been decided.

As discussed in section 2.6, Guénin-Paracini and Gendron (2010) note that another mechanism to reclaim lost legitimacy is to use scapegoating techniques. In the case of Enron and Arthur Andersen, Guénin-Paracini and Gendron (2010) explain that the profession may use five stages to reclaim legitimacy (figure 2.4).
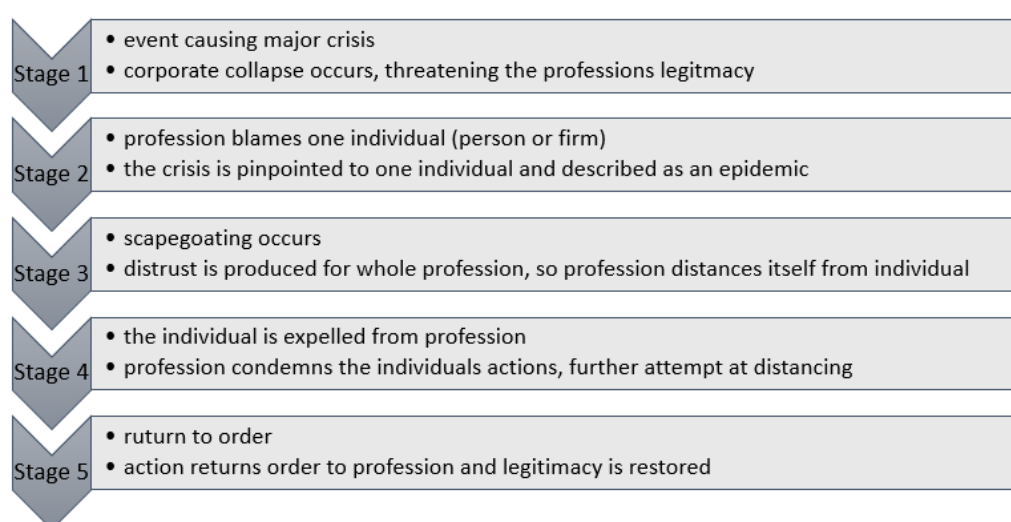
Figure 2. 4 Stages of reclaiming legitimacy (adapted from Guénin-Paracini & Gendron, 2010, p. 152)

These stages make up the process of condemnation of the wrongdoer in the hope to reclaim lost legitimacy (Guénin-Paracini & Gendron, 2010). In the context of an audit, the wrongdoer can be an individual auditor or community (firm). In the case of Enron and Arthur Andersen, this was firstly the Chicago office but led to the entire firm being condemned (Guénin-Paracini & Gendron, 2010). Similar mechanisms to reclaim legitimacy have been seen more recently in the UK, specifically concerning the corporate scandals discussed in chapter one, where firms have attempted to distance

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[17] The CMA review, Kingsman review and Brydon review respectively.

themselves from firms at the centre of scandals (Marriage, 2018; Parliamentlive.TV, 2018 & 2019[18]).

Another mechanism used to reclaim legitimacy and what was introduced in section 2.6 is what Suddaby and Greenwood (2005) describe as a change in institutional logic (or for audit, an active move to pull expected standards in quality down). The author has adapted the work of Suddaby and Greenwood (2005) and illustrated this possible shift in institutional logic in the audit profession in figure 2.5 below.
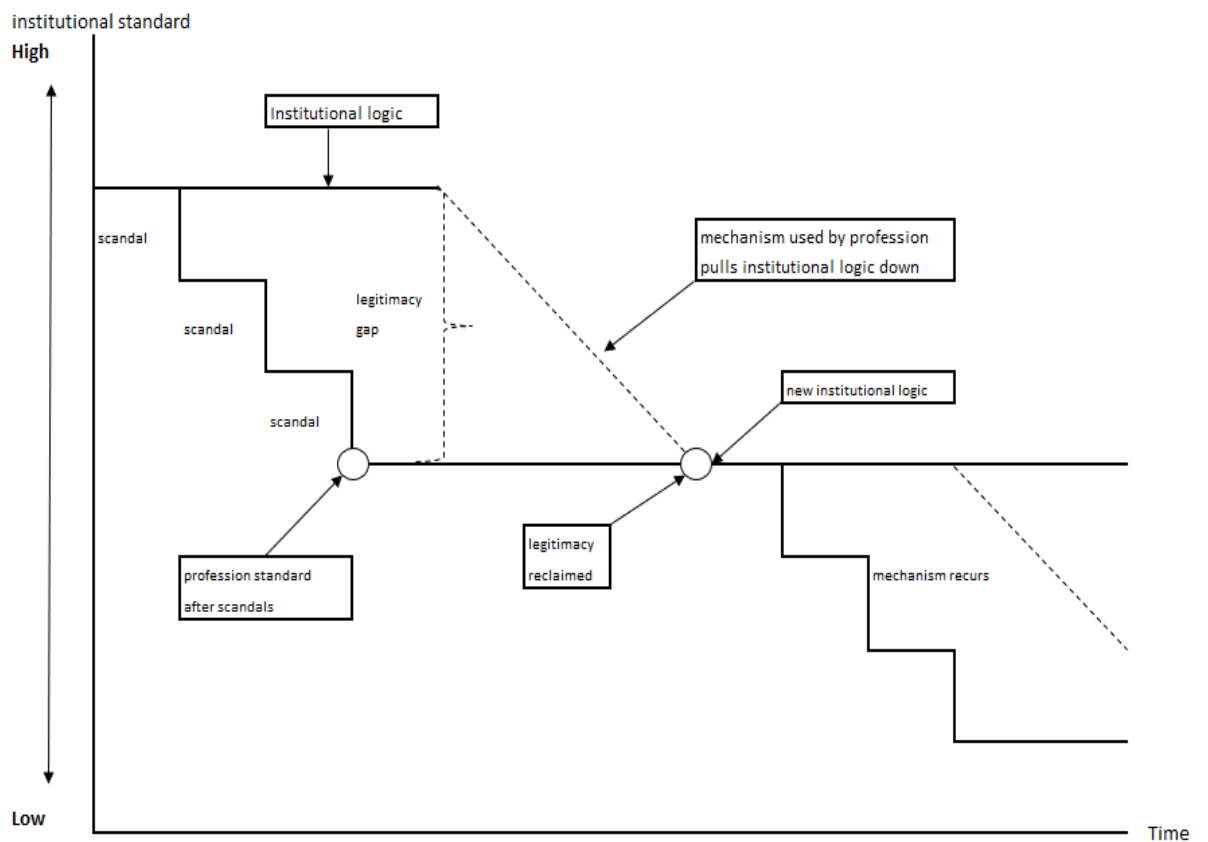
Figure 2. 5 Mechanism to reduce the legitimacy-gap in the audit profession (adapted from Suddaby & Greenwood, 2005, p. 36-41)

In figure 2.5 the level of the profession's standards in quality lower after scandals occur, this deviates from the institutional logic expected. The profession, instead of improving its standards, uses mechanisms to reduce

[18]BEIS committee hearing on Carillion: https://www.parliamentlive.tv/Event/Index/08295010-99f1-4e9e-a6c2-0e11f7b09a92
BEIS committee hearing on Future of Audit: https://www.parliamentlive.tv/Event/Index/6829d379-d193-4db2-8ad2-17830685dd5c

the original institutional logic to match their lower standard, at the point which institutional logic has reduced, legitimacy is reclaimed by the audit profession (adapted from Suddaby & Greenwood, 2005). They argue that language can be used over time to shift the institutional logic, noting two core strategies, the first using language to shape perception of existing institutional logic and second, by neutralising the new logic (Suddaby & Greenwood, 2005). Of interest, is Whittle, Mueller and Carter's (2016) research, that explored how the Big Four reclaimed legitimacy when faced with scrutiny from government. They analysed the reaction of Big Four leaders during an Economic Affairs Committee hearing which was investigating audit failure and the lack of competition and independence in the UK audit market (Whittle, Mueller & Carter, 2016). Findings from this research indicated that the Big Four leaders denied any loss of legitimacy in the first place, maintaining a *status quo* for their standard in quality today, thus restoring legitimacy (Whittle, Mueller & Carter, 2016). Indeed, this could be similar to the efforts to reduce institutional logic so that professional legitimacy is restabled. For this research, of interest is if there have been strategies over time in the profession to change the *status quo* around the purpose of audit and the fundamental principle of independence. This is a key insight that this research aims to address.

Interestingly, although not described as a method of reclaiming legitimacy at the time, Chandler, Edwards, and Anderson (1993) note that the auditing profession has historically tackled issues in audit when they occur and become at the forefront of public interest. Chandler, Edwards, and Anderson (1993) further suggest when external events happen that impact the reputation of the profession, it is at this point the profession takes action to change to meet the expected requirements. This is suggested by Guénin-Paracini and Gendron (2010) who note the UK audit profession during the early 2000s, used several methods to reclaim their legitimacy in the aftermath of accounting scandals which led to a break in trust from society. Something that has also happened in the aftermath of corporate collapse in which auditors have been criticised, is a push to reclaim lost legitimacy, through increasing independence *in-appearance*, specifically through

increased use of standardisation. The following section discusses this, as a way the audit profession has used standardisation to strengthen legitimacy and strengthen the social contract it has with society.

2.7.1 Standardisation in audit

Auditor judgement is complex and relies on individual auditors' cognitive abilities and technical knowledge and can be influenced by their environment both professionally and socially (Herrbach, 2005). For audit to be *seen* as legitimate there needs to exist a standard of which trust in the individuals conducting the audit can be achieved, that is for them to be seen as legitimate professionals (Hatherly, 1999; Herrbach, 2005). These standards in audit, although principle-based, are designed to give relevance to the procedures undertaken in an audit and aim to create legitimacy, which in turn will strengthen the social contract between the profession and society. As mentioned, standards used by auditors are principle-based in practice, that is they are designed to give guidance rather than rules (Herron & Gilbertson, 2004). This is so that audit judgement is not just random guesswork from individuals but also, so they are not '*paying lip service*' to the standards guiding them (Power, 1995; Herrbach, 2005). This means that the standards or guidance for practising auditors should strengthen the legitimacy of the profession and ensure professionalism in individual auditors. Nerland and Karseth (2015, p.5) define standardisation as "*a process of constructing uniformity across space and time, through the generation of agreed-upon rules".* Indeed, standards for and used by auditors in the UK today are often international and include International Standards on Auditing (ISAs), Ethical Standards (ES1), and Quality Standards (ISQC & ISQM 1&2) (FRC, 2019). Further, auditors are expected to have in-depth knowledge of reporting standards including, International Financial Reporting Standards (IFRS), Financial Reporting Standards (FRS) (FRC, 2019). On top of these, auditors will be expected to abide by codes of conducts and ethics set by membership bodies (for example, ICAEW) and statutory law (for example CA 2006).

Standardisation in professions is not new and is recognised as critical for the performance of those in the profession as discussed above, but when new standards are introduced, there is a risk that the intention may fail or "*morph*

into a new form" (Timmermans & Epstein, 2010, p.79). As discussed in section 2.2, for professions to exist there needs to be a degree of autonomy so they can pass independent judgement and the extent to which standardisation impacts auditors' agency and independence is yet to be thoroughly explored. There remains debate in the research field surrounding professions and professionalism with regards to the extent standardisation restricts flexibility in professional judgement (Brunsson & Jacobsson, 2002; Timmermans & Epstein, 2010; Nerland & Karseth, 2015; Ponnert & Svensson, 2016).

Power (2003) notes that a push for a more structured audit approach reflects a rise in demand for more legitimate and transparent forms of auditing practice which can be seen through increases in standardisation. Indeed, when reviewing the literature in section 2.3 on how the profession has evolved, it is clear that it has become a more structured setting. Furthermore, as discussed by Power (2003), while this increase in standardisation is to reclaim legitimacy and control, it is not necessarily a move to improve audit quality or in this case, independence and the social contract between the profession and society.

DiMaggio and Powell (1983) similarly note that whilst organisations become more standardised, structural changes to organisations are less about improving efficiency and instead more about complying with processes. These processes, whilst innovative at the time, can in the long run create constructs that limit organisation's ability to make effective change in the future and once the objective of the process is reached it then becomes more about providing legitimacy than improving performance (DiMaggio and Powell, 1983). DiMaggio and Powell (1983, p148-149) further explain that *"strategies that are rational to the individual organizations may not be rational if adopted by large numbers"* but because they are seen to be correct mechanisms the likelihood of implementation increases. Indeed, this is what happened when IAASB encouraged the use of International Standards in Auditing in the early 2000s (see Appendix A and B for timeline on scandals and regulatory and standard changes).

Standardisation can be good, however, at enabling cohesion across professions (Abbott, 1984; Brunsson & Jacobsson, 2002). Specifically for auditors and the wider profession, this can encourage an embedded duty and commitment to the auditing profession's purpose by strengthening professional identity. Although the relationship between standardisation and autonomy, duty and identity has not been central to the discussion of auditing, it is important to consider the connection between standardisation, auditor duty and identity as well as auditor autonomy. The following section will explore this.

2.7.2 Autonomy, duty, and identity of auditors

The duty of an auditor is ill-defined, and although audit is described as a quasi-legal role in the Companies Act 2006[19], International Standards on Auditing (ISAs) state that the only duties of an auditor are to report suspected money laundering (ISA 250A, 2019), a duty to the client and a duty of confidentiality which can be overridden if their duty to report suspicion of fraud or other legal issues (ISA 250A; ISA 250B, 2019). Auditors in the UK have an objective, however, which is in conducting an audit of financial statements:

(a) To obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, thereby enabling the auditor to express an opinion on whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework; and

(b) To report on the financial statements, and communicate as required by the ISAs (UK), in accordance with the auditor's findings (ISA UK 200, p.4)

This is to "*enhance the degree of confidence of intended users in the financial statements…by an expression of an opinion by the [independent] auditor…based on reasonable assurance the financial statements are*

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[19] Companies Act 2006, Part 16: Audit, Chapter 3: Functions of Auditor, Duties and Rights of Auditors 498-502.

prepared without material misstatements due to fraud or error" (ISA 200, p. 2-3).

It is fair to say that by not having a detailed list of statutory duties, auditors have increased autonomy and can make more independent judgements (Brunsson & Jacobsson, 2002). However, not having an explicit embedded duty to do 'the right thing' may hinder the ability to make the right decisions. Flint (1988) explains that autonomy in auditing is important, suggesting that for an auditor to be independent they must be in an environment that allows it, and one that will foster independent thinking. Another important aspect of this is the embedded duty of an auditor, as mentioned above, this is something that is conflicting and not well explored in both practice and literature, but a big part of duty is professional identity (Warren & Parker, 2009). Before considering the auditor's identity it is important to consider the importance of identity in general. As Appiah (2005, p. 20) explains, *"an identity is always articulated through concepts (and practices) made available to you by religion, society, school, and state mediated by family, peers and friends".* This means that that 'the self' cannot be independent of the human world and we are the product of interaction with others. Identity helps people give meaning to their lives, as Appiah (2005) explains in his discussion on the ethics of identity,

> *Let me propose a thought experiment that might dissuade those who speak of self-choice as the ultimate value. Suppose it were possible, through some sort of instantaneous genetic engineering, to change any aspect of your nature, so that you could have any combination of capacities that have ever been within the range of human possibility: you could have Michael Jordan's fade-away shot, Mozart's musicality, Groucho Marx's comic gifts, Proust's delicate way with language. Suppose you could put these together with any desires you wanted – homo- or hetero-, a taste for Wagner or Eminem. (You might saunter into the metamorphosis chamber whistling the overture to Die Meistersinger and strut out murmuring "Will the Real Slim Shady Please Stand Up?" Suppose, further, that there were no careers or professions in the world because all material needs and services were*

met by intelligent machines. Far from being a utopia, so it seems to
me, this would be a kind of hell. There would be no reason to choose
any of these options because there would be no achievement in
putting together a life (p.19).

Here, Appiah (2005) gives the importance of identity both in life, but also in professions. Identity comes from all the experiences and social fabric that makes up an individual's life and gives meaning to it (Appiah, 2005). Having a purpose in life can help build that identity, as Taylor (1992) explains, people can define identity against the things that matter but to take this fabric that makes us away would leave nothing left. This is also true for having purpose in work and therefore purpose in the role of an auditor which, will no doubt impact their identity as an auditor in a wider profession. Further to this, building an identity as an individual, requires drawing on norms related to the society (or in this case the auditing profession) so the individual can feel part of it, known as collective identities and can create forms of solidarity and a sense of duty (Appiah, 2005).

Having meaning in life helps individuals to make sense of their existence, and purpose allows people to understand that through having intentions and goals they want to be achieved (Recker, Peacock and Wong, 1987). In general, people have a strong desire to understand the world around them, and theoretically experience meaning when they start to understand their role in life and what they are trying to accomplish (Steger, Kashdan, Sullivan and Lorentz, 2008). As Michaelson, Pratt, Grant and Dunn (2014) explain, work occupies a central position in individuals search for meaning in life, and for many adults, work is where they spend the majority of their lives and therefore is a "*primary source of purpose, belongingness and identity*" (p.77).

Meaning refers to making sense of one's existence and having a purpose and can help individuals find enjoyment in life (Recker, Peacock and Wong, 1987). Meaning for individuals helps them establish identity, and in a professional environment such as in auditing, this will strengthen the sense of duty. Therefore, richly embedding this as the profession's overall purpose will give auditors an identity both as individual professionals and more widely as

part of a profession (Erikson, 1963; Recker, Peacock & Wong, 1987; Warren & Parker, 2009). This was found by Bamber and Iyer (2007) who conclude that those auditors with weak identity to the wider profession were less likely to be independent. In fact, they found that increased familiarity with their auditing clients, shifted auditors to identify more with them and led to heightened bias for their clients (Bamber & Iyer, 2007). Similarly, Baurer (2015) finds that strengthened professional identity increases the likelihood of profession scepticism and management challenge in auditors. Considering the relationship between auditing firms and their clients, Bauer (2015) notes that the firms with longer-tenure, identify more in values with their clients. This reflects concerns raised in section 2.4.2, in which professional-firm conflicts may occur when auditing firms values no longer match those to the wider profession. However, it is unclear if the wider profession's values match those of firms and individual auditors. Indeed, this research aims to understand auditor understanding of the social purpose of audit today and if there are disparities in this across the profession.

There is a gap in the literature that looks at auditor identity and its relationship with duty and autonomy, and further, a gap that considers how this impacts the auditor's ability to be independent and therefore uphold the legitimacy and strength of the social contract between the auditing profession and society. Therefore, this thesis aims to address this.

One area of research in auditing that has not been explored in this review so far, is the way that changes made to the focus of auditing has impacted the social contract and the profession's legitimacy over time. This is named Commercialisation by Hanlon (1994) and its importance in this discussion and impact will be explored in the following section. Hanlon (1994) notes that the '90s saw an early shift in the purpose of auditing, that being from on with a public interest orientation to one that is more commercial. This move to a more profit-centred profession has been called into investigation by Sikka (2007 & 2014) and could strengthen understanding on what the social purpose of audit is today. Therefore, the following section will discuss how expansion to the auditing profession has impacted the social contract

between it and society and if a shift towards a more commercial role has impacted the social purpose of audit.

2.8 Commercialisation of the audit profession

Discussed in section 2.3, it is clear that as a profession, auditing has developed over time to suit the needs of its users. Furthermore, early research indicates that the purpose of audit was to detect fraud and protect wider society from corporate collapse (Brown, 1962; Matthews, 2006). Emphasis on the duty of an auditor grew in the nineteeth century and by the early twentieth, the idea that auditors were employed to detect fraud transformed into one that verified financial soundness of corporations (Matthews, 2006; Teck-Haung & Ali, 2008) However, there remains an embedded expectation from society that audit, as a profession, will produce social value (Cruess & Cruess, 2008).

Highlighted in chapter one, Sikka (1014) and Brooks (2018) argue that the auditing profession today is no longer an accountability tool, but a profit-opportunity which gives firms access to the corporate world in which they can sell their non-audit services. Likewise, chapter one illustrated in chart 1.0, the profitability of these non-audit services, which was four times the fee received from their auditing operations. This move towards more commerical services is not new and was described by Hanlon (1994) as a growing crisis in the profession.

Hanlon (1994) traces the commercialisation of accountancy and audit back to the late eighties and early nineties, noting that during this time, there appeared to be a shift from a public interest-focused profession towards a more commercial role. Specifically Hanlon (1994) suggests that this commercialisation of audit led to a crisis in the UK profession, where the government began to criticise the role of the auditor and their increasingly close relationships with senior management of audited entities. Power (1997) also notes that during the same time the word 'audit' became a popular term used in the corporate and accounting context in the UK, and auditing as a system of verification began to explode in use. During this time, Power (1997 & 2001) explains that the benificiaries of auditing should be considered. Similar to Hanlon (1994), Power (1997) suggests audit should be benfiting

wider society, but a shift in the purpose of audit may have caused the profession to lose recognition of this social benefit. As discussed by Abbott (1988) regarding professions expanding to stay legitimate, they (professions) will continue to seek out new areas they can control under their expert area. This confirms Power's (1997) conclusion, that an audit 'boom', despite increasing evidence of them doing their job negligently, continues and may explain how commericalisation of audit has enabled this to happen.

Hanlon (1991;1994) describes the new commercial segments in accounting as an increase in services such as tax services, management consultancy, and corporate finance advice, and argues it has distractedaudit from its original purpose, which he states has historically been 'public orientated' (p.108). However, notes that this 'split' has tipped in favour of the commercial services accountancy firms offer, with a significant shift in emphasis on the profitability in firms (Hanlon, 1994). This is further recognised by Citron (2002) who suggests that the early nineties saw a significant transformation in accounting firms, where they began to merge into large consultancy firms, explaining them to be very lucrative ventures, and so competition amongst them became popular. This resulted in a expansion of power given to the then Big Five, who, through the new added benefit of non-audit services, monopolised the audit market (Citron, 2002; Matthews, 2006; Sikka, *et al.,* 2018). Indeed, part of this happened simultaneously with significant audit failures at the time, most notably the Dot.com crash and Arther Andersen (Appendix A and B).

Hanlon (1994) describes this move towards commercialisation as a shift in Anglo-Saxon country's culture becoming focused on enterprise, which is supported by Sikka (2007). However, Brooks (2018) traces early shifts into a more consultancy-based service provider back to the 1950s where he specifically notes the expansion of Arthur Andersen.

> *If Renaissance Italy was the cradle of double-entry bookkeeping and Lowland Scotland nurtured the accountancy profession, then Illinois can stake a decent claim for setting it on the path to becoming the 'professional services' business that it is today"* (Brooks, 2018, p. 72).

Price Waterhouse also began offering management advisory services to their auditing clients in the 1950s but ensured the firm remained ethical and cautionary (Hanlon, 1994; Matthews, 2006; Brooks, 2018). During the 1980s, firms saw significant growth in their fees, with the top eight auditing firms at the time seeing up to 206% over five years from 1984-1989 (Hanlon, 1994). Furthermore, the proportion of their revenue from consultancy services (excluding tax advice) doubled for all top eight firms[20].

Hanlon (1994) states that during the 1980s-1990s, there is a fundamental shift in the way the profession sees their prestige status (as discussed in chapter one), noting that those lucrative ventures into commercial areas such as corporate finance are becoming the foundations on which firms rest their reputation (Hanlon, 1994; Sikka *et al.,* 2018). Therefore, the focus of the accountancy firms moves towards this commercial-professional emphasis, where even auditors become trained and skilled in these profit-orientated specialisms. This move towards profit-orientated service providers has seen the traditional accountancy firms that had historically offered accounting and auditing services as their core operations, move towards what was termed by academics throughout the 2000s as 'Multidisciplinary' firms (see: Citron, 2002; Brierley & Gwilliam, 2003). Today, these firms call themselves 'global professional service' firms, and have since merged into four big international firms (KPMG, PWC, EY & Deloitte).

This in turn changed the relationships between service providers and consumers, where previously the consumer had been a passive receiver of goods and now they play a more active and central role (Hanlon,1994). Therefore, for auditing firms to satisfy their clients, they needed to provide a level of service that suited their needs and demands. This implies a lack of independence due to the inherent powers corporations have over the auditing profession and would support what was discussed by Baurer (2016) that auditors who have stronger indentity salience towards their clients, will be less independent. It is of interest to understand the long-term implications

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[20] Top eight firms from 1880-1990: Peat Marwick Mitchell; Coopers and Lybrand; Price Waterhouse; Deloitte, Haskins and Sells; Ernst and Whinney; Arthur Andersen; Touche Ross and, Arthur Young (Hanlon, 1994; Brooks, 2018).

of increased commercialisation has on auditors, including their understanding of both the social purpose of their role and independence as a fundamental principle that underpins the profession's legitimacy.

An issue that arises from the commercialisation of auditing are the potential conflicts that can exist within the profession itself. Specifcially, Hanlon (1994) suggests that the auditing profession does not have unanimously shared values and beliefs there will be internal conflicting ideas about the role, identity and purpose of audit. As discussed in 2.4.2, here, Hanlon (1994) argues that this could be due to the firm's focus, whether it is professional or commercial, or due to the size of the firm. Hanlon's (1994) findings suggest that there are differences in their *sense of mission, work activities and client relationships,* he summarises this conflict across two groups, the first being "public-spirited" accountants, the second "commercialised-professionals".

Citron (2002) also found that due to the development of commercialisation in the auditing profession, their understanding of the concept of independence also began to move. Citron (2002) found through the investigation into the UK auditing firm response in the early nineties CAJEC report into *Integrity, Objectivity and Independence* that there was evidence of a segmented auditing profession in reaction to their support for independence. This has not been considered in a more contemporary setting and is, therefore, a gap in research this thesis aims to address. The researcher intends to develop a deeper understanding of how the current auditing profession in the UK understands Independence as a phenomenon today, and if this understood the same across the profession.

This idea that different segments exist in the profession is also discussed by Hanlon (1994) who argues that functionalists who portray the profession as homogeneous and sharing the same values are wrong, and in fact, the profession will be segmented and share difference and conflicting values. This idea of conflicting values in the auditing profession was earlier discussed by Strauss (1975) who suggested the presuppositions of the ethical codes for auditors assumes they act in the same way, which Strauss (1975) argues is wrong. Likewise, as discussed in section 2.7.2,

commercialisation of the auditing profession could be a cause for shifting identities, specifically from a more professional-identity to a client-identity. Furthermore, this could be an explanation for why the profession has seemingly disregarded its social purpose as well as the importance and meaning behind the fundemental principle, independence. If the profession wants to ensure it upholds the social contract that it has with society, consideration into how changes made over the past few decades have impacted this. This is a key insight this thesis aims to explore. The following section will conclude on this chapter, and introduce the following chapter, three – Methodology.

2.8 Conclusion

This chapter has explored the literature that surrounds the topic of auditing, with a specific focus on the social contract that exists between the auditing profession and wider society. Furthermore, exploration into the legitimacy of the auditing profession has been explored, due to its relationship with Social Contract Theory (Deegan, 2002). This review has found evidence from research that suggests the profession uses different mechanisms to reclaim trust and legitimacy that has been lost due to ongoing scutiny of the profession in times of scandal. Furthermore, as observed by this chapter, a core component of this social contract and in turn the profession's legitimacy is the theoretical underpinning of the fundemental principle, independence.

Alongside this, it is clear that the auditng profession needs both autonomy and an element of standardisation for it be seen as legitimate by society. In turn, both these factors help auditing be an established profession of expertise. However, it is unclear how increased standardisation to strengthen legitimacy impacts the overall autonomy and therefore the independence of individual auditors. This chapter has further indicated there is a strong relationship between the embedded duty and indentity of auditors and the overall social purpose of their role.This suggests that duty and identity could play an important role in the profession's understanding of the social purpose of audit, in that those who conduct audits should have strong salience to the duty and purpose of audit which increases a strong sense of professional identity.

However, this chapter has enabled the author to identify number of gaps in the literature and are as follows:

1. The social contract between the audit profession and society has become strained and understanding how the profession views its social purpose is under-researched.

2. This chapter similarly suggests there is a misalignment in the core understanding of independence in the profession, however, this has not been investigated or heavily researched. As Citron (2002) found, there was evidence of a segmented auditing profession in their support for independence. This has not been considered in a more contemporary setting and is, therefore, a gap in research this thesis aims to address.

4. There is a gap in the literature that looks at auditor identity and its relationship with duty and autonomy, and further, a gap that considers how this impacts the auditor's ability and motivation to be independent and therefore uphold the legitimacy and strength of the social contract between the auditing profession and society.

5. The literature suggests a fundemental change to the audit profession due to commericalisation and expansion, therefore the researcher intends to develop a understanding of how this shift in the UK has impacted understandings of independence as a phenomenon today, and if this understood the same across the profession.

The remainder of this thesis will address these gaps and answer the research questions that are:

1. What purpose do auditors have in society today?
2. What changes have impacted auditor's ability to be independent?
3. How is the fundamental principle of independence understood across the profession, and does this differ?
4. What motivates auditors to uphold the principle of independence and therefore the profession's legitimacy?

The next chapter, chapter three will outline the methodology used to collect data to address the gaps in literature above as well as answer the research

questions posed. It will first explore the ontological, epistomological and philsophical positions of the author and how this has aided the construction of this methodolgy. Following this, a clear outline of the design, methods and techniques used to analyse the data will be discussed.

Chapter Three: Methodology

3.1 Introduction

Assumptions shape for us the meaning of research questions, the purposiveness of research methodologies, and the interpretability of research findings. Without unpacking these assumptions and clarifying them, no one (including ourselves!) can really divine what our research has been or what it is now saying (Crotty, 1998, p. 17).

This chapter outlines the qualitative approach used in this thesis and explores the embedded epistemological, ontological, and philosophical stance that has informed the author of this thesis throughout. In the interest of transparency, it is important that the reader is aware of the author's choice to discuss their epistemological underpinnings before their ontological. Although aware that the more common sequence in a methodology chapter will start with Ontology and then move onto Epistemology, the researcher did not question assumptions on the nature of 'reality' and 'knowledge' before discovering Social Constructionism. It, therefore, seems more natural that this section of the methodology chapter is better presented after the discussion of epistemology. This introduction will remind the reader of the motivation as well as the recognised inherent biases of the author which considered the authors ontological and philosophical positions. The research questions that aim to address the gaps in research found from the review of existing literature in the previous chapter (two) will then be discussed. This chapter then continues with an exploration into the theory of 'knowledge' and 'being' that is embedded in the research intentions. The chapter will then

discuss the theoretical underpinnings, which have informed the methodology, the choice of techniques used to collect data for analysis, and finally conclude with a discussion of the analysis technique used. The chapter itself will take into consideration the researcher's past experiences that may have influenced the methodology as well as clarity in method and rigour to ensure validity and ethics. The following figure 3.1 summarises how this chapter is structured.

Epistomology	• The theory of knowledge embedded in the theoretical perspective and thereby the methodology (Crotty, 1998). • Social Constructionism.
Ontology	• the study of being and the nature of existance (Berger & Luckmann, 1966; Van Manen, 2016). • Relativism and Moral Relativism.
Theoretical Perspective	• The philosophical stance informing the methodology and thus providing a context for the process and grounding its logic and criteria (Crotty, 1998; Van Manen, 2016). • Phenomenology.
Methodology	• The strategy, plan of action, process or design lying behind the choice and use of methods to the desired outcomes (Crotty, 1998). • Phenomenological research.
Method and Analysis	• the techniques or procedures used to gather and analyse data related to research questions (Crotty, 1998). • flashcard semi-structured interviews. • Interpretive phenomenological analysis.

Figure 3. 1 Methodology chapter structure

The following aims to provide the reader with a reminder of the author's motivation for this research, as discussed in chapter one, as well as providing recognition of their presuppositions and biases.

King and Horrocks (2010, p.127) explain that "*all research is undertaken by people with motivations, agendas and needs*", it is, therefore, important for the author of this thesis to be transparent about their motivation into this research so that the reader is aware. As will be explored in the following chapter, the author of this thesis has a worldview that individual ideologies and logic are constructed through social and cultural influence. Therefore, because this research aims to explore the social purpose of auditing specifically, in relation to society, it is ethically important to consider the

author's own biases that will influence the development of this research. The author's understanding of auditing has been determined by their own social and cultural references, meaning they are not unbiased in this journey, however methodological techniques have been used in conducting this research to reduce the impact of this (discussed in section 3.3 and 3.4). This thesis is the product of an agenda, highlighted in chapter one, to develop an in-depth understanding into current social purpose of an audit and the importance of independence. Although conscious efforts have been made to peel back their presuppositions about the audit profession and its independence, which will be discussed in this chapter (3.3.1.1), it would be naive to not recognise the author's own unconscious bias. The very nature of the author's interest in audit started from an auditing independence scandal and has since been driven by ongoing auditing independence scandals. As discussed in chapter one (section 1.4) the author believes the audit profession can be better and is motivated by curiosity to see how this can be achieved. Although this has mostly strengthened the passion in completing this research, the author is aware that it has likely influenced the methodological approach, analytical lens applied to the data collected and the construction and presentation of the findings in chapter four. The author has made every effort to reduce their biases in the methods used to collect and analyse the research data in this thesis, which includes using pilot interview as well as the use of bracketing in the analysis method (discussed in detail in section 3.3) and combining two qualitative data analysis techniques to ensure transparency and rigour (3.4 onwards).

The following section reminds the reader of the research questions developed from the review of literature in chapter two.

3.1.2 The research questions

As seen in Figure 3.2 below, this research intends to address the gap in the literature around our current understanding of the auditing professions perspectives of their purpose in society, their knowledge of and ability to be independent in auditing today and if this has changed over time.
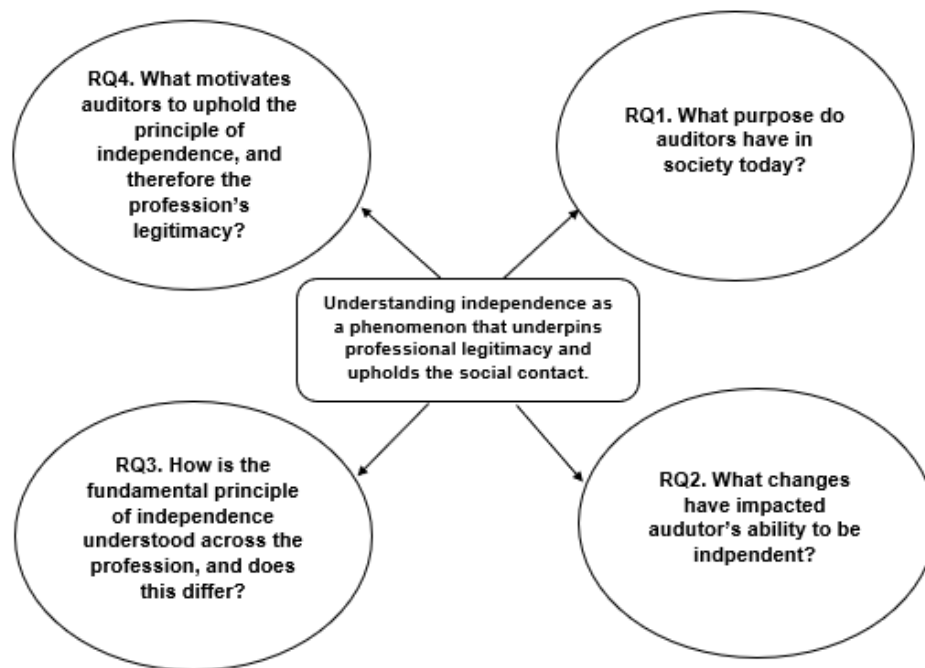
Figure 3. 2 Research questions derived from the literature review

To address this gap, this research will explore the perspectives of auditors to understand their lived experiences in the profession (RQ1), their understanding of independence as a phenomenon (RQ3) as well as undercover what motivates them to be independent (RQ4) and to explore if this has changed over time (RQ2 & RQ3).

The following discussion in this chapter will, in more detail, explain the underlying research philosophy and theoretical assumptions, as well as the methodology and analysis technique used. The next section discusses the ontological and epistemological assumptions that have been embedded in this research through the author's philosophical beliefs.

3.2 Philosophical assumptions

This section of chapter three will describe in detail the philosophical underpinnings and assumptions in this thesis. Specifically, this section starts with a discussion of how social constructionism shapes this research inquiry leading to a deeper discussion on relativism (section 3.2.1 and 3.2.2, respectively). After this, the author explains their methodological position (phenomenological) in conducting this research (section 3.2.3). A table (3.1) at this end of section 3.2, summarises and links the ontological, epistemological, and methodological framework that has been used in the develop the methods used to conduct this research. After section 3.2, this chapter will go to explain, with detail, the data collection and analysis methods used.

3.2.1 Epistemology: Social constructionism

For, after all, how do we know that two and two make four? Or that the force of gravity works? Or that the past is unchangeable? If both the past and the external world exists only in the mind, and if the mind itself is controllable – what then? - George Orwell, 1984 (1949, p.92).

Social constructionism is the view that all knowledge and meaningful reality of being, is conditional upon human practice being constructed from interactions between humans and their environment that are developed and transmitted within a social context (Crotty, 1998). Meaning is not discovered, it is constructed; an object has no meaning until it is discovered. Indeed, like Winston in Orwell's *1984* (1949, p.92) who questions, *"how do we know that two and two make four?",* one can understand that both two and two together equal four but must also be aware that both the number two and four were constructed to give value to a system. Did the prehistoric man know whilst drawing three horses on his cave wall, that he was counting, or was he making sense and giving meaning to objects and his world? Social constructionism argues that human beings construct meanings as they engage with the world that they are interpreting (Crotty, 1998). Indeed, this is true for the auditing profession, as the act of being independent has been constructed through experience, of which a need to interpret situations between the auditor and their professional surroundings is important (Flint,

1988). Furthermore, this presupposition that an auditor should be independent has evolved throughout audit history. Therefore, it is interesting to consider how the experience of an auditor, due to changes in their environment, influences the interpretation and the presupposition of independence as well as their perception of their role in society.

This change in understanding a phenomenon is supported by Burr (2003) who explains, "*all ways of understanding are historically and culturally relevant... they are dependent upon the social and economic arrangements prevailing at the time*" (p. 4). Social constructionism insists that a critical stance towards our presumptive understanding of experiences in the world is needed, and challenges the view that knowledge is based on objective and unbiased observation (Burr, 2003).

Although social constructionism depicts meaningful reality as a construct, the notion itself is not fixed or inflexible, that being, meaningful understanding can make sense of the same object in different ways (Crotty, 1998). Two people may have constructed understandings of a phenomenon, but these understandings may differ extremely (Crotty, 1998; Burr, 2003). No doubt most of us have engaged in conversations with peers on topics that all parties conversing has a thorough understanding of, but our reality and meaning of the discussed phenomenon may differ. Social constructionism proposes that each of us has a unique understanding of reality and that two people looking at something together never actually see the same thing in the same way (Kim, 2001). Interpretation of objects, events, and words are diverse across humanity, and as social constructionism explains, there is no valid interpretation although in some situations there are interpretations that are more useful than others (Crotty, 1998). However, it is through our daily exchanges with people and experience that our versions of knowledge and understanding become fabricated (Burr, 2003). The understandings humans have of phenomena, regardless of differences in interpretation, are the product of social processes and interactions they engage with at the time (historically or culturally); however, they are not objective and unbiased observation (Burr, 2003). It is therefore rational to consider that an auditor today will have a different understanding of the role audit plays in society,

and different interpretations of the phenomenon 'independence' than an auditor in his or her position ten years ago. This is something that will be addressed by research question two and three, which will be summarised in table 3.1, in section 3.2.3.

3.2.2 Ontology: Relativism, moral relativism and the social construction of reality.

With the belief that knowledge and reality are socially constructed, it is here where the researcher is faced with a curiosity about what 'reality' and 'knowledge' is. As explained in the introduction to this chapter, although aware that the more common sequence in a methodology chapter will start with Ontology and then move onto Epistemology, the researcher did not question assumptions on the nature of 'reality' and 'knowledge' before discovering Social Constructionism. It, therefore, seems more natural that this section of the methodology chapter is better presented after the discussion of epistemology.

Ontology can be defined as the study of being, the nature of existence and therefore a philosophical enquiry into what is reality (Berger & Luckmann, 1966; Crotty, 1998; Easterby-Smith, Thorpe & Jackson, 2012). In discussing Reality and 'what is real' and the difference between social and natural science views, Van Manen (2016, p.16) explains that,

> *Ultimately, what contemporary science seems to leave us with are mathematical spheres. But it should be said that for some physicists these mathematical realities are beautiful, elegant, and strangely harmonious. And so, if you engage in scientific research, and you seem to penetrate the final matrix of matter, it is as if you are listening to a beautiful flute-play. But what you hear is the cosmic sound of a flute without the player. The music is melodious, magnificent and mysterious. But you never discovered the musician.*

The distinction here is that the natural scientists drive to understand the secrets of the physical world, and the social scientists drive to understand the knowledge and reality of the human world (Van Manen, 2016).

Relativism suggests that there are many 'truths' and that these will depend on the viewpoint of the observer (Easterby-Smith, Thorpe & Jackson, 2012). Therefore, 'reality' and 'knowledge' is socially relative. As Berger and Luckmann (1966, p. 15) illustrate, *"what is 'real' to a Tibetan monk may not be 'real' to an American businessman. The 'knowledge' of the criminal differs from the 'knowledge' of the criminologist".* It is therefore understandable that the author of this thesis has a desire to question the presumed knowledge of independence in audit and its place in society, and to explore what it means to auditors today and if this has changed over time, something that this research aims to do through the research questions posed in section 3.1.3.

3.2.2.1 Moral relativism

In his essays on the Genealogy of Morals[21] (1887) Nietzsche questions our knowledge of values and sense of morality. Values such as 'patience', 'humility', 'compassion' and 'charity' are often used as a guide to how to live a good life. Sometimes argued to be Western values based on Christianity, these are seen to be embedded in the Anglo-Saxon legal structures and legislation that still exist today. Even if they are not articulated as Christian, values like compassion and honesty are embedded in States across the world through laws and legislation. The question Nietzsche raises is whether these values are natural human values, or rational values and invites us to look at the genealogy of them. *"We are unknown to ourselves, we knowers, even to ourselves, and with good reason"* (Nietzsche, 1887, p.3). Here, Nietzsche is asking if the things we know (knowledge) require a deeper look. What seems rational on the surface might have a deeper meaning. For example, the idea of 'good', Nietzsche questions what it means and encourages us to question under what circumstances did man create the value system to understand what is 'good' and what is 'evil'. He argues we should uncover and excavate meanings of words and engage in genealogy because 'goodness' was defined by upper-classes and nobility, those who believed themselves to be more superior. In his preface Nietzsche (p.7) states,

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[21] Translated by Douglas Smith (1996).

for the modern predilection for compassion, its overestimation in philosophy, is a recent development: the very worthlessness of compassion was formerly a point of agreement among philosophers. To mention only Plato, Spinoza, La Rochefoucauld and Kant, four minds as different from one another as possible, but united in one respect: in their contempt for compassion". He then goes on to explain that "*we stand in need of a critique of moral values, the values of these values itself should, first of all, be called into question*" (p.8).

Nietzsche (1887) calls for more knowledge on the circumstances and conditions 'values' were given in their growth, development and what he describes as their current displacement and suggests that 'values' as we know them were accepted as given as fact, with no questions. Nietzsche's fundamental argument is that 'values' and 'morals' are relative to people, culture and history and a constant need to re-evaluate our 'knowledge' and 'reality' of these terms would help us uncover truths about these phenomena. As discussed in chapter 2, section 2.5, Independence is a fundamental audit value, however, it is often overlooked as something which is an accepted phenomenon of the audit function and not questioned. This research aims to re-evaluate, as Nietzsche suggests, the common acceptance of understanding and knowledge around independence specifically in audit and as such a fundamental value should often be called into question to investigate the purpose it holds (Nietzsche, 1887; Berger & Luckmann, 1966). To do this, the author of this thesis employed a phenomenological approach to research, which will be discussed in the following section.

3.2.3 Phenomenology

Due to the nature of the author's ontological position, that the meanings we develop from our daily lives are informed and constructed through social interactions, phenomenology underpins social constructionism and has informed both methodology and method in this study. A phenomenological approach to research offers an alternative way of trying to understand what we can know about human nature. It entails a focus on human experience and explores meanings that arise from those experiences (Langdridge, 2007). Furthermore, as discussed by Burr (2003) how we understand things

are both culturally and historically relevant, they have been moulded by social change, phenomenological research recognises the role of historical, cultural, and personal context and the influence they have on the co-construction of meaning through experience (Langdridge, 2007).

Phenomenology explores the rich description of people's experiences and seeks to discover the immediate presentation of a phenomenon and its interpretation by conscious human beings (Crotty, 1998; Langdridge, 2007). Phenomenology suggests that if principal understandings of phenomena are 'bracketed', we can revisit our immediate experience of them and give space to new meaning or enhance the earlier understanding of phenomena (Crotty, 1996a). Phenomenology invites us to engage with phenomena in our world and make sense of them immediately, in which we bracket, to our best ability, the constructed understanding we already hold and pay attention to the phenomenon experienced first-hand (Crotty, 1998). "*Phenomenology is much more than a suspension of assumptions. The phenomenological reduction is a change of attitude that throws suspicion on everyday experience*" (Armstrong, 1976, p. 252). Phenomenology acknowledges that culture has helped shape our environments, and although cultural influence can be liberating it can also be confining (Crotty, 1998).

> *In imposing these meanings, it is excluding others. We should never lose sight that the particular set of meanings it imposes has come into being to serve particular interests and will harbour its own forms of oppression, manipulation and other forms of injustice* (Crotty, 1998, p. 91).

It claims that it is a radical way of engaging with philosophy, a practice rather than a system with an emphasis on the attempt to get the truth of matters, to describe phenomena, in the broadest sense in the way it manifests itself to the experiencer (Moran, 2001). The focus in phenomenology is on the way consciousness is turned out onto the world, and it is the objective of phenomenological research to explore the relationships between human consciousness and the realm of experience (Langdridge, 2007). Phenomenologists aim to extract the description of experiences as they

appear to consciousness and the way problems and events are approached must involve taking the way they appear to human consciousness into consideration (Moran, 2001).

An important aspect of phenomenology is what Hurrserl (1931) refers to as the *Epochè,* in which the researcher attempts to avoid their presuppositions on the phenomenon in question (Langdridge, 2007; Moran, 2001). The researcher needs to be conscious of their preconceived ideas as well as attempting to minimise the participants own preconceived ideas. At the heart of this *Epochè* is doubt about the natural biases, which may be unconscious, about everyday knowledge (Langdridge, 2007). This *Epochè* is also known as '*bracketing'* and will be referred to as such throughout this research. The idea of bracketing these presuppositions is to enable the discussion of the 'things themselves'; this is known as the essence (or fundamental structures) of the phenomenon in question (Langdridge, 2007). The process of the techniques used to do this will be discussed in more detail further in this chapter (section 3.3.1.1).

For clarity on how the research ontology, epistemology, philosophy, theoretical underpinnings and methodology link in this research, the following table (table 3.1) has been developed to summarise the philosophical position of this research. This table aims to allow the reader to see a summary of the philosophical definitions underpinning this research, the author's interpretation of these, how the author has applied this to the research inquiry and which relevant research questions will address these. After the table, section 3.3 onwards will discuss the methods employed to collect data, as well as the analysis technique used.

Table 3. 1 Linking philosophical underpinnings to the research				
	Definition and authors	Author of thesis interpretation	Links to auditing	Link to the research question
Relativism and Moral Relativism	• There are many truths, and it will depend on the observer (Easterby-Smith, Thorpe & Jackson, 2012). • Reality and knowledge are socially relative (Berger & Luckmann, 1966). • Values and morals can be relative to people (Nietzsche, 1887).	• People will have different meanings to things, and these will be relative to their own lives and experiences. • These differences will be influenced by the relative morals and values in people. • One person's truth, may not be another person's, based on their respective lives and experiences.	• Auditing is conducted by individuals (auditors) and therefore, their relativism should be considered. • If auditors are expected to prescribe to a doctrine of principles, interpretation of these may differ because of moral relativism.	**RQ3** – How is the fundamental principle of independence in audit understood across the profession, and does this differ? **RQ4** – What motivates auditors to uphold the principle of independence and therefore the profession's legitimacy?
Social Constructionism	• All knowledge and meaning in life are conditional upon human practice being constructed (Crotty, 1998). • All ways of understanding are socially constructed by historical and cultural events (Burr, 2003). • Individuals have a unique understanding of reality, which is constructed through interaction and experience in life (Kim, 2001).	• Individual lives are shaped by experiences, including social, economic, historical, and cultural experience. • Beliefs are flexible and can develop and change over time. • Two people may be knowledgeable of a phenomenon to the same level, but their understanding may differ greatly.	• The purpose of auditing has changed over time, therefore auditors' understanding of this may change. • Auditors may have different constructions of reality, which in turn can cause beliefs to differ. • An auditor who qualified five years ago may be entering a profession that has a different focus, therefore their colleagues who qualified 20 years ago, may have different perceptions of them.	**RQ1**- What purpose do auditors have in society today? **RQ2** – What changes have impacted auditor's ability to be independent? **RQ3** – How is the fundamental principle of independence understood across the profession, and does this differ? **RQ4** - What motivates auditors to uphold the principle of independence and therefore the profession's legitimacy?

Phenomenological theoretical perspective and methodology			
Phenomenological theoretical perspective and methodology	• Aims to explore the rich perspectives of people, to understand their own experiences and understanding (Langridge, 2007). • Allows for a reduction in assumptions (Armstrong, 1976). • A practical way of doing philosophy with emphasis on the truth through exploring lived experience (Moran, 2001).	• A practical philosophy that allows the researcher to hear details of the lived experiences of others. • Helps to reduce research bias using bracketing the researcher's own beliefs and presuppositions. • Focuses on extrapolating the truthful meaning behind individuals' perspectives and understandings.	• Auditors' roles vary from individual to individual. Phenomenology allows the researcher to explore their individual experiences. • Helps the researcher peel back their assumptions and aids the researcher with techniques to assist participants to do the same. • Exploring individual auditor's meaning and belief around their experience as part of the profession.	**RQ1** – What purpose do auditors have in society today? **RQ2** – What changes have impacted auditor's ability to be independent? **RQ3** – How is the fundamental principle of independence understood across the profession, and does this differ? **RQ4** - What motivates auditors to uphold the principle of independence and therefore the profession's legitimacy?

3.3 Methods

So far, this chapter has reminded the reader of the research questions that aim to address the gap in literature found in chapter 2. This chapter has explained the ontological and epistemological underpinnings of this thesis, as well as provided insight into the author's philosophical beliefs, and how the author has used that to shape this thesis to answer the research questions. This next section of this chapter describes in detail the methods used in this thesis to conduct research. This section will explain the method design and why it was chosen and explain techniques used to ensure quality data was collected and bias reduced. This section will then go onto explain the sampling techniques used as well as discussing negotiating access issues faced by the author. The demographics table with important details of the participants' professional experience is shown at the end of this section as well as ethical considerations of this research. Following section 3.3, section 3.4 onwards discusses the analysis techniques used in this research.

3.3.1 Method design: Interviews

In phenomenological research, the most common method used is interviewing participants to collect a deeper narrative of events and ideas surrounding the phenomenon being questioned (Langdridge, 2007). There are many ways to conduct interviews in social research (structured, semi-structured, unstructured) however, it is important to consider the differences in these methods, so researchers utilise time and data effectively to reach their aim of the research being conducted (Langdridge, 2007). For this research, in trying to understand the meaning and experiences of auditors, a qualitative methodology and research strategy was decided upon. The structured interview, which is commonly associated with more quantitative approaches to research, is guided by pre-designed interview questions with the purpose of every interviewee receiving the same interview stimulus as all other participants (Bryman, 2010). This approach to an interview is not designed to produce meanings and experiences, which are paramount in phenomenological research, and the closed options prevent exploration into these core principles underpinning phenomenology (Langdridge, 2007).

It was therefore decided to use a more flexible approach, in which semi-structured interviews would be used to collect the rich data needed to explore the phenomenon in question, whilst achieving consistency in the research (Langdridge, 2007). Smith and Osborn (2003) explain that the use of semi-structured interviews allows the researcher to draw emphasis on the interviewee's interpretation of their own experience. The researcher adopted an interview guide (Appendix E) as advised by King and Horrocks (2010), which encourages rather than instructs participants to interact with the interview in varying ways. This allows participants to be more reflective in their narratives as well as allowing unanticipated direction in their discussion which was still valuable. The guide was changed after the first pilot interview so that the questions posed better addressed the research questions and were more coherent for the participants. The first pilot guide can be seen in appendix E. The first pilot interview was designed as a standard semi-structured interview, with a list of questions that stemmed from the research questions (see: section 3.1.2). From this pilot, the researcher found two core issues. The first, was sensitivity around the questions being asked regarding the importance of independence and motivation to uphold it. The second issue was the presuppositions in the answers from the interviewee. For example, when asking the interviewee to describe what independence meant to them, they described what was taught. Specifically, the interviewee relied on words such as objectivity and integrity and did not give further insight into what these words meant to their lived experience as an auditor. In essence, the interview was rigid and lacked flexibility to allow the interviewee to express rich insight into the lived experiences they had as an auditor (Easterby-Smith, Thorpe & Jackson, 2012). Therefore, the researcher opted to include two techniques to allow for more in-depth insight into the lived experiences of auditors, as well as a method that encouraged participants to peel back their own presuppositions surrounding their understanding of independence and the purpose of audit. these two extra steps will be discussed next.

Further to the standard interview style of data collection in social research and conducted in the first pilot, other authors such as Beck (1997) discuss

the use of alternative and creative methods of data collection to encourage more detailed and in-depth narratives from participants. One alternative method that King and Horrocks (2010) encourage in phenomenological research is the 'imaginative variation' method, to allow a real-time verbal description of the topic under investigation, which can often lead to rich and valuable data. A critique of the use of a more generic style semi-structured interview is that it lacks true phenomenological underpinnings and philosophies, to get to, in Husserlian terms 'the things themselves' (King & Horrocks, 2010). Therefore, this research adopts an *imaginative variation* approach into the interview process so that it encourages interviewees to reflect on their lived experience and undercover deeper understandings of the phenomena in question. Furthermore, it will strengthen clarification as well as remove potential interviewee uncertainty by using the technique as a prompt to encourage more fluid discussion around topics that may be a bit sensitive (for example, asking for a hypothetical rather than a real example of something). All of which will uncover deeper understandings of the phenomena (perspectives of independence in audit and the role audit plays in society). Another important benefit of using imaginative variation is that it is a technique to help 'bracket' during the interview, an important aspect of phenomenology which is discussed in the following section.

3.3.1.1 The process of bracketing

As discussed above, semi-structured interviews which embed the use of imaginative variations have been used for this thesis and, *"is the process of imaginatively altering aspects of a phenomenon in order to clarify which are essential to the experience of it"* (King & Horrocks, 2010, p. 185). This technique is used to try and understand the essential structures of the phenomenon in question, by obtaining descriptions of how it presents itself in the consciousness of the interviewees (King & Horrocks, 2010). Further to the reasons discussed in section 3.3.1, imaginative variation also encourages participants to address presuppositions attached to the phenomenon, which is an important factor in phenomenological research (Langdridge, 2007). This is also known as 'bracketing' and although bracketing is most commonly used in the analysis technique, it can advance the use of semi-structured

interviews in phenomenological research, by asking the interviewee to reflect on an experience and tell the researcher how they think this experience would differ if aspects of it changed (King & Horrocks, 2010). This technique was tested in the second pilot interview with AUDITP2, to see if the answers were more in-depth. As seen in Figure 3.3 below, where the interviewee is asked to describe an imaginative variant of the previous question. Here, the participant explains what makes an auditor independent but further adds that for an auditor to be independent their professional and personal standards or morals must be the same; something that was not discussed in the first answer. Not only is this technique of imaginative variation useful to get more reflective answers, but it also starts to break down any presuppositions attached, in this example the presupposition being that independence is part of a person's moral fabric.

Extract from pilot interview with AUDITP2
AUTHOR: *Can you describe what it is that makes an auditor independent?*
AUDITP2: Well, you know, you – being and wanting to be professional, like it's already there, it is part of you – if it's part of your make-up and identity then it helps you be independent because it's rooted in you already.
AUTHOR: *Can you imagine a situation where this same auditor acted un-professionally and not independently, can you describe why this might happen?*
AUDITP2: well, I guess their personal morals changed, if your personal standards change then that's going to change your professional ones too isn't it.

Figure 3. 3 Extract from pilot interview illustrating imaginative variation as a tool to bracket presuppositions

The author then asked the participant to explain what kind of personal moral standards help with independence and then similarly, which ones might affect this when changed. Some of the answers the interviewee suggested were *"having a purpose", "feeling valued", "being happy in work"* and *"caring"* which the interviewee felt would give an auditor the *"passion to be professional",* whereas *"not having much purpose, for example, a trainee*

auditor just starting out might not feel they have much of a purpose which might affect how they act professionally at work", these answers were much different and richer than the original standard semi-structured interview conducted before this pilot with AUDITP2 (Appendix E).

To further reduce bias and bracket presuppositions held by both author and the participants, the use of flashcards with keywords used in the professional and academic literature of auditor independence (Figure 3.4 and table 3.2). The words the researcher used were derived from literature around auditor independence. Specifically, the author picked words that both standards and literature commonly used to describe independence or threats to independence. Table 3.2 illustrates where the words used came from, and why the author adopted them. Furthermore, the table signposts which authors and professional publications these words were often used. The decision to do this was due to an inability to get to the 'things themselves' in the initial semi-structured pilot interview. It was found that during the interview, the presuppositions held by the researcher became prominent in the questions being asked. The researcher wanted to see which terms interviewees associated with independence and the purpose of auditing, and then explore the meaning and experience associated with these. The researcher found that when asking the question "*what is independence*" the participant from the first pilot interview tended to use terms that were common in auditing standards and ethical standards (for example, objectivity, integrity, and professionalism) and then were not explained. However, when those words were placed in front of the second pilot participant, the researcher was able to ask the interviewee to explain what they meant. It allowed for the participant to reflect on the words commonly associated with independence and auditing, and instead describe in detail why they picked it, and what they meant to them in their role as an auditor. The following table (3.2) illustrates why these words were chosen, which literature they arrived from as well as the actual words used.

Table 3. 2 Justification and supporting literature for the use of words on flashcards

Justification	Reference to literature	Flashcard word
• From literature review, this was found to be a core threat to independence in appearance and fact. • Discussed heavily in academic and professional literature. • Therefore, the author wanted to see if familiarity was a core word participants relate to independence.	• Section 2.5 -2.6 chapter two. • Mautz and Sharaf (1964) • Flint (1988) • Beattie and Fearnley (1999, 2004) • Bazerman, Loewenstein and Moore (2002). • Revised Ethical Standard (FRC).	• **Familiarity**
• From the literature review, having the freedom to act was closely linked to autonomy. • Freedom is discussed in standards for auditors, in relation to objectivity and independence. • Freedom of self-interest is described in literature to be an attribute auditors should have to be independent. • The author wanted to see if the participants saw freedom as a core component in the ability to be independent.	• Section 2.2.2. Chapter two. • Carr-Saunders and Wilson (1933) • Abbott (1988) • Flint (1988) • Evetts (2002) • Martin and Sugarman (2002) • Glossary of Terms – Ethics and Auditing (FRC).	• **Freedom**
• From literature review, identity was found to be a large part of the motive to act independent. • From the pilot interview, AUDITP1 suggested that an auditor's identity was linked to their commitment to independence. • The author felt from the pilot this was an important aspect of motive for an auditor to be independent.	• Section 2.5.1 & 2.7.2 chapter two. • Mautz and Sharaf (1964) • Flint (1988) • Hanlon (1994) • Appiah (2005) • Warren and Parker (2009) • Qarren and Alzola (2009).	• **Identity**

• From the literature review, self-interest was a core threat to independence. • Interest was also used as AUDITP1 and 2 raised that self-interest can be good for independence if it is aligned to purpose of audit. • Author felt this was something that would be closely linked to independence.	• Section 2.5 and 2.7 chapter two. • Recker, Peacock and Wong (1987) • Flint (1988) • Revised Ethical Standard (FRC) • Beattie and Fearnley (2004) • Moore *et al.*, (2006) • Sikka (2007).	• **Interest**
• Having the power to be independence was an important point made in the pilot interviews. • Closely linked to the idea of autonomy and being able to be independent. • The author felt that this was an important word brought up in pilot interviews.	• Section 2.2., 2.4 and 2.5 chapter two. • Friedson (1970) • Abbott (1988) • Bazerman, Morgan and Loewenstein (1997) • Bazerman, Loewenstein and Moore (2002) • Sikka (2007) • Windor and Warming-Ramussen (2007).	• **Power**
• Found in the pilot interview to be a big driver for motivation to be independent. • Independence in a characteristic of a professional auditor. • Author wanted to explore this as a motivational concept for independence.	• Section 2.2, 2.4, 2.6 and 2.7 Chapter two. • Mautz and Sharaf (1964) • Flint (1988) • Power (1994) • Gendron *et al.*, (2006) • ISA (UK) 200 • Revised Ethical Standard (FRC).	• **Professional**
• Independence is expected as a rule from auditors, (i.e., they cannot be dependent).	• Section 2.2, 2.7 chapter two. • Johnson (1967) • Abbott (1988)	• **Rules**

• Professions need rules and standards to have legitimacy. • The author wanted to see if participants saw independence as a rule.	• Brunsson and Jacobsson (2002) • Bryan-Brown and Dracup (2003) • Timmermans and Epstein (2010) • Nerland and Karseth (2015) • ISA (UK) 200, Revised Ethical Standard (FRC), Companies Act 2006.	
• Described in the pilot interviews to be necessary to act independent. • Discussed in the context of sacrificing self-interest. • The author wanted to explore this from a motivational aspect to act independently.	• Section 2.2, 2.5 and 2.7 chapter two. • Recker, Peacock and wong (1987) • Suddaby and Greenwood (2005) • Sikka (2007) • Guénin-Paracini and Gendron (2008) • Michaelson, Pratt, Grant and Dunn (2014).	• **Sacrifice**
• Independence in-fact relies on public trust. • Trust is a core characteristic that allows professions and auditing to exist. • The author wanted to explore this in relation to the motive for independence.	• 2.2, 2.3. 2.4 and 2.5 chapter two. • Ramanathan (1976) • Flint (1988) • Matthew (1993) • Deegan (2002) • Bertram (2004) • Cruess and Cruess (2008) • De Almeida (2017) • ISA 200, Revised Ethical Standard and Glossary of Terms (FRC).	• **Trust**

Further to this, several blank cards were introduced with a bold marker pen, so that if the interviewee felt a word they associated with the phenomenon was missing, they could add these. Although the words selected by the author are discussed in table 3.2, the words that participants wrote themselves, are discussed in the findings chapter (chapter 4). This also allowed to identify differences in perceptions across the demographic being interviewed (discussed in Chapter 4).

In the below image 3.1, on the right are the finalised laminated cards used, and on the left are the flashcards used for the pilot interview. Alongside these cards, are the cards written by the respective participant. A full list of the participants' answers and words used can be found in Chapter 4 table 4.2 and table 4.5.
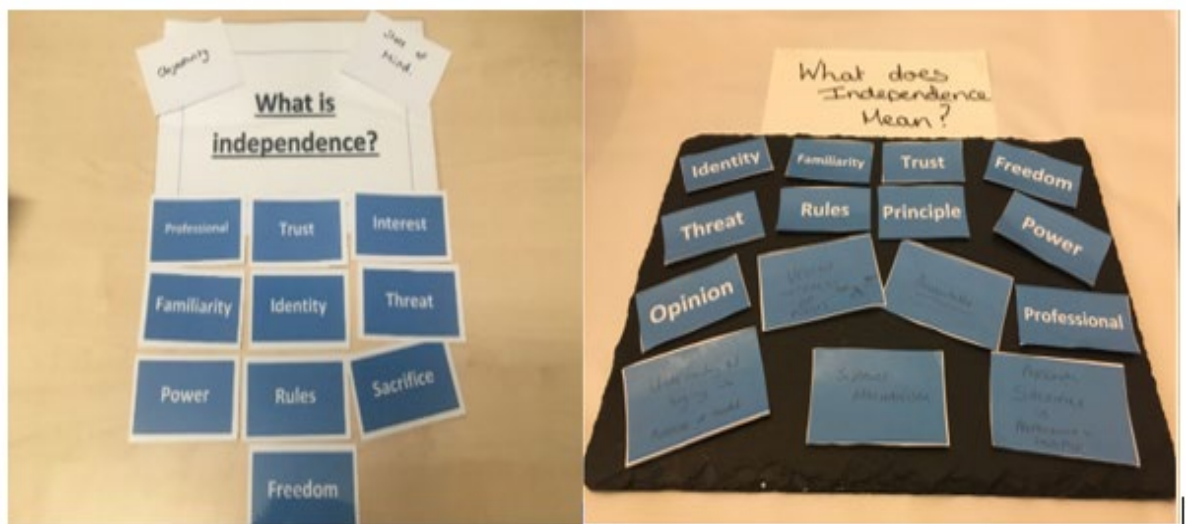
Figure 3. 4 Interview flashcards with participant added words (left) pilot flashcards (right)

Further to the use of a guide, flashcards and 'imaginative variation' in the interviews, the researcher made use of probing techniques throughout. Probing is one of the most useful and hidden ways to enhance the information collected in an interview and can be often overlooked as an important technique (King & Horrocks, 2010). This technique will be discussed next.

3.3.1.2 Probing

Given the nature of this research, and the focus on independence and getting back 'to the things themselves', it was important for the researcher to create an interview process and environment that avoided unconscious bias (Easterby-Smith *et al.,* 2012). Due to this research aiming for in-depth data through semi-structured interviews, the author sometimes found themself in a dilemma between wanting to avoid bias but keep the interviews focused on the phenomenon in question. Similar to the idea around bracketing and using imaginative variations, probing techniques were used during interviews to encourage participants to reflect and focus their answers, whilst removing the researcher's own interpretations of the phenomena being discussed (King & Horrocks, 2010; Bryman & Bell, 2011; Easterby-Smith *et al.,* 2012). Probing can be an excellent tool to use in all interviewing, but the author found it especially useful in ensuring their presuppositions did not influence the participants narrative. Table 3.3 shows the different kinds of probing techniques used in this research. Not all probing techniques were used in each interview, but all were used throughout the data collection period. The following section after the table below discusses the sampling techniques used in collecting the data.

Table 3. 3 Probing techniques used in interviews

Type of probe	Explanation
Elaboration/Drawing	Encourages participants to keep talking in order to gather more detail on the topic (King & Horrocks, 2010). Can be used when the interview has 'dried up', by repeating the last few words the interviewee said and asking, "t*ell me more about that*" (Easterby-Smith *et al*., 2012).
Clarification/Explanatory/Focused	This probe seeks explanation on either words or phrases that the interviewee has not fully understood (King & Horrocks, 2010). Building on vague or incomplete comments, examples include "*What did you mean by that*" (Easterby-Smith *et al*., 2012).
Silence	Allowing pauses after the interviewee has answered, giving them time to self-reflect on the answer they gave. It also allows participants to 'break the silence' when they are taking time to answer a question or are reluctant to answer (Bryman & Bell, 2011; Easterby-Smith *et al*., 2012).
Interpreting/Mirroring	Expressing or reiterating in your own words what the interviewee has just said and drawing an interpretation of what they said and saying it back to them. This gives them a chance to reflect and perhaps justify or amplify their answer or statement. "*Do you mean…?*" "*So, you just said*…" (Bryman & Bell, 2011; Easterby-Smith *et al*., 2012).

3.3.2 Sampling techniques

The method of sampling used in this thesis is purposive with some degree of variation. The primary method of sampling in phenomenology is *maximum variation sampling*, which Langdridge (2007) explains to be a method in which the researcher seeks out participants who have a common experience but vary demographically. Although commonly this refers to demographic variables such as age, gender, ethnicity etc. the researcher had wanted this to include the perspectives of independence and auditing from a variety of roles, for example, individuals from regulatory bodies, audited organisations, and professional bodies. However, during the period of negotiating access, the researcher found this was increasingly challenging to gain and instead refocused the research to consider the perspectives of auditors and focus on their lived experience (discussed more in section 3.3.2.1). Although it is not always possible to determine all the demographics that may be relevant in a research topic (Langdridge, 2007), it was decided that the primary professional demographical trait of each participant was having experience working as an independent external auditor. All participants had experience working as an auditor, but some of the participants had since left the profession. It was also important for the author to gain insight into varying length of experience, so to get insight into any varying experiences and understandings, therefore participants' professional demographic ranged from having just started their careers as auditors recently to having over 20 years auditing experience. The aim of this sampling approach was that with such variation of experiences, it should be possible to discover the aspects of perception that are invariant across the wider demographic (the essence or fundamental structures of the phenomenon) and therefore, those that vary (Langdridge, 2008). Specifically for this research, this technique in sampling aimed to address if there were differences in the understanding of the purpose of audit, independence and if changes have impacted their lived experience. Therefore, it was ideal to interview auditors with a range of length and variation in experience. However, it was important for the researcher to be purposive in the sampling so that the participants were knowledgeable about the topic of research. This means that the researcher purposively recruited individuals who had experiences with auditing and the

profession but with that experience varying widely. The author conducted 20 interviews which is a large sample for phenomenological research (Langdridge, 2007; King & Horrocks, 2010; Smith, Flowers & Larkin, 2012). Two of the 20 interviews were pilot interviews and although the interview guide was finalised after these pilots, the data from these interviews is valuable and used in the analysis.

It is important to note, that in this sampling approach, the aim is not to generalise beyond the particular sample; the research is, therefore, ideographic, meaning it seeks to develop a deeper understanding of the experience shared by a small number of people who relate to that experience (Langdridge, 2008). In a more quantitative setting, a researcher will aim to gather data from a sample that statistically represents the population that is being studied to establish the generalisability of the conclusions drawn (King & Horrocks, 2010). However, this research being a qualitative study, does not seek to make this type of generalisation, and instead aims to achieve its form of transferability and generalisability, and will be in size smaller than a quantitative study (King & Horrocks, 2010).

However, one of the benefits of using this qualitative approach is its ability to compliment the theoretical lens applied to this research. Specifically, through hearing the rich insight from the lived experience of auditors will provide a more holistic exploration into how the auditing profession upholds its social contract with society. This is discussed by Parker (2012) who notes that developments in qualitative research have allowed a more nuanced understanding into the accountancy research field. This research method will support this thesis' contribution to theory through expanding the existing understanding of Social Contract Theory (Parker, 2012). Furthermore, as Llewelyn (2003) explains, qualitative research in accounting can expand our existing knowledge and theoretical contribution through engaging with individuals to make sense of their live experiences. Therefore, this thesis will not only allow development in understanding Social Contract Theory, but also the lived experiences of auditors and their contemporary understanding of the relationship that audit has with society. Consequently, this will contribute to the current understanding of auditor's experience, which Parker (2012)

explains adds value to the research field, through building on existing knowledge to provide more empirical contemporary insight.

Furthermore, auditing investigations are dominated with positivist approaches to research, making it challenging to find clear guidance on how to conduct a qualitative research approach to issues in the audit profession and role (Parker, 2014; Power & Gendron, 2015). This thesis aims to add to the existing understanding on the value and use of qualitative approaches to investigations in the auditing research field. Furthermore, as will be explored later in this chapter (section 3.4 onwards), this research adds to existing guidance on interpretive phenomenological analysis and provides a step-by-step guide on how to conduct this analytical method (Smith, Flowers & Larkin, 2009).

Lastly, this research will add value to the practice of audit and the profession's understanding of the experiences its members have. Power and Gendron (2015) explain that one of the most significant benefits from qualitative research in auditing is the understanding of practitioners' realities as experienced in their roles. Certainly, for the UK auditing profession, this research comes at a time this insight is needed, with ongoing scandals and government led inquiry, the profession can also see how auditors with a range of experience understand the purpose of audit, the impact of reclaiming legitimacy and what motivates its member to be independent.

Table 3.4 summarises the demographic used, making note of participants current role and industry, past industry, and years of experience in auditing. The table also shows when the participants qualified as auditors, differentiating across two groups, pre- and post-Enron. This variance is discussed in section 3.4, as it was a major finding that came through during the analysis.

Identification code	Current industry	Past industry	Current role	Years' experience in auditor role	Qualified Pre/Post-Enron
AUDITP1 (Pilot)	Education	Big 4 firm	Academic	10+	Pre-Enron
AUDITP2 (Pilot)	Education	Big 4 firm	Academic	10+	Pre-Enron
AUDITP3	Public Sector	Public Sector	Deputy CFO	34	Pre-Enron
AUDITP4	Mid-tier firm	Public Sector	Partner	26	Pre-Enron
AUDITP5	Small Firm	Small firm	Director	25	Pre-Enron
AUDITP6	Big 4 firm	Big 4 firm	Audit manager	17	Post-Enron
AUDITP7	PIE	Big 4 firm	Director	20	Pre-Enron
AUDITP8	Small firm	Small firm	Audit manager	9	Post-Enron
AUDITP9	PIE	Big 4 firm	Manager	15	Pre-Enron
AUDITP10	Big 4 firm	Big 4 firm	Auditor	6	Post-Enron
AUDITP11	Mid-tier firm	Mid-tier firm	Trainee auditor	3	Post-Enron
AUDITP12	PIE	Big 4 firm	Manager	7	Pre-Enron
AUDITP13	Big 4 firm	Big 4 firm	Partner	27	Pre-Enron
AUDITP14	PIE	Big 4 firm	Manager	8	Post-Enron
AUDITP15	Mid-tier firm	Mid-tier firm	Trainee auditor	3	Post-Enron
AUDITP16	Third sector	Big 4 firm	Manager	21	Pre-Enron
AUDITP17	Third sector	Mid-tier firm	Manager	16	Pre-Enron
AUDITP18	PIE	Mid-tier firm	Director	28	Pre-Enron
AUDITP19	Big 4 firm	Big 4 firm	Forensics	<10	Post-Enron
AUDITP20	Big 4 firm	Big 4 firm	Auditor	5	Post-Enron

Table 3. 4 Participant demographic

3.3.2.1 Negotiating access

Prior to negotiating access, the author produced a synopsis of the research being conducted and details about how potential participants could get involved as well as information about the method and topic (Appendix D). Gaining access in most interview-based research can be very challenging with difficulties varying because of the type of insight sought after (King & Horrocks, 2010). For this research, the timing of the data collection period brought some unforeseen complexities in the negotiation process. This was mostly due to increased scrutiny faced by the audit profession in the UK during 2018 in light of publicly released information on the big four involvement with the Carillion PLC collapse (Discussed in chapter one). Furthermore, there were three large government-backed public inquiries into the UK audit profession starting at the same time as the researcher was negotiating with participants. Unfortunately, this did cause some slowdown in the data collection and for some already planned interviews, participants decided to cancel. Nevertheless, the researcher was able to conduct 20 interviews.

To recruit participants, the researcher started with a snowballing technique and asked the first few participants to recommend others which allowed a build-up of a participant network. Due to the fact this research was purposively looking to include those from the UK audit profession, the researcher was able to ask earlier participants to advertise the research synopsis and they served as gatekeepers to others in the profession. Naturally, due to the difficulties discussed above regarding the timing of the data collection period and the nature of the topic discussed, it was very important that participants had the assurance of good ethical and professional research practice as well as security and anonymity. The next section will discuss the ethical procedures used to protect this research and the participants involved.

3.3.3 Ethical consideration

Social research with human participation can give rise to complex ethical issues and demand researchers to be mindful of the ethical implications of their work throughout the process (King & Horrocks, 2010). Ignoring good

ethical practice in research can lead to problematic implications, not only felt directly by the participants but more widely by their organisations and impact the quality of the research being undertaken. Throughout this research, the Northumbria University research ethics policy has been followed and individual ethical consent has been given by all participants involved. Due to the nature of this research being about individual perspectives about a wider profession, organisational consent was not required. Furthermore, all organisation names have been redacted throughout this research as well as redacted from transcripts. Each interview was recorded using a voice recorder where recordings were immediately transferred to a password-protected laptop and then deleted from the recording device. Transcripts were carried out by the researcher and one other independent third party who was instructed to destroy recordings after transcriptions, as well as delete any copies of transcripts after they were completed and returned to the researcher. Each participant was given an alpha-numeric identification code, which is used to ensure anonymity and it was further decided to remove other identifying factors such as gendered pronouns and names of professional bodies or other organisational groups that could lead to identification.

Although most participants were not previously known to the researcher, participant NONAUD12, AUDITP15 and AUDITP20 were. The researcher was mindful of this and took steps to ensure the interview with these participants were conducted in the same professional way as all others and only used data that was captured during the interviews with these participants. Furthermore, the researcher has been careful to ensure any existing bias and predetermined knowledge was questioned and bracketed throughout this research, so that the findings reflect an unbiased view of the data collected. However, the author recognises that this may have an unconscious influence on the way the findings and arguments are presented throughout this research.

The next part of this chapter will focus on, in detail, the method of analysis used throughout this research and how that led to the presentation of findings.

3.4 Data analysis: Interpretive Phenomenological Analysis

The approach used to analyse data collected in this research is Interpretive Phenomenological Analysis (IPA), which the remainder of this chapter will discuss. IPA is a relatively new form of phenomenological analysis, first coming into use in the mid-1990s through Smith's (1996) call for a qualitative and experiential approach to psychological research. It has grown in popularity in the social sciences and Smith has developed strong guidance on how it can be applied to wider research interested in understanding the lived experiences of people. IPA is concerned with a detailed exploration into the lived experiences of humans in their terms and attempts to strip back the presuppositions attached to the phenomena being investigated (Smith, Flowers & Larkin, 2009). IPA relates to phenomenological enquiry in the sense that it has a core concern with an individual's perception of events, and how they make sense of their personal and social world (Smith, 2004). The role of the researcher is recognised through the way they interpret the participants understanding, usually through reflexivity (Langdridge, 2007; Smith, Flowers & Larkin, 2009). Due to the philosophical nature of this research being underpinned by understanding that the world around us is socially constructed, and an overall aim to excavate the true meaning of independence and the role auditing plays in society, it was fitting to use an analysis technique derived from phenomenology.

3.4.1 Stages of doing interpretative phenomenological analysis

IPA provides a flexible guideline for researchers in discovering themes concerning the experience of a phenomenon by those who have lived it (Smith & Eatough, 2015). The researcher has adopted the method of IPA presented by Storey (2015, p.68-83) with the help of Braun and Clarke's (2012) in-depth description of their application of thematic analysis to interviews. The following sections are titled using Storey's (2015) four stages of IPA but with some stages intertwined with Braun and Clarke's (2012) six-phase thematic analysis. This allowed the author to ensure rigour and consistency to the analysis of each interview and to demonstrate, to the best of their ability, transparency of the stage-by-stage method undertook throughout the analysis as well as presenting a clear indication of how the findings of this thesis started to present themselves to the author during this

process. The following table 3.5, is a summary of analysis method adopted from Braun and Clarkes (2012) and Storey (2015) which shows this process and the aim of each of Storey's (2015) stages aim, as well as sub-phases taken from Braun and Clarke's (2012) thematic analysis guidance.

Table 3. 5 Summary of interpretive phenomenological and thematic analysis method adopted from Storey (2015) and Braun and Clarke (2012)		
Stages of the analysis process.	Aim of the stage.	Sub-phase of stages to help clarify the method.
Stage One: Initial reading of the transcript	To get an overall feel for the interview	None
Stage Two: Identifying and labelling themes	Note or 'code' anything that appears significant and interesting. Narrowing these 'codes' into more overarching themes	**Phase A of Stage Two:** Create a column on the right side of the interview, noting significant points. **Phase B of Stage Two:** Create a column on the left side and narrow notes to potential themes linking to concepts discovered in literature or new unknown themes that seem significant and of importance.
Stage Three: Linking and identifying thematic clusters.	Drawing connections between preliminary themes produced in the interview transcript.	**Phase A of Stage Three:** Review preliminary themes written on the left side of the interview and considering similarities to others written in the same column. **Phase B of Stage Three:** Considering collective 'terms' or 'words' that help describe similar themes produced through stage two and phase A of stage 3.
Stage Four: Producing a summary table of themes	Organising superordinate themes into a table and searching for collective links across all interviews.	**Phase A of Stage Four:** Listing each superordinate theme for the interview. **Phase B of Stage Four:** Repeat all stages for all interviews. **Phase C of Stage Four:** Create a summary table of all themes across all interviews.

The following sections 3.5.1.1 through to 3.5.1.4 will demonstrate how each stage of IPA has been applied to the interviews and transcripts in this research using interview three with participant AUDITP3 as an illustrative example.

3.4.1.1 Stage One: Initial reading of the transcript

This stage, as discussed by Storey (2015) and Smith and Eatough (2015) is to get an overall feel for the interview. Smith and Eatough (2015, p. 59) explain that:

> *During the transcription, the interviewer kept a record of initial thoughts, comments and points of potential significance. It was felt that they might be useful to return to and check against later interpretations during analysis.*

As mentioned previously, the researcher had decided during the data collection time to record their initial thoughts and reflections on a separate recording device as soon as possible after the interview had been conducted. This was to keep a research diary as suggested by King and Horrocks (2010) and it allowed the researcher to recall the feelings and initial thoughts about the interview that had just conducted. For each interview, initial reflective recordings were listened to before re-familiarising with the data to make notes of any moments that felt important in the interviews that were not clear in transcripts. Below (figure 3.5) is an extract from the initial reflection on the interview with AUDITP3 where it was noted that the participant had very strong emotions and feelings regarding a question that was asked.

Extract from researchers reflective recording Interview three – AUDITP3
Just done the interview with [name redacted] – *sigh*. I don't know what to think about that *ha (sic)*. I can't believe how angry [pronoun] got about the Carillion case – remember you need to write that in the transcript about them banging the table *haha (sic)* as if [pronoun] banged the table like that(!)…

Figure 3. 5 Extract from interview three reflective recording

The transcript of interview three was printed and read in full whilst playing the recording of the interview back. The researcher found at this stage they were able to absorb what was being said as well as recall the mood and context of the conversation. The researcher then made small notes that felt important such as noting that a voice rose or if the tone of the interviewee changed. This stage was also useful to edit any missing words that were difficult to transcribe originally but now made easier due to listening more to the context in the conversation. Braun and Clarke (2012) explain that making notes during this re-familiarising phase is important in moving from seeing a transcript as words to reading data as data and actively starting to think about what the data means. During this research the author continuously reflected on what the interviewee was saying with regards to the posed question and the overall research questions, allowing a more analytical and critical approach to the transcript whilst noting initial thoughts. It is important to mention that at this stage, despite some notes being taken to add probes for stage two, the overall objective of this stage is simply to get a 'feel' for the research (Storey, 2015). At first, the researcher found it quite hard not to jump in and write codes or do more than listen, however, Storey (2015) encourages researchers to trust the process and meaning will come. Sometimes, this meant that a transcript would need to be read and reread more than once to get familiar with the interview. It also meant that realistically, it could take up to two days to feel familiar and move to the next stage of the analysis, which will now be discussed.

3.4.1.2 Stage two: Identifying and labelling themes

For IPA, Storey (2015) suggests that the second stage of the analysis is to identify and label themes, in the data, however, the researcher felt it was useful to follow guidance from Braun and Clarke (2012) who work towards identifying themes through two phases, phase A. initial coding and phase B. searching for themes (as seen in table 3.5). To do this, the author created columns on each side of the transcript, having the right-side column as initial coding and the left-side column as initial themes. This is also advised by Smith and Eatough (2015, p.58) who suggest to "*make sure you leave a wide*

enough margin on both sides of the transcription to make your analytic comments".

 For Phase A of Stage Two, as seen in the extract from the interview with AUDITP3 below (figure 3.6), text that the researcher found interesting and significant was highlighted and notes were made in the right-hand margin to summarise the feelings that were coming through in the interview.

An example of this can be seen in figure 3.6 extract from interview three – initial coding. Here the interviewee is discussing what independence means to them, reading the highlighted section, the researcher felt that there were some significant motives to acting independently as an auditor, including having a sense of autonomy and doing good, almost as though to *be* independent you must have the motivation and a desire to. Considering the research questions in this thesis, the researcher felt these statements were important and attached summarising codes of how they came across.

I think, going into the Audit Commission I probably had a fairly naive sense of right and wrong, and duty, but it's absolutely true that as an external auditor, and particularly as a District Auditor, I haven't appreciated, but came to really value, that District Auditors have been around for, like, 170 years – they had a link back to the Poor Law in 1840, they were the guardians of public money and that phrase about the guardian, the steward of public money, that sense of we all pay taxes and you don't have a choice about paying taxes therefore you need somebody independent that, in the end, you can go to and say look, they're spending my money really badly, or they've defrauded it or you know, they're wasting it – that became – that was a real core ethos for the Audit Commission and I think a real core ethos for all District Auditors, they felt that quite personally because it was a personal duty that you were exercising and I think, to an

Autonomy and agency – a feeling of doing good
Guardians of public money
Part of something enriched in history

Ethos /
Feels like being part of a community for good

Agency and passion for the job

Figure 3. 6 Extract from interview AUDITP3 – initial coding

For Phase A of stage Two, the researcher would read each section of the transcript out loud to ensure what the interviewee had said was being analysed. In some sections of the interview (as seen in figure 3.6) the codes were repeated and in other sections, there were no codes. Braun and Clarke (2012) suggest that this method is not prescriptive, and you can code in large or small chunks where some will have no codes, but to always consider the relevance of the codes to the research questions. It is important to note that some of the codes used were words and others small statements or sentences, for the researcher it was a way of highlighting and identifying core meaning from the sections of transcriptions. Furthermore, the author believes that some of the words and statements used will have been influenced either consciously or not by literature relevant to this research, due to the nature of this research this would be impossible to avoid.

Once the transcript of interview three had been reread and coded in the right-hand margin, the researcher then returned to the beginning and reread all the codes in correlation to the highlighted text, sometimes more codes were added or reworded but in general, this small stage just allowed the researcher to holistically look at the codes and start to think about any overarching themes or connections emerging from the interview. Once this was done, Phase B of Stage Two would begin, in which the analysis would move to the left-hand column and start to list initial themes or phrases (Braun & Clarke, 2012; Smith & Eatough, 2015; Storey, 2015). An example of this can be seen in Figure 3.7 below, the extract from interview three which is the same extract as used above.

Guardians of money

Utilitarianism

Belonging

Agency

I think, going into the Audit Commission I probably had a fairly naive sense of right and wrong, and duty, but it's absolutely true that as an external auditor, and particularly as a District Auditor, I haven't appreciated, but came to really value, that District Auditors have been around for, like, 170 years – they had a link back to the Poor Law in 1840, they were the guardians of public money and that phrase about the guardian, the steward of public money, that sense of we all pay taxes and you don't have a choice about paying taxes therefore you need somebody independent that, in the end, you can go to and say look, they're spending my money really badly, or they've defrauded it or you know, they're wasting it – that became – that was a real core ethos for the Audit Commission

Figure 3. 7 Extract from interview AUDITP3 – recording initial themes

Initial themes were sometimes the same words as the codes, again this was sometimes influenced consciously by literature and theory relevant to the research (for example, Autonomy and Agency, see: Mautz & Sharaf, 1964; Flint,1988; Abbott, 1994), other times it was phrases or words that seemed appropriate at characterising the overall theme of that particular section of the interview.

Braun and Clarke (2012) call this phase *"searching for themes"* and note that themes do not just emerge from the data, you do have to be active in sculpting themes from the data (p.63). Following Braun and Clarke (2012), questions were asked during this phase such as, "*are there any broad topics or themes coming from this broad cluster of codes?*", this reminded the researcher what to consider in this section. The researcher did try to limit these themes to one word or a maximum of a small statement. This was done for the whole transcript for each interview and often some of the initial themes would be repeated in individual transcripts.

Once the initial themes had been written in the left margin, the next stage was to link and identify any clusters of superordinate themes for the individual transcript.

3.4.1.3 Stage Three: Linking and identifying theme clusters

Following Storey (2015) and continuing to trust the process of IPA, the analysis stages were continued with the same transcript. Storey (2015) describes this stage as a search for connections in preliminary themes and to start consolidating them into superordinate themes, where appropriate. For this research, this stage was broken into two phases with the first specifically being applied to individual transcripts Phase A of Stage Three, reviewing repeated and similar initial themes (see table 3.5).

For phase A of Stage Three, the author found it useful to write all preliminary themes down onto post-it notes and lay them on the floor to physically be able to see them all in one place (rather than scroll down a spreadsheet, for example). Here, any repeated words were clustered together, for example, in interview three, the researcher had identified several times the interviewee discussed how having the ability to do their job allowed them to be independent and therefore the researcher had chosen the word "*Autonomy*" to best describe this theme, these post-it notes were clustered together as one superordinate theme for this specific interview. Other post-it notes were phrased or worded differently but had similarities in meaning and therefore consolidated to a superordinate theme group. An example being the theme "*Identity and Duty*", in interview three several initial themes showed what the researcher felt was part of the identity and duty of an auditor (such as, social upbringing, social values, guardian of money). For Phase B of Stage Two, these post-it notes were clustered together and attached to a sheet of paper with the words 'Identity and Duty' written (see later in image 3.2 at the end of the following section).

This process was repeated until the list of preliminary themes had been clustered into a smaller group of superordinate themes which were then listed in a master Excel sheet. At this stage, there was no limit on the number of superordinate themes per interview, it was simply a way of narrowing and clustering preliminary themes together. The next stage discusses how this was narrowed down.

3.4.1.4 Stage Four: Producing a summary table of themes.

After Stage Three was completed for a single interview, the researcher then moved to the next transcribed interview and repeated stages one through to stage three for each interview. A list of each interview superordinate themes was added to a column in the Master themes Excel sheet. These lists did get smaller as more interviews were analysed due to the researcher becoming more familiar with the superordinate themes being used for clusters.

For Stage Four of Storey's (2015) guide to IPA, it is at this point the superordinate themes are organised into a table. This stage was split into three different phases, phase A. listing interview superordinate themes, phase B. repeating stages one to three for each interview and phase C. creating a table to enable search for connection across superordinate connecting in all interviews (see table 3.5 earlier in this chapter).

This section will focus on describing the final of these phases and what became apparent in searching for connections across superordinate themes in interviews. Specifically, how this developed the researcher's presentation of findings which is structured by differences in superordinate themes across distinct periods. As discussed earlier in this thesis, the research questions aimed to explore if understandings of auditing and independence differed across the profession.

During stages one to three of analysis, the researcher became aware of very conflicting definitions of independence (see Chapter 4 table 4.2 and 4.6) and differences in some of the data linked to superordinate themes. One of the first obvious occurrences of this was, for example, a group of participants that, either subconsciously or not, made explicit reference to the fact they were an 'auditor' and others who stated they were 'accountants', this was around the theme '*identity and moral duty'*. Other notable conflicts of data were around the theme '*purpose'* of audit, where groups of participants had significantly opposing views. It became apparent after analysing approximately half of the interviews that there were significantly different answers and discussions, but not varying considerably across all individuals but what seemed to be two sides or groups. It was as though two different professions had been interviewed. This is discussed in detail in chapter four.

Throughout these stages the researcher kept notes on the demographics of each interview being analysed to make the writing of the findings more detailed, however, the final phase of stage three also allowed cross-referencing between themes and the participants demographic which highlighted that the difference of answers. This analysis found there were differences in the experiences of the auditors being interviewed. Most notably between those who had been an auditor before the Enron and Arthur Andersen scandal in 2001 and those who entered the auditing profession after. Although the data differed across these two groups (defined as pre-Enron and post-Enron group hereon after) the responses and discussion highlighted a clear contribution to the findings in this thesis, that the experience and understanding of independence and the understanding of the roles auditing play in society are not consistent across the audit profession in the UK (discussed more in chapter 4).

The researcher then split superordinate themes into the two groups, pre- and post-Enron to investigate what this demonstrated. What the researcher found was that there were clear indications that Independence and the social purpose of auditing as it is understood by the auditors interviewed, differed based on their length of experience. Furthermore, there was a clear indication that the lived experience of independence and the purpose of auditing shifted due to changes brought in by the profession as a reaction to the Enron-Andersen scandal. As discussed previously in this chapter, the sampling method used in phenomenological research (purposive variation sampling), aims to seek exploration of phenomena across different demographics of people who have a common experience (Langdridge, 2007). In this thesis, the difference in demographic is the amount of lived experience participants have with the phenomenon and the time they joined the profession (seen in table 3.4). What was found is a significantly different understanding and experience of and motivation to be independent in auditing and its social purpose and it was this variation and the narrative around it that the researcher used to structure the findings and discussion chapter. Below (Figure 3.8) is an example of how the researcher pulled the superordinate themes together to begin structuring the narrative given by

participants. Following this, figure 3.9 shows these superordinate themes in closer detail.

Figure 3. 8 Development of superordinate themes being structured into findings and discussion chapter

The following chapter, therefore, is structured to highlight this difference. Specifically, chapter four is split into three eras, The Old Profession, Changing Profession and The New Profession. Starting with the pre-Enron group's discussion of their experience and understanding of independence and the social purpose of auditing under what they identified as "The Old Profession" (Section A of chapter four). The chapter then moves to the discussion and identification of where changes to the profession occurred and how this impacted the lived experiences of the pre-Enron group. Specifically, how changes to the profession, which were brought in due to the aftermath of the Enron-Arthur Andersen scandal impacted the ability and motivation to be independent and shifted the profession's purpose and focus to one that was centered on reclaiming legitimacy lost. Finally, section C, "The New Profession" focuses on the lived experiences of the auditors that came into the profession after the Enron-AA scandal. The findings explored

in this section show a different side the auditing profession and how it is experienced today. The researcher intends to illustrate this shift in the understanding and experience in audit through a sequentially ordered discussion of the narrative given by participants. Therefore, the structure of chapter four is as follows, (Figure 3.5 below), the first section explores the lived experiences of auditors from those in the pre-Enron group, second, the lived experiences of those who experienced changes made to the profession and, third, the lived experiences of auditors from the post-Enron group with further insight from the pre-Enron group.
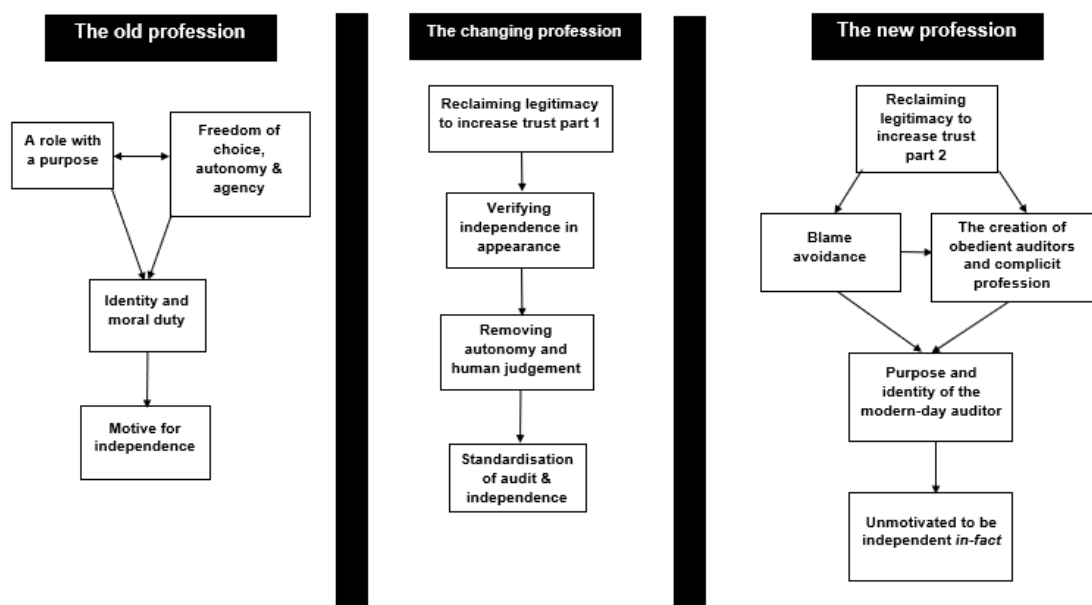
Figure 3. 9 Superordinate themes in sequence and structure plan for findings chapter

Each section is titled with a quote from participants that the author found to be an interesting way to describe the audit profession and illustrates how this movement has shifted the professional landscape of audit. This will be further discussed in the following chapter.

3.5 Summary of chapter three.

This chapter has introduced and discussed the ontological and epistemological perspectives that have helped develop the methodological choices used by the researcher throughout this thesis. Furthermore, an explanation of the motivations behind this research has enhanced justification of the choices made by the researcher, with consideration into

how this has shaped the research method design, the data collection and analysis. This chapter has provided a step-by-step illustrative explanation of how the data collected was then analysed and how this helped shape the structure of the following chapter. The next chapter will discuss the findings from this analysis.

Chapter Four: Exploring the Findings

4.1 Introduction

This chapter will discuss the findings of this thesis, which aims to explore perceptions of independence as a core phenomenon that underpins the professional legitimacy of the audit profession and consequently the social contract that exists. This research has investigated the perceptions of independence as a phenomenon, and the social purpose of audit through the lived experience of auditors in the UK, and how this has changed over time. Chapter four will review the narrative as told by participants and present the data collected sequentially, focusing on the superordinate themes found by the researcher using interpretative phenomenological analysis. These findings will be followed by a discussion (chapter five) that considers how these findings add to the current knowledge on auditing. How these findings answer these questions will be discussed in chapter six, however, to remind the reader, the research questions are as follows:

1. What purpose do auditors have in society today?
2. What changes have impacted auditors ability to be independent?
3. How is the fundamental principle of independence understood across the profession, and does this differ?
4. What motivates auditors to uphold the principle of independence and therefore the profession's legitimacy?

4.1.1 Chapter presentation

This chapter is split across three sections which are presented in a sequential way to demonstrate the differences in narratives from the auditors interviewed. Specifically, this chapter is presented in three sections that illustrate three eras in the profession, the old profession, changing profession and new profession. As discussed in chapter three, the purpose of phenomenological research is to understand the lived experience of a common phenomenon (Independence and auditing) through narratives from a sample of participants that vary in demographic (length of audit experience). The analysis of the data collected found that the understanding of independence and the social purpose of auditing differed widely across the sample of auditors interviewed and that a significant point that defined this difference was the changes made in the

profession due to reactions to the Enron-Andersen audit scandal of 2001 (discussed in section 3.4 chapter three).

The three sections that build this chapter are titled with quotes from different participants that the author found powerful and summarised the sequence of change that has impacted the understanding of the social purpose of auditing and independence in the UK, which are,

> **Section A.** The old profession, "*The good old days…audit before that Enron scandal".*

> **Section B.** The changing profession, "*Out with the old, in with the new".*

> **Section C.** The new profession, "*They've created an army of obedient auditors".*

The figure below (4.1) shows the superordinate themes which fall into each section, the arrows demonstrate the order in which they are presented in each section and the relationship they have with each other.
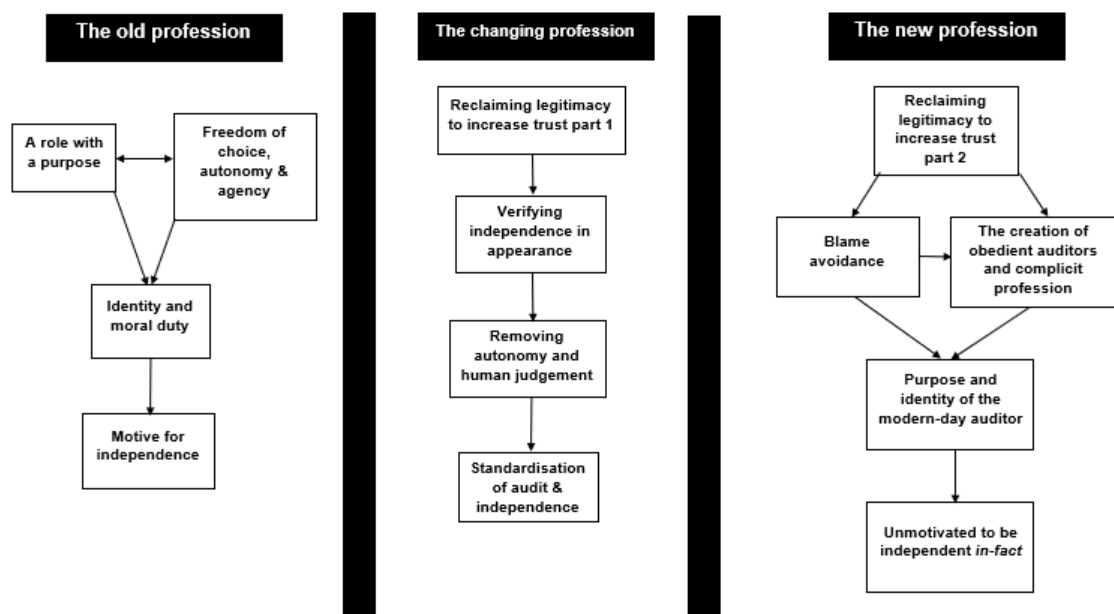
Figure 4. 1 Structure of superordinate themes and relationships

Each section will start with an introduction and will detail which of the superordinate themes will be discussed in that section. This will be followed by an exploration of the findings through participants narratives relevant to that section. Participants will be identified with individual codes (as per table 3.4) and will be indented in text or speech marks. The author's own speech will be

identified as well so the reader can differentiate. Throughout the narrative sections, there will be links made to relevant literature to support the insights made by the author. The next section (Section A) will explore and discuss the narratives given by those who are identified as the pre-Enron group of auditors.

Section A. The old profession, "The good old days…audit before that Enron scandal".

4.2 Section A introduction

This section will focus on the narrative given by those who are identified in the pre-Enron group, who, are the participants who have had experience in audit before the Enron and Arthur Andersen scandal of 2001. Out of the participants listed in Table 3.4 in chapter three, the following participant (Table 4.1) narratives will be used throughout section A of this chapter.

Identification code	Current industry	Past industry	Current role	Years' experience in an audit role
AUDITP1	Education	Big 4 firm	Academic	10+
AUDITP2	Education	Big 4 firm	Academic	10+
AUDITP3	Public Sector	Public Sector	Deputy CFO	34
AUDITP4	Mid-tier firm	Public Sector	Partner	26
AUDITP5	Small Firm	Small firm	Director	25
AUDITP7	PIE	Big 4 firm	Director	20
AUDITP9	PIE	Big 4 firm	Manager	15
AUDITP13	Big 4 firm	Big 4 firm	Partner	27
AUDITP16	Third sector	Big 4 firm	Manager	21
AUDITP17	Third sector	Mid-tier firm	Manager	16
AUDITP18	PIE	Mid-tier firm	Director	28

Table 4. 1 Participant's narrative used in section A

This section will focus on the narrative given by those who worked as an auditor before the year 2001, and this group of participants will be defined as the 'pre-Enron' group. Through the analysis, the researcher found that the narratives, lived experiences and understandings of the purpose of auditing and

independence from this pre-Enron group differed significantly from the other group defined as the 'post-Enron' group. As discussed, the findings are presented in a way to demonstrate this difference.

Section A has been split across four superordinate themes: theme one: A role with a purpose, theme two: Freedom of choice, autonomy and agency, theme three: Identity and moral duty and, theme four: Motive for independence. The author found these superordinate themes were significant in the lived experience of auditors from the pre-Enron group and have an important role in their understanding of the social purpose of auditing and independence. Below is a picture (Figure 4.2 – superordinate themes for section A – the old profession) of how the author developed what the participants in this group said into the superordinate themes that are used in this section. The next section will explore the subordinate themes under the section "The Old Profession" which will be followed by a summary of the findings.

Figure 4. 2 Superordinate themes developed from pre-Enron participants narratives

The old profession

A role with a purpose ↔ Freedom of choice, autonomy & agency

Identity and moral duty

Motive for independence
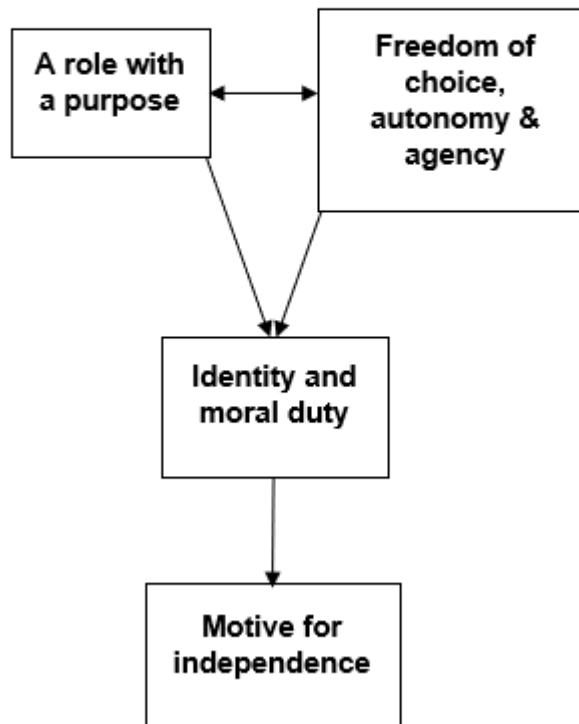
Figure 4. 3 The old profession and themes

4.3 Theme one: A role with a purpose

As discussed in sections 4.1.1 and 4.2, the author found through the analysis of the data, participants known throughout this chapter as the pre-Enron group suggested that having a purpose was a significant factor in their lived experience of auditing and independence as a phenomenon. This section will bring in relevant literature around theme one "*a role with a purpose*" and provide examples of the narratives from the participants describing how purpose in their role added to their understanding of the social purpose of auditing and the importance of independence.

As discussed in Chapter Three, the author conducted semi-constructed interviews with all participants. As discussed in chapter three, to get the interviewee comfortable with the discussion, preliminary questions were asked at the start of the interview, which allowed the author to have an idea of the participant's history and experience with auditing and to frame where they currently are in their professional lives (Appendix E). For the first part, they were asked to tell the researcher why and how they got into the auditing profession. Out of the twenty people interviewed, ten had become qualified auditors before 2001 and all where either an accountant or an auditor during the Enron and Arthur Andersen accounting scandal and recall the impact it had on the profession in the UK. The author found that those in the pre-Enron group all joined the audit profession due to its sense of purpose. There was overall agreement that being an auditor was an important role in society and the decisions made by the auditor were both impactful and significant. The following section looks at how and why this pre-Enron group entered the profession, and what they viewed auditing as.

> Interviewer: can you tell me how you got to be involved with audit?
>
> AUDITP3: right…yeah… so, I did a History and Politics degree, and really, I was looking for something to do with that. So, I was looking for an employer that would give me a career and potentially some training to get to a kind of professional level and have a job that made use of my degree. So…then I ended up working for [firm] and got qualified in the early '80s and managed to stay in the North East.
>
> Interviewer: was that important?

AUDITP3: Er… I suppose so, yes because I'm from here and I – you know I wanted a job that did something useful and doing something useful for the area I'm from to me at the time seemed a good idea.

Interviewer: and how was that for you, do you think that expectation was met?

AUDITP3: Yeh, it was good, I think going into [firm] I probably had a fairly naïve sense of right and wrong, and duty, but absolutely true that as an external auditor, I hadn't appreciated, but came to really value that auditors have been around for like 170 years – they had links back to the Poor Law in 1840, we were guardians of money.

Here the participant reflected on how important their role was to the public and spoke very passionately about it. It was an important job and it gave meaning to their life and they felt it was part of their duty. AUDITP4 had a similar opinion when recalling how they got into auditing.

AUDITP4: Ok, so, the audit bit probably wasn't where I was going to end up in the first place… I started off doing an economics and accounting degree and didn't really like the accountancy very much, [laughs] I thought it was a bit boring… and so I did politics degree… So, I saw a job working for [firm] and it seemed to present a good picture in terms of the role… and the idea of actually doing something that might actually do some good.

Interviewer: Was that important to you?

AUDITP4: Yeh, so it wasn't just – you know, signing off some company's accounts. It was an important job to do.

AUDITP7 had a different motivation that brought them to the auditing profession but saw the role similarly to AUDITP3 and AUDITP4.

AUDITP7: so, I started at [firm] but I left in 2009 and went to [PIE] as the deputy finance director and now I'm at [PIE] as their UK finance director. But when I left university, I knew I wanted something to do with numbers but not something boring, so I saw the job at [firm] and it looked fairly interesting.

AUDITP7 was then asked what it was about this role as a trainee auditor, that seemed better than other roles that involved numbers.

> AUDITP7: Ha! It sounds funny now, but when I got to speak to some of the then-current employees of [firm] they made it sound really interesting – a bit of a challenger role where they did almost investigative tasks and you – they seemed to present an office job that wasn't paper-pushing which I didn't want… it seemed more 'hands on'.

Later in the interview participants were asked what they enjoyed about audit and a common theme that emerged with those who qualified before 2001 was having a role that gave them purpose. This is different to how those who qualified post-2001 to respond to the same questions, which will be further discussed later in chapter four.

For AUDITP5 It was this sense of achievement from solving complex problems,

> You began to learn how to do accounts for smaller businesses and then gradually built up to bigger organisations. So, I did anything from the little sweet shop on the corner all the way to companies with £20/30 million turnovers and it meant you got very much involved with how things happen, how things go wrong and how to fix them. It was a sometimes tiring but very important job and people relied on you.

When asked if they saw their role had a purpose all those in the prior-Enron qualifying ground seemed very certain about this.

> AUDITP18: Oh god, yeah – you know, people really relied on you to keep their businesses running. You were making their business better by helping them make better decisions and changes.

> AUDITP5: Yes, I do think being an auditor is important, you're solving problems for people who work for businesses – so that can range from small to large but regardless behind the businesses, whatever it is you're working on it is with people.

> AUDITP3: Yes, I genuinely believe I was a public servant, with both of those words being really important; 'public' and 'servant'.

> AUDITP13: Yes, you do, our opinions can make big differences in the way people run their businesses, and you know that has a ripple effect on society.

There are some interesting points here, firstly they all identify the role of an auditor as a helpful one, either for the people in the audited entity or wider stakeholder groups such as the wider public. It is also worth noting that all mentioned they had a sense they were relied upon to do the "right thing" as AUDITP18 confirmed,

> You're being trusted to do the right thing; they know you're the expert…

When considering discussion in chapter two (2.7.2), Recker, Peacock and Wong (1987, p.44) note that, *"having a sense of personal meaning means having a purpose and striving towards a goal or goals"*. They further explain that having meaning in life helps individuals to make sense of their existence, and purpose allows people to understand that through having intentions and goals they want to be achieved, which from the narratives from participants above, can help us understand why purpose in the auditing profession is important (Recker, Peacock & Wong, 1987). If auditing is about producing a social good, as both these participants and Flint (1988) suggest, then having this idea embedded in the purpose of auditing is important, which is supported by the participants in the pre-Enron group. In general, people have a strong desire to understand the world around them, and theoretically experience meaning when they start to understand their role in life and what they are trying to accomplish (Steger, Kashdan, Sullivan and Lorentz, 2008). Further explained by Michaelson, Pratt, Grant and Dunn (2014) work occupies a central position in individuals search for meaning in life, and for many adults, work is where they spend the majority of their lives and therefore is a "*primary source of purpose, belongingness and identity*" (p.77). This meaning refers to making sense of one's existence and having a purpose and can help individuals find enjoyment in life (Recker, Peacock and Wong, 1987). Therefore, meaning for younger individuals helps them establish identity, and it is clear from the participants in the Prior-Enron group saw the audit profession not only had a purpose (and therefore gave them individually a purpose) but also that it gave them an identity both individually as an auditor and more widely as part of a profession (Erikson, 1963; Recker, Peacock & Wong, 1987).

It became apparent when speaking to both groups that an important aspect of having purpose was the ability to make decisions. This meant being able to do the 'right thing', and the group of auditors who qualified before 2001 noted the ability to make autonomous decisions was integral to their job having purpose. Furthermore, the researcher identified that having Autonomy was a superordinate theme coming through the data as an attribute to the lived experiences of being an independent auditor.

This idea that autonomy was important was found when participants were asked to answer the question '*What is independence?*' and use the flashcards discussed in chapter three section 3.3, to pick the words they felt helped them answer the question. Table 4.2 below shows the answers from those interviewed that worked as an auditor before 2001. Selected cards are those flashcards with words already on them and written cards are those with statements or words chosen by the participant which were not part of the original card selection i.e., they wrote these words additionally.

Table 4. 2 Participants from the pre-Enron group with selected and written flashcards

Participant	Years' experience in the auditor role	Current role[22]	Selected flashcards	Written flashcards
AUDITP2 (Pilot)	10+	Academic	Freedom	Vested interest of the firm Accountable Personal sacrifice versus professional sacrifice Understanding and buying into the purpose of an audit Support mechanisms
AUDITP3	34	Deputy CFO	Freedom	State of Mind Objectivity
AUDITP4	26	Partner	Professional	Mindset Wanting to be (professional)
AUDITP5	25	Director	None	Attitude A characteristic
AUDITP7	20	Director	None	Mental freedom Moral compass
AUDITP13	27	Partner	None	A mental attitude
AUDITP16	21	Manager	Freedom*	*(to make own decisions) State of mind
AUDITP17	16	Manager	Threat Professional	Not influenced
AUDITP18	28	Director	None	Personal attitude Mentality

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[22] For past and current industry, please refer back to table 3.4 in chapter three.

As seen in Table 4.2 above, a common theme that came through from the selected and written flashcards was this idea of autonomy or freedom and a confirmation that being independent is a personal attitude or mindset. This is confirmed by Flint (1988) as discussed in chapter two, who explains that "*an essential distinguishing characteristics of audit are the independence of its status and its freedom from investigatory and reporting constraints*" (p.22).

Further discussed in chapter 2, section 2.5 Flint (1988) defines the independence of auditors as *"the product of the combination of personal qualities, organisational arrangements and environmental circumstances or constraints*" (p.59). This is supported by the above participants, who confirm this when they wrote that independence is a 'state of mind', an 'attitude' a 'mentality', which like Flint (1988) explains, are all personal qualities. Having 'support mechanisms', 'freedom' and 'wanting to be professional' demonstrate that auditors need autonomy and agency to make objective and independent choices through organisational arrangements and environmental circumstances. Which again, reflects literature from Flint (1988) who, explains an auditor's work environment must allow them to make objective independent decisions.

The following section will explore the narratives given by these participants, under superordinate theme two: Freedom of choice, autonomy and agency. This section will explore participants in the pre-Enron group's discussion that developed this theme and how they observed freedom, autonomy and agency as features that allowed them to be independent auditors. This theme was found to be significantly different in narrative to the lived experiences of those who make up the post-Enron group, which is further discussed in section C of this chapter.

4.3.1 Theme two: Freedom of choice, autonomy and agency

Following the suggestion that independence is a 'state of mind' and needing 'freedom' to allow independence occurring in a number of the interviews with the participants above, the researcher wanted to understand how it impacted the lived experiences of the participants.

For AUDITP3, the author asked what they meant by 'state of mind':

> It's the way you think. There is a difference between watching someone else be an auditor and being one yourself, the personal element of it and the personal decision making. But those first two or three years of being an auditor were some of the happiest of my professional life because at the time the organisational structure and expectation from [firm] gave me quite a lot of freedom and latitude.

What is important here is that link to having a purpose. It is clear here, that having the freedom to make decisions, even at a lower level in terms of being a professional allows them to feel they have a role with purpose. This is further supported by AUDITP3:

> Freedom and latitude, with constraints obviously! But to do what you thought was right, and in that context, for example, I was doing the audit for [company] and it was doing some things that were financially and legally stupid, but I didn't have to check with anybody, I checked with my local team, I discussed it with colleagues, but I didn't need anybody to sign off on what I did.

AUDITP16 had a similar reflection. When selecting the flashcards, they picked 'freedom' but instantly said *"I'm picking this, but I mean to make your own decisions".* They then continued:

> See, you need to be able to make your own decisions, your own judgement… so the next one – I'm going to write it if that's ok? [yes]… state of mind, so it's the individual auditor who needs to be independent, right? They need that freedom to be able to make these judgements objectively.

AUDITP16 continued to give some insight into how they saw this idea of freedom over their career as an auditor.

So, I've always done audits and have obviously worked with the new guys coming in – and it has changed, it was more effective back then you know, you just got on with it. It was more about doing the job than jumping through hoops to make sure you did the job to a standard. And I don't mean to a good standard I mean in terms of the rules we have to comply with now.

This is interesting when we consider what was explored in section 2.2.2 of chapter two, regarding the core characteristics of professions. Autonomy is an important aspect that allows members of a profession to exercise their knowledge and expertise, as well as giving them an ability to express opinions free from influence. It is an important dimension of professionalism as discussed in section 2.2.2 chapter two and is defined by Kalbers and Cenker (2008) as "*the freedom or prerogative of professionals to carry out their own judgement in the application of their profession's body of knowledge*" (p.330). both AUDITP3 and AUDITP16 reflect this as an important part of the role of an auditor, and the ability to be independent. Furthermore, as discussed in chapter 2, Engel (1970) explains that autonomy in professions can exist in two levels: (1) concerning the individual professional (in this case, the auditor), and (2) to the occupation group or profession. Like Engel (1970), this narrative from the pre-Enron group signifies the importance of individual professional autonomy.

A further interesting point made by AUDITP2 was this idea of sacrifice, or as they wrote on their added card "*personal sacrifice versus professional sacrifice*". Asking them why they wrote that, AUDITP2 said,

So I think you need to be willing to sacrifice your own interests for that of the wider professions…not just the classic conflicts you hear about like advocacy for the client, but, for example, when you're a trainee and it's late in the audit and you want to go home, sacrificing that personal interest of wanting to throw in the towel for the week, and doing the job right, and with due diligence… ok so I'm going to also write understanding and buying into the purpose of audit here [ok, why that?] well, if you don't buy into it, you won't be willing to have that sacrifice.

Continuing with AUDITP2, they picked the flashcard Freedom, following the author asked them why and if they could explain,

Yes, so, I guess what I'm trying to say is to be independent or to explain it, you have to have the freedom and room to do what needs to be done. So adding to that [writes on new card] support mechanisms around you will help with auditor independence, whether that is a good team, or a good audit lead or just whatever is needed to get you to do the job right.

This was similar to what AUDITP4 put down, initially professional but then added "wanting to be" explaining,

You have to want to be independent, or at least have the mindset [writing down mindset separately]. So, to be professional and independent, you have to want that which comes from that specific mindset.

Asking what gives an auditor that mindset, AUDITP4 explained that it needed to strengthen through "*commitment to the profession and the role and this idea of doing some good*". This was similar to what other participants described as a way of giving auditors a reason to be independent and committing to the profession's purpose in society. There needs to be a degree of freedom or autonomy to allow auditors to be able to make independent judgements and decisions in their role. This is supported by Martin and Sugarman (2002), who suggest that having this freedom will encourage auditors to do a better job and can be encouraged through a well-known and embedded duty across the auditing profession. Similarly explored in the literature in chapter two, the participants who made up the pre-Enron group emphasised that auditors, to act independently and understand the role auditing plays in society, need to have a sense of identity and duty in the profession. This made-up subordinate theme three which will be discussed next.

4.3.2 Theme three: Identity and moral duty

As discussed in chapter two, section 2.7.2, the 'duty' of the auditor is ill-defined, and although audit is under the Companies Act 2006[23], technically a quasi-legal role current International Standards on Auditing (ISAs) state that the only duties of an auditor are to report suspected money laundering (ISA 250A), a duty to the client and a duty of confidentiality which can be overridden if their duty to report suspicion of fraud or other legal issues

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[23] Companies Act 2006, Part 16: Audit, Chapter 3: Functions of Auditor, Duties and Rights of Auditors 498-502.

It is fair to say that by not having a detailed list of statutory duties, auditors have increased agency and can make more independent judgements. However, not having an explicit embedded duty to do 'the right thing' may hinder the ability to make the right decisions.

As discussed so far in section A, the pre-Enron group identified having a purpose in their role and autonomy to make objective decisions is fundamental to an auditors' ability to act independently. This superordinate theme looks at the deeper meaning behind having purpose and as discussed above, autonomy to 'do the right thing'. The researcher found a significant difference in the way the pre-Enron group identified both as an individual and the degree of their saliency to identify with the profession. This has led to the identification of the underlying theme of identity and moral duties of an auditor, as the prior-Enron group had a strong sense that personal moral duty was an important value in the identity of an auditor and the purpose of the wider profession.

Continuing the conversation with AUDITP4 the researcher had an interest in why they felt "*doing some good"* was beneficial to them.

> Interviewer: So, going back to what you said earlier about 'doing something good', why was this important to you?
>
> AUDITP4: Hm… I guess, probably the fact I did a lot of political stuff, I'd actually canvassed for a political party when I was in my teens, so I was involved quite heavily in the [redacted[24]] party in the 80s which is perhaps not the most comfortable thing I've ever done! [laughs] And, from an upbringing point of view.
>
> Interviewer: And does that still have an impact on you as an auditor?
>
> AUDITP4: Yes, I guess, I saw the job as doing something beneficial and just the way I was brought up, with a good sense of right and wrong and wanting to be a good person, that obviously will play a role in me as an auditor. A good one, I hope! [laughs].

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[24] For the purpose of this discussion and to further protect anonymity, it is more about the way political beliefs in general play a role in the identity of people (in this case auditors) rather than specific party ideologies, the researcher has therefore chosen to redact the party name.

AUDITP3 no longer works in audit but had already mentioned they were glad to be working in audit in the area they were from so they could see some impact, which gave them a sense of social identity. Later in our conversation, they talked about an incident that led to the following discussion about the continued identity as an auditor and what has influenced that.

> AUDITP3: I've said to a number of colleagues subsequently if you don't [want this level of scrutiny] don't appoint an ex-auditor to the role if, when it comes to the crunch, you expect me to just fold over and be happy about it because I won't! That's just not the way I'm hardwired, not my professional background.
>
> Interviewer: your ability to be like that, do you think it comes from somewhere?
>
> AUDITP3: I don't know, that's a really good question…
>
> Interviewer: what about your degree?
>
> AUDITP3: That's a really good question, I've never considered that before. I think yeah, also by background, my upbringing, I'm the product of a state school comprehensive, my [parent] worked in Civil Service and my [parent] worked in NHS – they are [newspaper redacted] readers, they are [political ideology[25]], unsurprisingly their [child] is too.

When asked about what makes them be an independent auditor, AUDITP18 reflected:

> I think it's embedded in you, you see, I think I come from a background where, you know, my whole family background and upbringing is that you know, you were brought into the world, really, and what you should do is you should…your aim in life is to do a good job and do things that are right and have some sort of moral compass.
>
> Interviewer: Do you think most people are like that?
>
> AUDITP18: I'm not sure that all families are like that, but I come from a family where ethical issues were really quite top of the agenda.

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[25] Both the newspaper name and political ideology has been redacted here due to the same reasons discussed on the previous page.

This links well with what was discussed and explored in section 2.7.2 chapter 2, where Appiah (2005, p. 20) explains, *"an identity is always articulated through concepts (and practices) made available to you by religion, society, school, and state mediated by family, peers and friends"*. This means that that 'the self' cannot be independent of the human world and we are the product of interaction with others. Furthermore, similarly discussed in section 2.7.2, having a professional identity gives individuals meaning and purpose, so for professionals such as auditors, this holds true. This identity comes from all the experiences and social fabric that makes up your life and give meaning to it, to remove this would be to remove what makes you as a person. Identity is very closely linked to having meaning and purpose in work, as seen through the narratives of the auditors in the pre-Enron group of participants, having a purpose in the role of an auditor impacts their identity as an auditor in a wider profession (further discussed in section C). Further to this, building an identity as an individual, requires drawing on norms related to the society (or in this case the profession) so the individual can feel part of it, known as collective identities and can create forms of solidarity (Taylor, 1991; Appiah, 2005).

The researcher wanted to understand how auditors and those interviewed identified themselves in the profession, this was to specifically understand if there was a disparity across the profession as suggested in section 2.8 of chapter two by Citron (2002). When the analysis was being conducted, it became clear that the identity of the auditors the author spoke to had changed (as mentioned in chapter 3 section 3.4), the following section highlights how the pre-Enron group identified professionally, which is also discussed in section C (4.8.3) for the post-Enron group.

Both AUDITP2 and AUDITP3 no longer worked as an auditor so the researcher was interested in understanding their professional identity now,

> AUDITP2: It doesn't leave you, no… I obviously teach it now, so it is still a big part of my life, but even without that, I'm still a member of the profession.

> AUDITP3: I'm an ex-auditor but I'm still an auditor at heart [laughs] you know, the way I think is how an auditor thinks, that's not going to change.

AUDITP16, who no longer works in an auditing firm, said "*I classify myself as an auditor – if I told someone what I did as a job I'd say, 'I'm an auditor'*".

AUDITP18, who is a Finance Director now said:

> oh yes, I'm always going to be an auditor, I obviously would say I'm a director now but I'm always going to feel in part like an auditor – it took up a large part of my life.

AUDITP13 who is a partner now had a different identity:

> I'm a partner, so I'd say I'd identify as a Partner at [firm] but I am a part of the audit profession as such.

To further understand their identity with the profession participants were asked if they felt part of a wider profession.

> AUDITP7: Yes, I do, I sit on [professional body] committee, so I am heavily involved with the wider profession so yes, I feel a big part of that.

AUDITP4, AUDITP3, AUDITP13, AUDITP18 all felt they were part of the profession, but commented how that had changed.

> AUDITP3: as I said, I'm an ex-auditor – but the profession I associated myself with isn't the profession I see and read about today.

> AUDITP4: Err…[sighs] that's tough, I'd probably say- I used to feel part of a wider profession when I worked at [firm], I definitely feel more closely to [current firm] like a family, I would say I identify with the [current firm] as it's like a family, but I am – we are part of a wider profession if that makes sense.

> AUDITP13: [firm] but that has changed since I moved to partner, I probably have always firstly identified with [firm] but definitely more so now I'm a partner.

> AUDITP18: Hm… I don't think I really feel part of that [audit] profession anymore [laughs] I mean obviously I follow what has been happening with the scandals like Carillion and [laughs] no I don't associate myself with *that* profession anymore.

AUDITP5 still identified with the profession as a whole but commented:

I think it's on a different level because I think a firm is – it's like your family, who you work with and where you are trying to achieve something and gain a reputation, whereas the profession itself is a different kind – it's just a different subset of the family really, yeah? But I do identify with both.

As discussed in section 2.7.2, Tajfel and Turner (1985) suggest that people classify themselves into various social categories, such as organisational or professional membership. Social classification can help individuals define themselves in social environments and social identity is the perception of belongingness to a collective (Ashforth & Mael, 1989; Warren & Parker, 2009). Identities tend to be viewed positively by the person identifying, and people will distance themselves if they do not see a positive aspect to the identity (Jackhall,1978; Ashforth and Mael, 1989). Likewise, for auditors, professional identity is important as it can impact their commitment to the role (Baurer, 2015). It is therefore a concern that auditors in this research have no longer feel they identify with the wider profession. This can be seen above, when participants completely detach their identity from the audit profession or now move their identity to a smaller group, such as their firm. In fact, out of all those interviewed, those who became an auditor after 2001 (post-Enron group) most said or implied they did not identify as an auditor (further discussed in section C) and all identified with the firm or company they worked, rather than the wider audit profession, as seen in table 4.5 in section C.

This suggests that there had been a change to the profession and as RQ2 and 4 aim to explore this change, the author wanted to understand why identities had either been removed or shifted. The author found the change in the wider duty of the profession to do what was mentioned above as 'the right thing' had influenced participants' identity. Those who identified with the wider profession and had changed their identity were asked what factors they thought contributed to identifying with the profession.

AUDITP3: well, I was proud to be an auditor you know, I guess – well, what I said before about being [political ideology] and my background it felt like I was doing good and that's what it felt the profession as a whole was doing. [Pause]. I didn't go into my job wanting to fill the pockets of

the pricks at the top, excuse my French, but that's what it became and that's not what I'm about.

For AUDITP3 here, there is almost a sense they were pushed out of the identity, here you can see that as an auditor they recognised they had a duty and that it was changed.

Interviewer: can you tell me more about what it was about?

AUDITP3: It was about accountability. Making sure companies were accountable, and we had a duty to be truthful about that – it's a quasi-legal role, it's our duty to be truthful about what they're doing and hold them accountable if they not doing the right thing.

AUDITP18 who also said they no longer identified with the profession said:

I probably stopped thinking of myself as a part of the profession when I became a director, just because it was a different role – but I think – I think if I look back… hm… it's just not the same as it was, you know? Yes, I'm not saying we were perfect, but it was less about the client. We didn't work for the client that they work for today.

When asking AUDITP4 why they now felt closer in terms of identity to the firm they said,

Hm… well, it's who you're with, it's like I said – we're a family here at [firm] [laughs]. I don't know…[pause]…maybe, hm… that's a really tough question! [laughs] can I think about it?

They continued:

I guess when I worked at [firm] there wasn't so much competition with other firms, we were like 'in it together' as they say, maybe now it's more competitive. Also, the focus here at [firm] it's – being professional and what we've talked about like being independent, it's huge and I – that's what pushed me to come here, it seemed to fit what I felt was what audit was about.

The above discussion indicates what Hanlon (1994) and Citron (2002) suggest, that is a shift in the audit profession's purpose. Specifically, as noted by the participants here, this has caused a change in their professional identities.

Furthermore, the above discussion indicates that the profession did move to a more client-focused one and the duty of auditors changed. Like Bauer (2015) proposes, auditors with strong professional identity will be more inclined to work towards a collective good. That is the auditor will be motivated to be independent and work towards their social duty to work in the public's best interest.

If a duty exists and a person is thoroughly invested in that duty to be good, their actions will be selfless as it will be based on the only fact, that is, their duty (Aune, 1979). For auditors to be invested in being independent *in-fact* they need to be invested in the overall purpose of auditing, which will encourage them to act for the sake of their duty which is to be independent and objective and act with integrity (Flint, 1988). This in turn, will strengthen the profession's social contract with society, as the public will trust in the legitimacy of the profession (Deegan, 2002; Cruess & Cruess, 2008). There needs to be clarity on what auditors' and the profession's overall purpose are. Having a collective purpose and duty in the audit profession will allow for collective identity and meaning for being part of a profession. Currently, the audit profession does have a quasi-legal duty under the Companies Act 2006, however, under ethical codes, standards and expectations from professional bodies and the UK regulator, there seems to be a misalignment with the overall moral duty of the auditing profession and its purpose (as discussed in section 2.7.2 and 2.8). This will be further discussed in Section C when comparisons are made between those from the pre-Enron group to those in the post-Enron group. But, as a brief overview the difference of understanding is (A) what auditing is (Duty) and (B) what auditing is for (Purpose).

The following section will conclude on how having a 'purpose', 'autonomy and agency', 'professional identity and moral duty' motivates auditors to *be* independent.

4.3.3 Theme four: Motive for independence
As explored in chapter two, an independent auditor is the product of their personal, environmental and organizational qualities, and the ability to act independently will depend on the conditions auditors are under (Flint, 1988). Having an environment that supports and encourages an auditor to be independent *in-fact* will, in turn, increase the appearance of independence from

outside spectators. It is therefore important for the auditor to be able to act independently without too many constraints. Suggested by Flint (1988) and explored in chapter two, the objective is to *"attain and preserve the mental attitude which results in independence on the part of auditors and beliefs in that independence by those who rely on them"* (p.59-60). There is of course no guarantee that an auditor will be independent *in-fact*, because of the psychological aspect of independence being a 'state of mind', but the circumstances the auditor is in must allow them to act independently to do just that. The following discussion shows that a big factor to be independent comes from the themes discussed so far in this section. However, the participants in this study, specifically from the pre-Enron group, noted that this had been put under pressure from changes within the auditing profession. Commenting on how independence had changed in the profession, AUDITP13 said,

> Well, I think the profession does try to be independent, but now it is just drummed in, constantly! There wasn't so much of that when I was younger, it was more about being professional, and you know, being independent was just a given.

AUDITP7 said that independence is the thing that *should* surpass all other things when it comes to *being* an auditor, continuing:

> It really is or should be, an instinct almost. I mean, if you don't want to be independent or if its – so when I went into [firm] before that I wanted to be an auditor, you know, [firm] just gave me the ability to be an auditor – I knew it was a specific role in which I needed to be independent and act with integrity. So, if you go in and aren't of that mindset, well, you're not likely to ever be a fully independent auditor.

After asking if they felt that those with an unclear perception of what an auditor is or why auditors need to be independent could be trained to have this 'instinct', AUDITP7 continued:

> I mean, they're trained to comply with the rules nowadays – so in that respect yes, but are they fully committed to the *spirit* of audit and being independent? I mean, you can kind of tell when you engage with people if they're ethical, right? I don't know – you – in my opinion, no you cannot train that in someone. They either have it or they don't.

AUDITP3 had a different take on the idea of independence and noted that:

> Well, I don't think you can be *trained* to be an auditor who is you know,
> ethical, independent, professional – but I think if the right environment
> allows it, they can motivate them to be more so. And that will be down to
> the attitude of the firm or organisation, but I mean these firms really
> should be looking for someone who displays a certain set of morals.

AUDITP2 and AUDITP4 commented about how for an auditor to be
independent *in-fact* they need to buy into the idea of auditing, that being a role
that has a purpose and overall duty of an auditor.

This notion of buying into the idea of audit links back to the need for the audit
profession to have a purpose and auditors having a duty and is supported by
Higgins and Olsen (1972) who, in light of criticism to the profession in the late
'60s, proposed that members needed a clear understanding of the underlying
philosophy of audit if they are to be motived to act in a way that will strengthen
trust from the public. We have seen more recently from the reports produced
from the aftermath of the collapse of Carillion Plc (as discussed in chapter one),
that this is now being questioned today.

This idea of being motivated to be independent and buying into the idea of audit
was a tone that came across stronger in those in the pre-Enron group than
those in the post-Enron group. When asked to think about a time they acted as
an independent auditor and what it was that made them be independent,
AUDITP4 said,

> Back when I worked at [firm] being independent – that was a real core
> ethos for [firm] and I think a real core ethos for all [firm] auditors, it was
> felt quite personally because it was a personal duty that you were
> exercising and I think, to an extent, that duty informed the person, and to
> an extent, they appointed people who got that and who that ethos
> resonated with.

They continued by saying that this 'ethos' is still instilled in them now, and it is
no different from when they were more junior. When asked if they felt this
embedded ethos was important for independence AUDITP4 replied, *"Absolutely
vital, absolutely central"*.

When asked if this embedded ethos, or for the other participants, it was asked if they believed the profession had a similar mindset regarding the purpose of audit and independence, the overall conclusion was yes but that this had changed. AUDITP7 noted:

> When I was in [firm] I think so, yes. There was – it's more competitive now so I think – I mean, they're all trying to one-up each other now, aren't they? I mean obviously, there was competition, but I didn't think that the auditors at [another firm] were any less able than us at [firm] or that we were any better than [another firm].

AUDITP5 also reflected that:

> I think there is a difference now, I think we – the profession does try, but I think there is a difference with respect to how firms work i.e. smaller to bigger firms – they do different jobs now. I think you probably have more – I don't know if I should say this, I guess I feel like smaller firms have a different relationship with those they audit so in terms of our mindset and outlook I think it will be different to bigger firms now.

AUDITP18 who is no longer working as an auditor, but now works in a company that is audited said,

> As a so-called client, yes, I think it's hugely different now – they care less in my opinion, they send people who have no idea what they are doing and are completely out of their depth. That was definitely not how they used to be. Like I say as a so-called client – they didn't use to call us that, they send school kids to piss around in a room for two days! [laughs] they don't care about 'independence', they just want to go home!

Most of the participants who had also commented that there was a significant difference, noted that this had been due to the need to give the profession credibility. AUDITP3 said:

> I think by the early to mid-2000s there was a huge push to ensure each firm had credibility, even in public – auditors were increasingly doing more of an accountant's job. It became much more about respecting the international financial rules, our freedom of action to do things like I did at

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[client] became less and less and I enjoyed the job less as a result. The whole ability to use our judgement was stripped.

AUDITP7 had a similar opinion:

It was around Enron, there had been a push for better ethics and stuff before that, but when Enron happened – the standards- you know, the focus was 'oh they don't look independent' or 'oh I can't see how independent they are' and it just became so constraint in what we could do as auditors. It was all about complying with the rules – nothing else, you know?

Noticing that those who qualified pre-Enron all specified and identified a change, it was asked if they could recall what they felt spurred the change in audit that started to impact independence, all identified the Enron/Arthur Andersen scandal of 2001 and the impact it had on their ability to act independently. It is at this point the author noticed that the motive to be a professional and therefore independent auditor had shifted to a focus on independence in appearance rather than fact. This has been identified as a push to reclaim legitimacy which was also discussed in chapter two, where a push to rebuild the legitimacy of the profession was a way of stabilising the social contract the profession has with society. This change in focus of the auditing profession, from ongoing scandals in the early to mid-2000s and will be thoroughly explored in section B. This will be further discussed in the following chapter which will discuss these findings in detail. The next section will summarise the themes and discussion from section A of this chapter.

4.3.4 Summary of section A: The old profession

This section has discussed the first themes found during the analysis of the interviews conducted for this research. It has focused on the lived experiences of auditors in the pre-Enron group and their understanding of independence as a phenomenon. The next section, B "*The changing profession*" will focus on how the profession reacted to scandals involving the audit and accounting profession in the early to mid-2000s and how that change impacted auditors' motivation and ability to act independently *in-fact* and mind.

From this section, the researcher finds that having an identifiable purpose with an embedded duty that are salient will give auditors a sense of identity. Allowing auditors to make autonomous decisions to achieve their purpose will motivate both auditors as individuals and the wider profession to be independent. Overall, section A has contributed to understanding the lived experiences of auditors that joined the profession before 2001. It has provided insight into what they felt were important factors they motivated them to be independent. As advised, these findings will be discussed collectively in the following chapter and the research questions will be addressed in chapter six. However, the author has illustrated in Figure 4.4 below, the connection of the themes explored in this section to show the relationship they have with the participants lived experience and understanding of the purpose of auditing and the importance of independence. The following section B will explore the subordinate themes that indicate a new era for the pre-Enron auditors in this research, described as the changing profession.
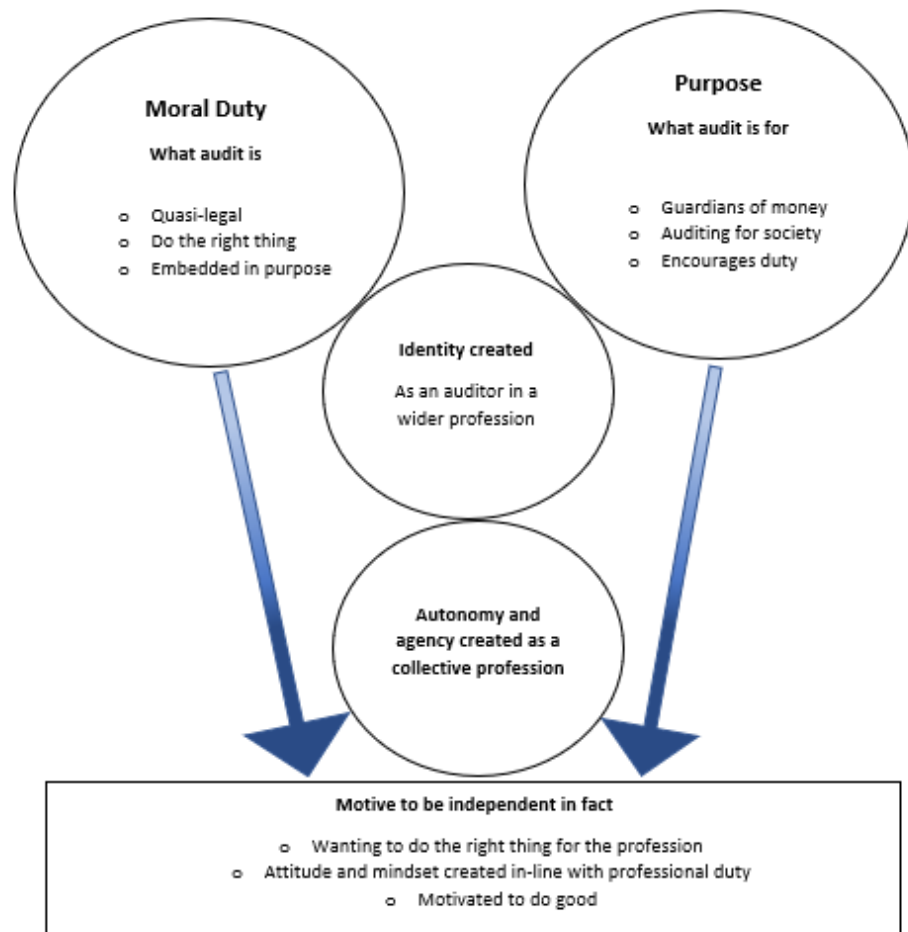
Figure 4. 4 The relationship between purpose, moral duty and motive for independence (section A superordinate theme connectivity summary).

Section B. The changing profession, "Out with the old, in with the new".

4.4 Section B introduction

The previous section, section A "The old profession" explored the lived experiences of what the author has called the pre-Enron group and presented the findings from the analysis of these interviews leading to four subordinate themes, 1. A role with a purpose, 2. Freedom of choice, autonomy and agency, 3. Identity and moral duty and, 4. Motive for independence.

Section B will continue with the narrative given by those who the author identified in the pre-Enron group, who, are the participants that had experience in audit before the Enron scandal as well as those who joined the profession within five years of the Arthur Andersen collapse. These participants identified an era of change in the profession, in the aftermath of the collapse, that shifted their experiences of audit and understandings. Alongside the pre-Enron group discussion from three auditors that joined the profession after 2001 will be explored in section B. AUDITP6, P8 and P14 joined the profession after the Enron-Arthur Andersen scandal but within five years of their collapse. These participants brought into their discussion, their experience of the changes the profession brought in as a result of the global push for an improved auditing profession due to the aftermath of the Arthur Andersen and Enron case.

The researcher found that participants who experienced the changes made to audit in the UK in the early 2000s highlighted how these changes played a significant role in the way their lived experiences of their understanding of the purpose of auditing and independence changed. Therefore, this section B aims to discuss the superordinate themes found in the analysis that illustrate this shift. The next section will summarise what has been found.

Findings in section B have been split across four superordinate themes: theme five: Reclaiming legitimacy to increase trust part 1, theme six: Verifying independence *in-appearance*, theme seven: Removing autonomy and human judgement and, theme eight: Standardisation of audit and independence. These superordinate themes were found to be significant in the discussions with participants in the pre-Enron group, plus the three mentioned above, in their narrative around their lived experiences of auditing, more specifically, what caused their understanding and experiences to change.

Below is a picture (Figure 4.5 – superordinate themes in section B – the changing profession) that shows how the researcher developed what the participants in this section said into superordinate themes used in section B.

Figure 4. 5 Superordinate themes developed from pre-Enron discussing the experience of change

This section's discussion surrounds the narrative from participants that note a significant shift in their lived experiences of the purpose of auditing in society and independence. participants who worked in audit before 2001 made explicit recalls of how their understanding of independence and experience in audit shifted due to changes made to the profession in the UK after the Enron-Arthur

Andersen scandal emerged. Section B pays particular attention to the lived experience of this shift and has split the narrative into four identified themes that summarise this. Firstly, the auditors in this section explain how the Enron scandal pushed a global need to reclaim the profession's lost legitimacy and regain trust from the public to stabilise the social contract auditing has with society. Further, participants describe how a push to verify independence saw their lived experiences change from independence being a philosophical embedded duty to a more risk-avoiding physical one. Participants who were working as auditors in the early 2000s all noted how verifying independence in appearance became the primary goal to enhance the profession's legitimacy.

Third, increased rules and over-simplified concepts have been felt by these participants as a removal of the autonomy once had which allowed their human judgement. Therefore, making the role of an auditor more procedural and automated has had a significant impact on the auditor's ability to be independent (*in-fact*). Lastly, participants note that increased standardisation of the audit function finalised this shift to a more procedural role and explain that this was when the values and purpose they felt they had (Section A discussion) started to be removed and therefore independence as a phenomenon, to them, changed.

The following section will discuss in more detail how the findings in the superordinate themes in Section B contribute to how we understand the purpose of the auditing profession as well as the importance of independence with the use of narrative from participants and links to current literature reviewed in chapter 2.
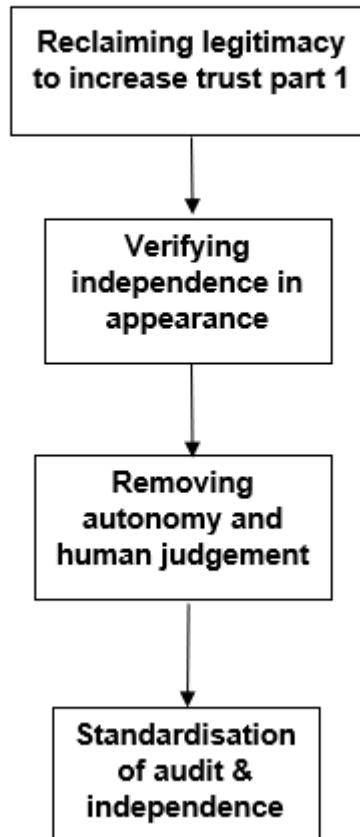
Figure 4. 6 The changing profession and themes

4.5 Theme five: Reclaiming legitimacy to increase trust - part 1

Section B focuses on the narratives given by participants who recall the early 2000s as a time in which the auditing profession made significant changes to the practice in the UK and note this was due to lost trust from ongoing scandals in the dot-com era.

As explored in chapter two, the years 2000-2004 are remembered as a time of significant financial scandals, which included a string of corporate collapses during the Dot.com crash and the infamous Arthur Andersen/Enron accounting scandal of 2001 (Taylor, 2003) (for a timeline of corporate scandals see Appendix A). Nearly two decades later, the influence of these corporate collapses can still be felt in the profession today and pushed for significant changes in UK corporate auditing practices. As reviewed in Chapter two, issues in auditing did not start in the millennium, but this specific period and the soon after Financial Crash of 2007/8 played a significant role in shaping the audit we know today (Sikka, 2009; Parker *et al*., 2008; Turley, 2008).

After identifying through the analysis (discussed in chapter three) that the early to mid-2000s was a time of change in Section A, the researcher wanted to understand how this impacted the participant perspectives on the social purpose of auditing and the importance of independence and if it changed their lived experience.

> Interviewer: do you think the Enron and Arthur Andersen scandal played a role in the way audit independence is today?
>
> AUDITP13: Yes of course! [laughs]. It wasn't just Enron though, there were a few – it was a big-time for the profession in the early 2000s and I think there was a huge push to change the way things had been.
>
> Interviewer: a push from who?
>
> AUDITP13: From everyone, us, regulators, the government… the media.
>
> Interviewer: why do you think that was?
>
> AUDITP13: Hm… well, people like to point the blame at someone… I'm not saying we were completely blameless but there was a lot of it being thrown around… lots of questions were being asked about what we

[auditors] were doing when all these companies were failing and, you know, they had to do something to stop that I guess.

AUDITP4 had a similar response:

Oh yeah, it definitely changed independence– I remember it well…it wasn't so much overnight, but it came about quite quickly. I mean, I worked for [firm] then, and I remember it was quite the topic of conversation at the time [laughs].

AUDITP4 continued: I think the whole thing, the thing around independence back then left a huge question mark around what they [auditors] did… like, it was 'well, if independence isn't there, what else is wrong?' and that, I think, was what they needed to prove… that actually, we are independent, this was a one-off but we will make sure it is better in future… and it did get quite challenging, partners and managers were relentlessly trying to show that we were doing everything right.

Other participants noted that during the early 2000s they remember their experience of independence changing. Answering the questions asked by the researcher about if their experience of independence had changed, participants AUDITP5, AUDITP7 and AUDITP16 said yes and discussed this further,

AUDITP5: I think my experience of it [independence] has changed a lot over the years but certainly when all the new standards and stuff came in in the early 2000s and then how it has been changed since… yes, I think it has changed a lot.

Interviewer: how?

AUDITP5: Hm… it's hard to pinpoint… let me… so I think, I think the essence of independence is still here, well for me it is [laughs] I think it has certainly become more measurable and focused on proving it, whereas maybe when I first started it was more of a holistic thing, you know? Yes, I'd say… it has changed from something that has been more assumed to more expected to prove if that makes sense.

Interviewer: yes, it does… can you explain why you think it has happened?

AUDITP5: I guess, well, there is a lot more public scrutiny of audit now, I think, thinking back to Enron, well certainly around that time there was a lot of changes made, especially around independence and going back to that idea of proving you were independent you know?

AUDITP7, who worked as an auditor for 20 years but now works in a Public Interest Entity, also discussed this change,

AUDITP7: I mean it changed quite a lot for me, it changed when I was in auditing, yes, but also it has changed since I left [firm] and moved to my position here.

Interviewer: can you tell me how it changed while you were at [firm]?

AUDITP7: so I had been at [firm] since the late eighties, so I saw a lot of change [laughs] but certainly the level of scrutiny the firms were getting brought a lot of change to the UK which, I mean a lot of the issues that were being brought up in the news were American you know, but it did make a big difference to what was expected from us in the UK… especially regarding independence in this case.

Asking why AUDITP7 continued:

Part of it was already happening but I think because other countries were making changes, we had to as well. I mean, if there are obvious issues, you have to fix them, and that's what the profession was doing.

AUDITP16 also noted changes were made to audit after Enron, citing,

After that, the whole profession shifted its focus to independence. I mean, it was important before, but I remember, after that, constant recommendations were being brought out about how to ensure independence and it has just increased ever since.

Continuing: …I think especially when people start to lose trust in a system, or a norm, the system needs to address this if it wants to continue being successful. In this case, auditing firms needed to change so they could be trusted again.

The author understood this as an indication of a clear attempt by the audit profession in the UK to reclaim the legitimacy they lost from damaged reputation due to numerous scandals in the early 2000s. As highlighted in section 2.7 and illustrated in appendix A and B it is interesting to see that participants in this research note this attempt to reclaim legitimacy from society as a significant moment that changed their perceptions of the purpose of auditing and their lived experiences and understanding of independence. Following on from them identifying this era as a time of change AUDITP18 commented,

> AUDITP18: Yes, there was a lot of change around then. I'd say in general the profession at the time probably welcomed a change, because, you know [laughs] with limits… people don't like a lot of change, that's just natural isn't it.

During the interviews with both the pre-Enron and post-Enron groups, the researcher found that after identifying this time as a critical point of change, it became apparent that a core focus of the profession was on increasing independence *in-appearance* This is noted by Beattie and Fearnley (2004) who explored the different mechanisms used by the UK audit profession to strengthen the appearance of auditor independence. As discussed in chapter three, the three eras of audit were found during the analysis, and one of the by-products of this changing era was an identified push to increase independence *in-appearance*. This was discussed by AUDITP3 who reflected:

> There was a lot more rules about what you could and couldn't do, especially in relation to independence and how it can be perceived by others – especially for the big four.

Both AUDITP4 and AUDITP7 noted the same push for independence, stating "*it became much more about what we had to do to be independent*" and "*it was really important to avert the risk that we'd look dependent on something*" respectively.

AUDITP14 no longer works as an auditor and moved to work as an audit engagement manager at a Public Interest Entity but qualified as an auditor around 2006, recalled how independence *in-appearance* and risk was a big focus,

There was a massive focus on independence and there were all these rules about it and when I started it was just after Enron – there was loads of stuff coming in at that point like rules and procedures that you just had to do even if it was useless, and it was obviously a response to a lot of things in the press during that time.

Interviewer: what kind of rules and procedures?

AUDITP14: There was a lot on judgement, and you had to show you had made the right judgement about what you were going to do, and then judgement on what you got from that, and you needed to document it and show it was independent [laughs] which it wasn't because you were just doing what you were told [laughs]. I mean, they scaled it back – it got more relaxed when people realised it wasn't a particularly effective way of going about it, but [laughs] the damage was done!

Interviewer: what damage did it do?

AUDITP14: Well, it just becomes – it's just making sure you can prove you tried your best to be independent, it's just a stamp of approval, isn't it? To show regulators 'well look we did this, this means we were independent', it becomes the only focus – you're just making sure you comply and I mean with regards to independence, it's just for show and to make sure you don't get a fine.

Those in the pre-Enron group and those that entered audit in the early 2000s discussed that the changes they identified created a push for independence in appearance, and both groups (pre and post) noted that it became increasingly important to verify that appearance of independence. The next superordinate theme, verifying independence in appearance, discusses this.

4.5.1 Theme six: Verifying independence *in-appearance*

Independence, as discussed in chapter 2 section 2.5 can be broken down into 1) Independence *in-fact* and 2) Independence *in-appearance*. That is, an auditor needs to be independent *in-fact* to act objectively, but there also needs to be the appearance of independence so that trust in the auditing profession can be achieved. Furthermore, for the audit profession to have legitimacy and therefore uphold the social contact they have with society, they need to be *seen*

as independent, and it is understandable that due to ongoing scandals in the early 2000s, a push to reclaim legitimacy meant a focus on demonstrating they were independence *in-appearance*.

As brought into discussion in the previous section this was further explained by participants who were in the pre-Enron group, but also some who came into the profession in the early to mid-2000s. AUDITP4 continued explaining how these changes brought on in the profession occurred:

> There was a big crack down on visible conflicts… or perceived visible ones… I think around 2003 or 4 there was a big shuffle in [firm] with partners and managers, so yeah, quite a lot happened to make sure we looked conflict free.

> Interviewer: Were people happy about this?

> AUDITP4: I mean, I think in general the consensus was you know, we had to do it… but it did make things a bit more difficult.

> Interviewer: what did it make more difficult?

> AUDITP4: well, you need to have a rapport with the organisation you are auditing, don't you? Audit is complex, you can't just waltz in and [laughs] do an audit… although that's pretty much what is expected now.

> Interviewer: did it improve independence?

> AUDITP4: Well, yes and no… it certainly increased independence in terms of being able to see it… new people on the team, new partner managing a client and so the audit is more independence, you know? But I think increasing independence is not the same as improving independence.

> Interviewer: are they not the same?

> AUDITP4: No, I don't think… no, they're not… I guess, increasing the way people can see it is being done is good, because then you can see that the firm or whoever isn't in a conflict with the company, but that doesn't improve independence… making auditors prove they were physically independent isn't going to improve independence – maybe for some, but really, they shouldn't be showing anything that they didn't

already do… I think it comes down to what we talk about before, like buying into the purpose of what you are doing…being independent is a mindset like I said… I think all this did was take the pressure off to have that mindset.

Interviewer: So, did the changes do that?

AUDITP4: I don't think it improved independence, I think it increased showing that people were doing what they should be doing. That's what changed.

AUDITP7 continued from their point about averting risk:

Interviewer: what did you mean by averting risk?

AUDITP7: Well, there was a lot of scrutiny, and you wanted to avoid being thrown under the bus! So, it was important to prove you avoided that risk altogether.

Interviewer: did this change independence for you?

AUDITP7: Erm… no… but it did mean a lot more work was needed to be done to prove that there was independence like demonstrating you didn't have any conflicts and that became really important.

As noted in section 2.5.3 auditor mindset cannot be observed, and so when issues arise where independence has been broken, regulators will focus on reinforcing controls that mostly look at independence in appearance (Church, Jenkins and Stanley, 2018). These findings support this, and in the early to mid-2000s the introduction of new regulation and international standards created an environment where independence *in-appearance* was a focus (Appendix A). However, it is clear through the conversations with participants, that the focus was shifted to comply with the new expectations that to avoid risk you had to prove independence *in-appearance*. That is, although the fundamental principle of these changes was to encourage auditors and the wider profession to be more independent both in appearance and in mind, what happened was the creation of risk and blame avoidance (further discussed in section C). Furthermore, the introduction to a more harmonised standardisation of audit, started to erode auditors' agency and their ability to make autonomous decisions. This idea is not new, but these findings suggest that a push to

reclaim lost legitimacy has been taken to an extreme by the profession and its regulators. As Power (1994, p.19) states,

> *even with strong guarantees of independence, system-based audits can easily become a kind of ritual, concerned with process rather than substance, and governed by a 'compliance mentality' which draws organisations away from their primary purpose.*

This idea around focus on the process has been identified as a factor impacting the participants experience in auditing and understanding of the purpose of auditing and independence in this research. AUDITP3 reflected on how they saw a change to the profession after Enron and the introduction of international standards and commented on the impact this had on his feelings towards the purpose of auditing and independence.

> AUDITP3: I'm no longer a member of [professional body] because I became increasingly – and I'm a [body] qualified auditor – but I became increasingly uncomfortable that [body] were following the line of 'we have to comply with international financial reporting standards' and one of the consequences of that is the accounts become more and more complicated, to the point that the auditors – *I* can hardly understand them! The managers certainly didn't understand them, and I don't think the public do either and that's – they're the primary audience.

> Interviewer: did that impact independence?

> AUDITP3: Well, yes, of course… as soon as you're asked to comply with this and that, the whole thing turns into a procedure of proving you've complied. So, what I'm saying is that it reduces the likelihood of you actually using your brain [laughs]… it gets to the point when you're just proving you did something and not actually doing it… or at least, not doing it for the right reasons… which is to make judgement independently…

AUDITP7 had a similar opinion regarding the introduction of international standards and the impact they had on the purpose of auditing and being independent, explaining,

I don't understand why [body] felt the need to slavishly – I mean I do understand, but I don't agree with how much it became about abiding by these rules and just completely submitting to regulation when they knew it wouldn't work in the long run.

Interviewer: what wouldn't work?

AUDITP7: Well, it just shifted the whole purpose of audit, didn't it? You just comply for the sake of complying and avoiding any issues from [body] or regulators.

Asking if they felt that the standards that came in in the mid-2000s impacted auditor's ability to be independent, AUDITP18 said,

Yes. [*how so?]* well it became about complying with them, and they are – it's a lot to understand and they're complex, you know they say they aren't rules but they are and people read them as that – I mean even [body] teaches them as that, but they are rules at the end of the day and it creates a wall around what you can do freely and independently- you're less likely to be as sceptical.

AUDITP4 said,

I mean it's changed more now even since then [2000s] when they came in it was a lot more about 'oh you must do this' and then I know at [firm] and others, audit manuals were created… But I think there is a big issue now, both in terms of ethical standards of behaviour and being independent you know, having that mindset, they're expected to follow them, but really people just pay lip-service to them.

AUDITP16 reflected that the way in which [external] auditors communicated changed, explaining "*they asked less questions, their focus was on the standards and making sure they could show they were complied with you know?*".

It is clear from the above discussion that this change in standards to reclaim the profession's legitimacy and improve their reputation created a situation in which the focus or purpose of audit shifted and hindered independence. As discussed in section A, having a purpose was an important aspect that encourages auditors to be independent, participants in the pre-Enron group explained how

this encouraged a 'buy-in' to the value of audit and importance of having an independent mindset. This purpose is seen here to move to a more compliant role where averting risk by demonstrating a procedure has been followed becomes the objective. A superordinate theme that came through in the analysis was that increased standards removed the autonomy of the auditor, and through this their ability to make independent judgements and unbiased opinions was instead moved to verifying they complied with the new standards. This removal of autonomy and human judgement will be discussed in the next section.

4.5.2 Theme seven: Removing autonomy and human judgement

One of the superordinate themes that came through in the analysis was from the narrative around increased standardisation and its impact on independence. More specifically, participants noted that a move to increase independence *in-appearance* also meant that there was a removal of the human judgement element in auditing. The following section uses narratives from participants who explain how their ability to make autonomous decisions and therefore independent judgements changed due to the increase in standard requirements in the UK. The following suggests that those in the audit profession who have witnessed this increase in standardisation found that it had an undesirable impact on individual auditors' ability to be independent *in-fact* and exercise independent and professional judgement.

> Interviewer: with regards to what you said about the changes made to audit, did it do anything to independence?
>
> AUDITP3: Yes, it did, so what I said before about – you know when you make decision, it's personal… there is a personal element of it and that professional judgement will be personal right? And you need to be able to make judgements independently – now in my opinion [laughs] when they brought in the international standards and stuff it became more about making sure you did what they said so that personal element isn't there anymore.
>
> Interviewer: is that a good or bad thing?
>
> AUDITP3: well, I mean you'd assume, well, now everyone is doing the same thing – so there you have more consistency across the profession,

which is good I mean that is important… but for example the new lot, you know they're being asked to think outside the box but they have never seen what the outside of the box looks like! [laughs] so they are completely limited in what they can do, and what decisions they can make and you probably get a lot of cases where they might see something wrong but can't do anything about it because, I don't know…it might not come under one of the standards, or even worse, they don't even think it is wrong because they just have been taught the standards and that's it!

Interviewer: so, following the standard is not a good thing?

AUDITP3: No, what I mean is, you can't *just* follow the standard… it shouldn't be used as a be all and end all… but they're so long and you have to do so much now that realistically, that's all you will do. So like I said, that personal element, that thinking outside the box about something, won't happen… it becomes robotic.

AUDITP7 had a similar opinion regarding the restrictions that can lead from standards.

Hmm… well it wasn't a free-for-all before they came in, but you definitely had more ability to use discretion… I think for me, it put a huge amount of pressure on us at [firm] and I'm sure everywhere else that we had to demonstrate we did all these things like tests and procedures to show we were doing a good job.

Interviewer: did that impact independence?

AUDITP7: somewhat yes, I mean in terms of decision-making it kind of told you what you should be looking at and that was that, and there was so much information that you just would make sure you complied the best you could – it definitely removed some of the – like professional judgement… it was and it definitely focuses on proving that a certain amount of judgement has happened and showing that you did enough. So, I mean it kind of took away the choices we had before to make decisions and it was more about 'oh we did this in line with the standards' does that make sense?

Interviewer: could you explain it a little more?

AUDITP7: Sure, so I mean in terms of independence, I'm talking about thinking independently here, so in terms of independence they removed some of that judgement or at least explained what you should make judgements on. And then they helped you make that judgement – so it gave you more instruction on what to do, so you had less 'independent' [made air quotes] choices… it tells you what needs to be done and you do it basically [laughs]

AUDITP6 who joined the profession in 2001 and qualified around 2004 mentioned that they "*haven't really known any different, but obviously there has been changes made to them [standards] and I think it can be quite restricting".* After this the researcher asked how,

I mean, okay so if you look at what happened with Carillion and people will think well how could they [the auditors] possibly not know that that was going to happen and go wrong but, in my experience, in contracting, the rules around contracts are just not – like *anything* can happen in contracting! But the standards will tell you what to do and you have to do it and then something might change a month later. You *have* to follow the process and that process gets you facts and that's what you base your opinion on.

Interviewer: what make it restricting?

AUDITP6: well, you know, at the time it may be that you notice something but the rules suggest that you should do something else instead or that if it isn't material or whatever, so it, they do restrict what you can do and that might have been the case with Carillion, you know. And you can't blame the auditor for that.

Interviewer: does that impact independence?

No…well yeah, I guess… yes. There is an element of control there with regards to what you can decide to do with that piece of information you have at the time. So, I mean, hm… let me think how to explain this [sure]… So [laughs] sorry, I feel like I have backed myself into a corner here [laughs] there is control over what you can do with the information

you get, so I guess that it does impact independence in the sense that you have to do what they suggest you do.

AUDITP18 made explicit connection to increased standards and removal of autonomy, stating,

Well, it became all about complying with the standards – you know? And there was no room for you to do anything but that… they aren't standards are they, standards suggest that they're loosely used in practice, like if you look at a doctor, they don't follow the standards to the letter for each patient because that would be impossible! But auditing and accounting – no, these are rules… they're being used as rules.

Interviewer: what do you mean?

AUDITP18: exactly that, there is a rule and you just have to show you have complied with it. It removes any ability to think on your feet in complex situations… like I said, with doctors, they wouldn't be able to comply all the time – they have to think on their feet, it's the same in auditing – the rules don't expect everything but you're expected to comply regardless, it can sometimes be ridiculous.

As discussed in Chapter two, there is no doubt that for audit to work, there needs to be a degree of control or standardisation. As a profession, individual auditors reach Chartered status through developing the expert knowledge they need to make decisions and reach an opinion on the state of the financial soundness of the entity being audited. Therefore, auditors need to reach a standard or certified competency to make professional, unbiased and independent judgements (Lindburg, 2007). This is in part what makes them a profession and plays a powerful role in creating a reputation that is trusted (Lindburg, 2007). However, as discussed by participants in this research, these standards have harnessed autonomous decisions and independent thinking.

Auditor judgement is crucial and needs to be reached independently, and since independence in-fact is a state of mind, an auditor needs to be able to reach an opinion autonomously, that is, through a degree of freedom or without external influence (Flint, 1988; Dunn, 1996; Lindburg, 2007). As discussed in Part A of this chapter, having an overarching standard of professionalism or an

embedded duty throughout the profession encourages auditors to make independent decisions to reach sound judgements through providing a professional identity they can feel passionate about. However, this research finds that increased standardisation can remove an auditor's autonomy and their ability to make independent judgements and can instead lead to a culture of compliance. This links to the next superordinate theme: standardisation of audit and independence. Here the researcher starts to demonstrate the difference between the pre- and post-Enron group further by bringing in more newly qualified auditor perspectives. Drawing on what those in the pre-Enron group have described so far about how audit has changed and connecting what the post-Enron group discuss in section C, the next superordinate theme will look draw aims to draw a bridge in these findings.

4.5.3 Theme eight: Standardisation of audit and independence

Section B has so far explored the narratives of participants in this research focusing on their perceptions of changes made to the profession and how that has impacted their lived experiences of the social purpose of auditing and independence as a phenomenon. The researcher has found that due to scandals occurring in the early 2000s increased scrutiny and loss of professional legitimacy changed the lived experiences of the auditing role and independence as a phenomenon for those who are in the pre-Enron group. Furthermore, through bringing in narrative from participants who joined the profession in the early 2000s, the researcher has found that reclaiming legitimacy caused a shift for auditors to focus on demonstrating independence in appearance, rather than independence *in-fact* or in mind. These findings further suggest that whilst auditors need guidance of good practice and standards of professionalism, a push for harmonisation with international standards has eroded auditor ability to make autonomous decisions and express independently constructed judgements, instead, a push for compliance with standards has occurred. The author found that standardisation was a core theme that arose from the narratives of participants, noting that it was something many of them reflecting on when thinking about new challenges to the auditing profession.

This can be seen in the following comment by AUDITP13, who has worked in audit for nearly three decades at the time of interviewing, they explained that

although some standards were needed, the adjustments needed to keep up with changes was a challenge,

> AUDITP13: We obviously need standards, not just for behaviour but for the actual role of auditing so we have consistency across the board, but they change and develop and that's challenging to keep on top of.

> Continuing: We have a whole team now that deals with these changes, training, CPD for our staff, it's constant and I guess it can become a bit much.

AUDITP1 and AUDITP2 who both left the profession to pursue careers in education noted that it had been challenging to keep up and embed changes in the curriculum.

> AUDITP2: I think auditing standards need constant change to reflect the current circumstances but from an educational point it is a challenge to keep on top in this, and I can only imagine for the colleges who teach them at professional level, it must be challenging to teach them everything.

> Continuing: What I think is a worry, is the shift in the way these auditors use the standards and guidance, they're so long and technical that they will just use and read them as rules, which is not what they're intended for, you know? [*what do you mean?*] well, there is a risk that they are used as a tick box exercise, rather than guidance to think critically.

Similarly, AUDITP6 and AUDITP8 who are part of the post-Enron group explained that standards in auditing and reporting were becoming increasingly unmanageable, specifically, AUDITP6 noted,

> It's not just the IASs but all the others, the reporting standards, accounting standards, then there's the laws, corporate governance, ethics, codes of conducts [laughs] and you know, we're expected to be the experts that know them all [laughs].

> AUDITP8: I think for me, what I've noticed since moving into a more senior role is the restrictiveness of them, I tend to spend more time on making sure I can do something than making sure I am auditing well, well not so much well but you know, it takes up a huge about of time.

As discussed in chapter two, standards, whether for behaviour or practice are expected rules that are voluntary to use, this distinguishes them from both directives and norms (Brunsson & Jacobsson, 2002). Considering what has been discussed in section A and B, specifically with regards to research question 1, the author has found that increased standardisation has caused the auditing profession to lose sight of its purpose, specifically with regards to its role in society. As discussed by participants above, and supported by Ponnert and Svensson (2016), increases in the use and number of standards have been observed across the field of accounting and auditing. For Auditors, these standards should give guidance on the quality expected from them performing an audit and achieving reasonable assurance. However, as noted by the participants in this theme, they can be extremely restrictive. This is interesting when we consider what Brunsson and Jacobsson (2002) discussed, which is that standards mostly focus on the procedure and presentation of the work being standardised and not on the production or effect of the standards being used. There is an assumption from those who create the standards, a desirable outcome will be met, considering these findings, the auditors who were interviewed tend to find them an obstacle to a desirable outcome.

Another aspect of standardisation of auditors as discussed in chapter two, is that they are held to a standard of professionalism. These standards refer to those with expertise, skill and qualifications and therefore a set of standards expected for a certain professional or for auditors, chartered status must be reached to be able to call themselves a qualified auditor (Brunsson and Jacobsson, 2002). Here the author found how professional standardisation can actually impact the identity of an auditor. Specifically, through conversations with the participants in the post-Enron group, the author noted that the standardisation of an auditor's qualification is not that different to that of a chartered accountant. In fact, the qualification auditors receive at the end of their three-year training programme (for example, ACA qualifications in the UK) is the same as a financial accountant, the only thing differing them is the hours they have been on an audit engagement. The effect of this became apparent when speaking to newly qualified auditors. This is a fairly new addition to the profession, coming into the qualification status after the Companies Act 2006.

Interviewer: Can you tell me how you got to be where you are now?

AUDITP20: yeah, so I've actually just qualified as an accountant! [*oh congratulations*] yes, thanks – so I passed all my exams now, so I'm happy.

Interviewer: So, are you not an auditor?

AUDITP20: well, I work in audit yes... But you have to get your qualification first... and then [firm] will apply for my Audit Qualification and that's through my work hours on an audit.

ICAEW (2018) states that to apply for the Audit Qualification you must be a member of their professional body and have gained sufficient work experience (three years general training) with an ICAEW authorised training firm and a minimum of 240 days appropriate audit experience with at least 120 days on a statutory audit[26]. Although this is something the pre-Enron group did not have to do, it is of interest why many of them identify as auditors and the post-Enron group identify as accountants. Despite this extra measure to become a professional auditor, the newer auditors interviewed for this research identified less with the role and profession than those in the pre-Enron group.

Although having professional standards to ensure a certain level of competency is important for professionals, this lack of distinguishing standard from one profession to another may lead to a diminishing identity and purpose, which in section A of this chapter was found to be an important factor in encouraging individual auditors to buy into the social purpose of auditing and by more motivated to act with an independent mind.

Interviewer: So, if you were to tell someone about what you do for work or for your career, what would you say to them?

AUDITP20: probably that I worked for [FIRM]

Interviewer: and what about if they asked what you did at [firm]?

---

[26] as defined by the Companies Act 2006.

> AUDITP20: erm… that I worked in accounting I guess that I was an accountant… I might say I'm a qualified accountant at [firm] but would probably just say I work at [firm] to be honest.

AUDITP20 was not alone in this identity difference, all the participants who worked or had worked in audit and qualified post-Enron did not identify as an auditor, but as either an employee for a firm or an accountant. The researcher believes that this push for a more standardised profession with the aim of reclaiming lost legitimacy has consequently eroded the auditor's professional identity and alignment with the wider social purpose of auditing, which in turn has reduced the motive to be independent *in-fact*. In the next section (C), this will be explored and will specifically be focusing on the reality of the 'obedient auditor', a term used by participant AUDITP3 and AUDITP7 in describing the current profession's demographic. The following section will provide a summary of Section B of this chapter.

4.6 Summary of section B: The changing profession

This section, following on from the previous, has identified that a push to reclaim lost legitimacy from the audit profession has resulted in a new standardised role. Specifically, both pre- and post-Enron participants identified the early 2000s as a changing time for the audit profession in the UK. After on-going corporate and accounting scandals, namely Enron's collapse and the involvement of the then Big Five auditor Arthur Andersen, there was global outrage at the audit profession. This threated the credibility of audit and saw a push to regain trust and reclaim lost legitimacy which became a focus for the profession in the UK. The participants in section B expressed they felt a shift in the profession to focus on increasing independence in-appearance, through increased use of standards and standardisation. Participants describe this change as actively removing their autonomy and ability to make judgements and decisions.

The following section will discuss the next era discussed by participants in this research, the new profession. Section C includes narratives from all participants to explore the different in lived experiences between the pre- and post-Enron groups. Specifically, what follows is the presentation of narratives that made up five subordinate themes, 1. Reclaiming legitimacy part b, 2. Blame avoidance, 3. The creation of obedient auditors, 4. Purpose and identity of the modern-day

auditor, and 5. Unmotivated to be independent in-fact. As with section A, the following figure illustrates the relationship between the themes explored in section B (figure 4.7)
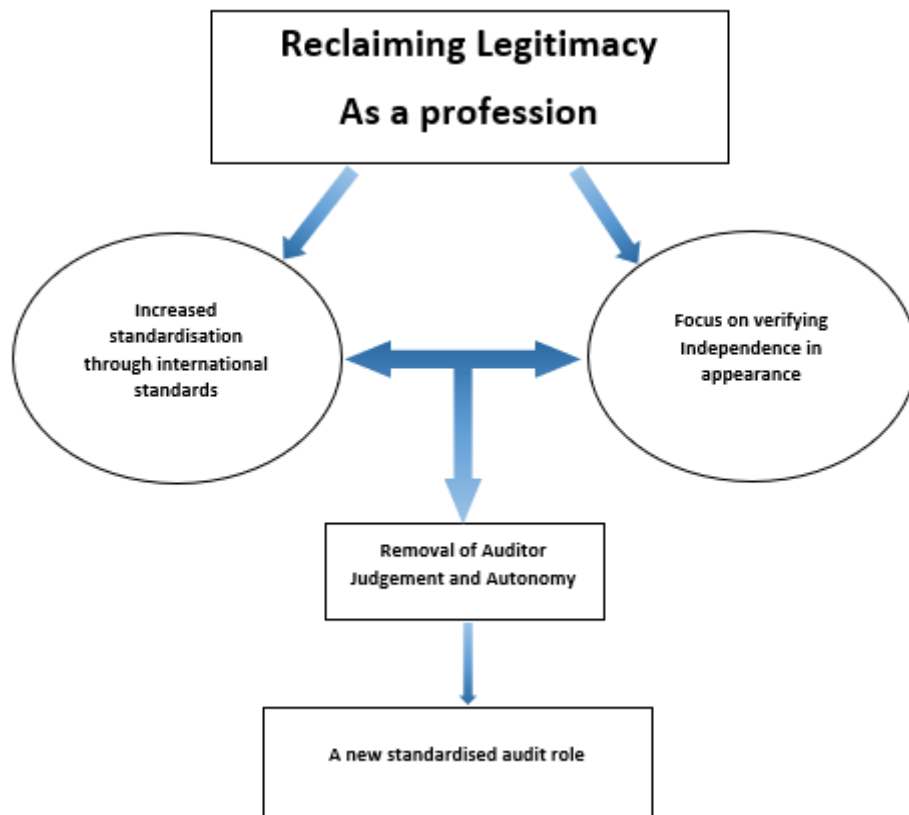
Figure 4. 7 The relationship between and impact of reclaiming legitimacy, verifying independence in-appearance, and standardisation (Section B superordinate theme connectivity summary).

Section C. The new audit profession "They've created an army of obedient auditors".

4.7 Introduction

So far in this chapter, section A has focused on the core themes found in the analysis on the lived experiences from the pre-Enron group, noting that this group felt a strong identity and duty to the social purpose of the auditing profession. This in turn was described as a motivating factor to remain professional and encouraged independence *in-fact,* however, participants in the pre-Enron group explained that autonomy to make independent decisions and to do the right thing, was an important factor that allowed this. Following section A, the author then discusses the four core themes that described an era of change in the profession from the one described in section A. Specifically, the themes explored in section B notes that the aftermath of ongoing scandals that risked the reputation and legitimacy of the auditing profession, saw a shift in the purpose of auditing, and a push for reclaiming the legitimacy lost. This was described as a push for verifying independence *in-appearance* which coincided with an increase in standardisation in the profession, removing the autonomy and motive expressed as important to the role of an auditor in section A.

This section, Section C will focus on the narrative given by those who are identified as the post-Enron group and draw comparisons with the narrative from the pre-Enron. In the table below, the post-Enron group are in bold. As discussed in chapter 3, the researcher found significant differences in the lived experiences of participants in this group regarding the social purpose of auditing and the phenomenon and importance of independence.

Identification code	Current industry	Past industry	Current role	Years' experience in audit role
AUDITP1	Education	Big 4 firm	Academic	10+
AUDITP2	Education	Big 4 firm	Academic	10+
AUDITP3	Public Sector	Public Sector	Deputy CFO	34
AUDITP4	Mid-tier firm	Public Sector	Partner	26
AUDITP5	Small Firm	Small firm	Director	25

AUDITP6	**Big 4 firm**	**Big 4 firm**	**Audit manager**	**17**
AUDITP7	PIE	Big 4 firm	Director	20
AUDITP8	**Small firm**	**Small firm**	**Audit manager**	**9**
AUDITP9	PIE	Big 4 audit	Manager	15
AUDITP10	**Big 4 firm**	**Big 4 firm**	**Auditor**	**6**
AUDITP11	**Mid-tier firm**	**Mid-tier firm**	**Junior auditor**	**3**
AUDITP12	PIE	Big 4 firm	Manager	7
AUDITP13	Big 4 firm	Big 4 firm	Partner	27
AUDITP14	**PIE**	**Big 4 firm**	**Manager**	**8**
AUDITP15	**Mid-tier firm**	**Mid-tier firm**	**Junior auditor**	**3**
AUDITP16	Third sector	Big 4 firm	Manager	21
AUDITP17	Third sector	Mid-tier firm	Manager	16
AUDITP18	PIE	Mid-tier firm	Director	28
AUDITP19	**Big 4 firm**	**Big 4 firm**	**Forensics**	**>10**
AUDITP20	**Big 4 firm**	**Big 4 firm**	**Auditor**	**5**

Table 4. 3 Participant's narratives used in section C; post-Enron group highlighted in Bold.

The following image (Figure 4.8) shows the superordinate themes found during the analysis that demonstrated the difference in lived experiences from those in the post-Enron group. This section will be split into five superordinate themes: theme nine: Reclaiming legitimacy part 2, theme ten: Blame avoidance, theme eleven: The creation of obedient auditors and a complicit profession, theme twelve: Purpose and identity of the modern-day auditor and, theme thirteen: Unmotivated to be in independent *in-fact*.

Figure 4. 8 Superordinate themes developed from the post-Enron participants narrative

This section presents the narratives of participants that entered the auditing profession and qualified as an auditor after 2001 (post-Enron). Although they have commonalities in their lived experiences of independence and understanding of the purpose of audit with each other, this significantly differs to the lived experience of those in the pre-Enron group. The researcher found through the narratives of post-Enron participants, that the audit profession in the UK has continued its attempt to reclaim legitimacy and it is a significant lived experience by this group. Notably, this has led to a narrative of blame avoidance and passing as well as a sense of overconfidence in the profession's role. The following figure 4.9 shows the connections between themes that will be explored in this section. Theme nine "reclaiming legitimacy to increase trust part B" will be discussed next.
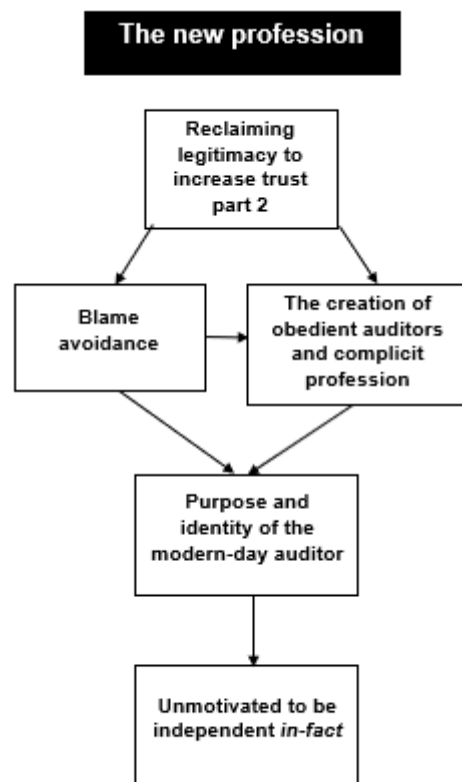
Figure 4. 9 The New Profession and themes

4.8 Theme nine: Reclaiming legitimacy to increase trust part 2

As discussed in section B, it was widely agreed by the participants that the early 2000s saw a change in the profession and a push to rebuild trust and reclaim lost legitimacy to strengthen to social contract the profession has with society. The researcher found that this was discussed not only by the pre-Enron group identified but also by the post-Enron group. Notably, the post-Enron group seemed to air an attitude that they were being used as *"target practice for the regulators and the press"* (AUDITP6) or that they are *"used to it [scrutiny] by now and [we] just expect the blame for everything [laughs]"* (AUDITP10).

AUDITP3 and AUDITP7 who both no longer work in audit but noted they left the audit profession due to changes made to both the profession as a whole and their roles individually, explained how these transpired.

Interviewer: so, you mentioned earlier you left audit after things 'changed' can you tell me more about that?

AUDITP3: Sure, so I left around 2014 because [redacted for identity purposes] but before that even happened, I had handed my notice in because I wasn't doing the job – you know the job I did wasn't the same because of what we talked about… [*the changes made in 2000s?*] yes, so the international standards and the restrictions that brought. And it became a constant uphill battle to defend ourselves and it was more about – well certainly from the top – it was all about defending ourselves against any blame… for anything! It was just constantly 'we follow this standard so they can't say we did it wrong' or 'well the standard said this so its correct' and it wasn't about doing a good, thorough audit [laughs] it was about avoiding being prosecuted by regulators. And then you're basically trying – it was like a battle for righteousness – but not for the right reasons or in the right way.

Interviewer: So, is that why you left [firm]?

AUDITP3: yes, but then I did go for a job at [other firm] but [laughs] I then realised the whole profession was fucked [laughs] sorry! But it is true… the whole audit system was fucked from then on out! And I mean, look at what has happened with Carillion! KPMG sitting there saying *"well we did what the standards told us to do"* [mocking tone] … Well, no! you have a bloody brain and should have used your initiative instead of pissing around and

bowing down to management!... So, I left and that's when I moved to [redacted] and for a while I was doubting I did the right thing but now I have no doubt left… it is a shame though.

AUDITP7 had a similar attitude regarding the changes that came into the UK audit profession in the early 2000s. Asking them to recall how these changes impacted them, they said,

It just became less about holding companies accountable and more about avoiding being thrown under a bus. If you followed the rules and stayed inside the tracks, you couldn't be held liable for anything that went wrong in the future.

Interviewer: did that change the role?

AUDITP7: Yes, I mean even on a more granular day-to-day level it did – it became extremely tedious. Like I said before, you know you do need to follow a process, you need consistency… but there is consistency that adds value and there is consistency that holds none and a lot of the processes are the latter. [*what do you mean?]* erm…well it was just doing stuff like you would follow a procedure for all of the companies you audited but it wasn't needed for all of them, but you did it for the sheer motive to avoid any liability if something bad happened. It just became all about dodging bullets and doing stuff for the sake of looking like you did it not for any actual benefit.

Interviewer: did this add to you wanting to leave the profession?

AUDITP7: [laughs] I think if I'm going to think about it now, then yes. At the time it was because of added pressure on us [auditors] … but yes, those added pressures were a by-product of this.

It wasn't just the pre-Enron group that identified a push to reclaim legitimacy was a focus for the profession. Post-Enron qualified auditors had similar opinions and AUDITP8 noted that there was a lot of pressure for them to "*stay out of the limelight".*

AUDITP8: You know, we are constantly being blamed for corporate failures and when something happens, they [Regulators] just fine us… which, in my opinion, is their way of staying out of trouble [laughs]. But you know, it is

always – we're constantly trying to prove our necessity and ensure that it looks like we have done a good job…

Interviewer: what do you mean 'looks' like you have done a good job?

AUDITP8: So, showing we have complied with what the standards say and that we don't have conflicts of interest and things. But I mean linking back to independence – you can't expect us to be experts and to be independent, it doesn't work! how can we be experts when we are literally being asked to be almost blind to our clients?

Here what is of interest is the idea that compliance with the standards shows a professional standard of work, similar to the literature discussed in chapter two, around the concept of independence *in-appearance*, the compliance with the standards has become the focus for auditors. This is similar to what is discussed in chapter two section 2.4 in which the literature reviewed suggested that for standards to work, auditors need to buy into the underpinned purpose of them, otherwise there is a risk they may pay lip service to them (Power, 1995). This also reflects what AUDITP4 and AUDITP16 suggested in section B, theme 6, that an increase in standardisation pushes auditors to go by the letter of the standards and not the spirit. These findings suggest that overtime, this push for reclaiming legitimacy through increased standardisation has created a professional culture that focuses more on compliance. This is supported by literature reviewed in chapter two, where DiMaggio and Powell (1983) suggested that when professional organisations increase their standardisation, the focus for professionals (auditors) will move towards a compliance focus and may cause shifts from the original purpose of the profession. Similarly discussed by Timmermans and Epstein (2010) this can cause the whole profession's intentions to shift, and often does not lead to positive outcomes. One of these outcomes that the author found to be a core theme in the interviews what this idea of using compliance with standards as a defence mechanism and that specifically in the post-Enron group, there was an embedded use of blame avoidance if standards had been complied with. This theme (theme ten) will be discussed next.

4.8.1 Theme ten: Blame avoidance

As discussed, one of the consequences of this push from the profession to reclaim legitimacy and rebuild its reputation has been the creation of a blame-avoiding culture within the profession. Specifically, in conversations had with the post-Enron group there was an attitude with regards to their legitimacy and independence that they (auditors) were the ones under attack and despite ongoing auditing failures, there was agreement among the post-Enron group that scrutiny of the profession today was not justified.

Asking if they felt the profession was acting independently today, AUDITP10 laughed and said:

> Well, yes… I mean, I am! I like to think that I act independently, obviously I can't speak for everyone at [firm] but a lot of the things that have come out in the news…like Carillion is an obvious example now, but I don't think anyone did anything wrong.

> Interviewer: what about the profession as a whole?

> AUDITP10: I think they try to be independent [laughs] but again, I can't speak for other firms but I mean, there are clearly issues like if we look at what happened at PWC and BHS, whether that is an independence issue or not, I don't know… but they've been in the news a lot recently and obviously they have stuff… stuff to *improve* [laughs]… but honestly, I think it is just a way of pointing blame at something. I don't think – they don't have a clue what audit is!

This idea that the media attention around ongoing corporate and accounting scandals was just a way to pass on blame was reiterated by AUDITP14, who qualified with a Big 4 firm and since moved to a FTSE 250 company to be part of their audit engagement team. Asking them if they felt the profession was acting independently, they said,

> Erm… I think… okay so when I was at [firm] we were definitely doing all we could to be independent, there is a lot of rules around not having interests or relationships so you really have to show you're independent and I do think firms now have to do a lot to cover their own backs…but I also think a lot of it is a waste of time and it really is to… a lot of auditors get blamed now

because these [parliament] committees just want to be seen as having importance.

Interviewer: okay, so generally they're acting independently?

AUDITP14: yes, I think so… I think auditors are being used as an excuse a lot of the time.

AUDITP19 made explicit link to the expectation-gap saying:

I think…hmm… there's a number of different things that impact this, but I definitely think that there is a public perception of it which I think is completely different to what is actually expected by, say, the regulators or by the firms themselves. I think, you know, we [auditors] are only human! And a lot of people just like to point the finger, don't they?

AUDITP13, who was in their final months of training said:

Yes, I do think they're acting independently, I think it's the public… so if you think – if you look at the news which is blaming audit, they keep saying its independence or, well asking questions like "*what were they [auditors] doing?*" I think the public in general would see us as being the person who will sign off '*a clean bill of health*' I think is the recent phrase, on a company and it's never been that!

This was similar to what AUDITP8 suggested,

You know, it's very difficult for an auditor to identify certain things, if the client just outright lies to you or just omits to mention important events that have happened, there's very little you can do if they choose not to disclose it. You know, we can only do so much, and honestly, we are relying on the client for information.

Another aspect of blame avoidance that came up was this idea of conflict between firms. Something that was discussed earlier in section A, was identity, and notably, AUDITP4 suggested theirs had shifted from one of a wider profession to a more firm-level identity. Recalling this point, and discussing if the profession in general is independent, they said,

I can only speak for [firm], I know we have a huge emphasis on this. You know, when I came into [firm] and was made partner it was something I was

very passionate about… With regards to the rest of the profession, I couldn't say [laughs] I would hope so but you know, I am assuming you're quite up-to-date with some of the recent cases in the news involving [firm] etcetera *[yes]* well, [laughs] it is difficult to say if there are [independent], or at least, it is increasingly becoming harder to support them in this sort of discussion [laughs].

AUDITP6 also had a similar outlook of the profession,

Well, like I said before, I think they try and I do think the profession is scrutinised a lot more than necessary but you know, I… we joke here about other firms, you know [laughs] when we take an audit from a smaller firm and you look at the work they did and it raises questions about their independence, like they do clearly help with account preparation and it's clear they had a huge reliance on them [client]… but also, yes we also read the news and yes we want to increase our own revenue so there is some satisfaction [laughs] when say [firm] or [firm] gets caught out on something [laughs]

Interviewer: So, do you think there is a difference across the profession?

AUDITP6: I think it's a given [laughs] yes.

This idea of firm-conflict was also emphasized by AUDITP10 who explained that the reason they worked for the Big 4 firm they were employed, was because they saw that firm as *"better than the rest"* and that *"they have a better reputation than the rest I think"* referring the other Big 3.

Blame avoidance, whether through denial of scrutiny or blaming other firms for causing scrutiny of the wider profession is similarly discussed by Guénin-Paracini and Gendron (2009). As discussed in section 2.7 chapter two, they found that when corporate collapse happens, and the auditors are scrutinised, techniques are used to push the wrongdoer out of the profession. Specifically, their paper looked at the scapegoating of Arthur Andersen, but in this analysis, the author has found that similar techniques are used in the profession today. As participants in this sub-theme have discussed, blame tends to be distributed to the firm or individuals involved in a corporate scandal, and rarely do the

participants in this section consider the wider profession's responsibility, nor their own firms.

Another theme that the author found came from the push to reclaim legitimacy was this idea of a new obedient auditor and complicit profession.

Continuing from their discussion of changes to the auditing profession, AUDITP3 noted that one of the consequences of an increased push for legitimacy and standardisation in the profession was the creation of obedience and complicity,

> AUDITP3: I think one of the biggest issues I see, is, you know, you see the big four increasingly dominating the profession and you've got all these auditors who are just armchair auditors really, they'll just do what their told.

> Interviewer: what do you mean?

> AUDITP3: Well, they don't do an audit in quiet the same way as we used to, they don't pick up on issues that to me, sound too ridiculously obvious – how can you not pick up on these things? And you know, they're just trained to follow the rules and do the bare minimum.

AUDITP16 had a similar opinion on the new auditing profession, stating,

> What a lot of these changes have done is, well I see them, and you know, I see them doing a good job in the context of what it is they're asked to do but that is the context of what they're asked to do, and that's it.

> Continuing: They don't go above and beyond, which was expected back in you know, the '80s and '90s, they don't step outside the boundaries of the standards or rules and ask, in my view, some more fundamental and some more challenging questions. They're extremely obedient to their bosses now.

AUDITP13 who still works in audit but noted they were close to retirement explained that one of the big issues they saw was that failings in the auditing profession had almost become the norm,

For me I worry that this, the issues you hear about in the news, this is the new auditing profession. And yes, there are consequences for individuals involved and firms, but let's face it, it's hardly the harshest – I do think that they've become quite complicit.

The following theme will explore the narratives of participants around the theme of obedience and complicity in auditing.

4.8.2 Theme Eleven: Creating an obedient auditor and a complicit profession

Leading on from their discussion, AUDITP3 further explained that before the push for standardisation there was more freedom to critically investigate as an auditor,

I suppose, I was very much motivated by the fact I was protecting the wider public, we weren't about protecting the shareholders money, but the impact the business and you know, any wrongdoings on their part had on the public. What concerns me is the fact these partners now get paid ridiculous amounts of money for an audit being done, so you know, they want their team to do it a certain way...

AUDITP7 who had worked as an auditor in a big four firm but since moved into a role within a PIE company noted the changes in auditing from their professional days,

AUDITP7: They are so quick [laughs] they might come in for a few days and then leave… you get a few emails, maybe a call or two but they're so quick. This for me shows a few things, either they're much more efficient at their job or they do a minimum to pass it off as done.

Interviewer: which one do you think is more likely?

AUDITP7: [Laughs]…I mean for me, when you look at the size of [company] how can it take such a small time to make a decision [laughs] its obviously fine for us, if it's an okay outcome… but you see these young auditors come in, and they're so scared to speak to you – and I remember once I got a little frustrated because this kid – he was obviously concerned about something but didn't know how to ask, and I

was just like "spit it out!" [laughs] because that's what we used to do! We asked the hard questions.

AUDITP1 recalled how they felt when they were asked to lead on an audit for the first time,

> AUDITP1: I can imagine it being quite difficult for the newer auditors today, it was quite tough when I was new, I remember being told by the partner that was leading to just ignore something I was concerned about because it could impact the outcome and we would be risking our tenure.

This was also reflected by AUDITP10 who suggested the curriculum in college had an impact on their ability to critical,

> AUDITP10: I think it can be quite daunting speaking to management, and you don't learn this. in college it was barely touched on. And when it was it was like 'remember to challenge management' [laughs] and you're just like 'oh ok then' [laughs].

Similarly, AUDITP11 and AUDITP20 noted that the educational part of becoming qualified did not prepare them for the reality of auditing,

> AUDITP11: You are expected to professional and sceptical and question management, but none of that is taught. After leaving uni it was a shock to me because you were taught about this in detail and you had a lot of motivation to get good grades and do well... you don't feel this at college, it is very much taught to pass and the level of detail in what you learn is minimal because there's just so much to understand.

> Interviewer: do you think that makes it difficult to be independent?

> AUDITP11: No and yes, like, no because you have all these rules anyways, but yes because you are focused on what you have to do and when you have to do it. It isn't just like oh I'm doing this testing so I follow this standard, there's so many. So, when I was taught about independence at uni it is very different to how it is talked about even in work.

AUDITP20 similarly noted that the educational part does little to encourage questioning management,

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When you read the textbooks, they're very much about you doing a service for the client, which is quite contradictory to what you read in the standards… I think [laughs] and I shouldn't probably say this but everything I learned for the exams kind of went in one ear and out the other. I've learned on the job; I do what my manager and what the audit lead tells me to do.

Other participants noted that there was a push to satisfy regulators and that in turn had caused auditors and the wider profession to be more obedient and complicit in their actions.

AUDITP4: I definitely think that regulators have become more pushy with firms… they have their own reputation at risk and there is a sense a lot of senior people, especially in these bigger firms, do what they can to stay away from being told off [laughs]

AUDITP6 also noted this from their experience in a big four firm,

They [*regulators*] do put a lot of pressure on us, and you have to learn from the inspections they do, so you can keep up with what they expect so yes, I do think that there is an element of ensuring you satisfy what the FRC wants.

Continuing: and I think, they just want this perfect auditor… they just want the I's dotted, the T's crossed and their little boxes ticked… and a lot of the time that is what you have to do…there's just a lot of pressure, from all sides really.

Interestingly, some of the post-Enron group of participants noted that this push for compliance and doing what you were told impacted their role enjoyment. AUDITP20 explained that when they first started in the firm they work for, the culture of auditing was a big shock to them.

AUDITP20: I was shocked by how pressurising it is, you see these films about the finance sector and laugh, but you are expected to work all hours… I'd work from 7am to 1am the following day… and it was expected.

AUDITP14 explained that it was a part of the reason they left the profession,

AUDITP14: So, I left about a year ago now… it was a really tough job, I think the pressure to conform to the rules and the way of the firm was something I didn't really fully realise until recently.

Interviewer: what do you mean?

AUDITP14: So, when I first started there was this huge emphasis on being part of a team and being professional… but it wasn't really like that. It was a very cut-throat culture, and you'd be made to feel extremely guilty if you did something wrong, or you weren't working twelve hours a day…and you would be working on something and if the lead said finish it but you didn't think it was ready, you just finished it, you make it happen.

AUDITP20 explained how they were planning to move out of auditing and into a more consulting role,

I don't plan to stay in auditing much longer, it isn't for me… I mean, we joke at [firm] about why you stay in auditing [laughs] [*what do you mean joke?*] … yes so, there's kind of this thinking that if you stay in audit, you either have a visa problem or you're completely incompetent [laughs]

Interviewer: oh, I haven't heard that one before…

AUDITP20: [laughs] yes, it's kind of a running joke, you get the job, you qualify and then you get out… it's not a very fun job, and my lead isn't very nice. I was once told to go to meet this client and be extra nice to them…another time I was told if I didn't do something I'd be sent to Scunthorpe for six months to audit up there… they do that a lot actually if you're not doing what they want.

Moving roles was something that a few of the post-Enron group noted, and the author found that a motivating factor for this was to find something that held more purpose to them.

AUDITP19 started their career in auditing but recently moved into a more forensic role,

AUDITP19: I left the audit profession I guess quite recently, and now I have moved into forensics…

Interviewer: Why did you want to move?

AUDITP19: I guess for me, I found – I wanted additional challenge.

Similar to AUDITP19, AUDITP9 and AUDITP14 both left the profession for a more challenging and purpose-driven role,

AUDITP9: I definitely tried to make the most out of being an auditor at [firm] but it was a very restrictive role, in terms of decision-making, you're looking at waiting years until you become partner… and that's why I left, I didn't want to wait years to have the ability to make decisions.

AUDITP14 recently left the profession as well and explained their motive to move was "*definitely driven by the negatives of the auditing role*" further noting "*I have a role now, that – I think there is a clear drive to do what is right for the business. I'm not sure I ever felt I was doing that at [firm]*".

This drive for challenge, doing right and finding a purpose in roles outside of the auditing profession, at an early stage of their careers, is very different to how the pre-Enron group felt about their early days in auditing as discussed in section A of this chapter. As discussed in chapter two, having an embedded duty, purpose and identity is key for professionals to be motivated. Similar to the discussion in section A, the author also looked at the post-Enron group's understanding of the role auditing plays in society and how they identify within the wider profession. This led to the following theme, Purpose, and Identity of the modern-day auditor, which, was found to be very different to that of the pre-Enron group.

4.8.3 Theme twelve: Purpose and identity of the modern-day auditor

Following on from their comments regarding public blame and what auditing is about the author asked them if they thought the public had the wrong view of the auditing profession,

Interviewer: is that view of the profession wrong?
AUDITP10: yes, well, now it is yes… we're just here to make sure they've prepared the statements correctly – that they give a true and fair view of the client's finances.

As mentioned in the previous theme, this is very different to what the participants in the pre-Enron group suggested auditing was about and the

purpose they felt their role had. Where the pre-Enron group felt their role had a purpose in which they were there to do good, and hold those they audited to account, the post-Enron group saw the role of auditing as a more passive one.

Interviewer: What do you think the purpose of audit is?

AUDITP8: Well, I guess… I'm – we're here to provide stability for shareholders. You know, we're here to provide stability in the sense that shareholders know that the company has stable finances and that they are presenting this information in a true and fair way.

Interviewer: So, are you responsible to the shareholders?

AUDITP8: In a sense yes, but I am also responsible to the partners and directors of [firm].

Leading on from their comment about giving a true and fair view of the client's finances, AUDITP10 explained that they were not interrogators,

AUDITP10: I think a lot of people – the public, have this view that we are there to scrutinise everything the client does and to interrogate their every move [laughs] that just isn't the reality of auditing – we provide reasonable assurance, reasonable being that we can't provide complete assurance…

Interviewer: why do you think that is?

AUDITP10: It's unmanageable [laughs] you know, we rely on the clients work a lot, if they give us something or tell us something, we have to trust that.

AUDITP6 had an interesting perspective of the purpose of auditing, and noted how it had changed,

AUDITP6: It has definitely changed as a role [laughs] I am quite surprised I am still here, if it had been the same as it was the first few years I wouldn't be here, it was such a tedious role. A lot of ticking and not much of any real thought…

Continuing: I stayed because I was able to move up, so I was able to take on more decision-making… but even so, it was a lot more judgement based and you were trusted to do the right thing, whereas

now it is very procedural and you're – auditing is now about providing reasonable assurance and I think that the level of that assurance has changed.

Interviewer: What do you mean?

AUDITP6: Well, it's largely regulated now – the findings, I think that has been a big factor, certainly in recent years…you're now expected to document things in a specific way, it's very mandated and it's a lot of work, so it's has changed the focus or the ability to do a more on the whim job.

AUDITP19 noted that the purpose of auditing was to provide a level of comfort, stating,

AUDITP19: I guess it provides comfort to users of the financial statements, and that they are a reasonable true and fair reflection of the company's financial performance.

Continuing: I think auditing and auditors work for the supply chain in financial stability, you know, you are suppliers of products for people who rely on your work.

AUDITP15 explained that the role was investor centered, explaining,

AUDITP15: We need to provide investors the information they need to make good decisions about their money…

Interviewer: is that the core purpose of auditing?

AUDITP15: Yes, I would say so, that and helping the client show that to their prospective and current investors.

AUDITP20 was quite critical on the purpose if auditing, stating that felt it was a blurred purpose with no real direction,

AUDITP20: I don't think it has a real one-dimensional purpose… hmm maybe it is one-dimensional, I'm not sure, but I don't think it does provide the assurance that is really needed… I think honestly, yes, we, the firms can do better…

Continuing: I think there is an issue with the firms, well certainly in my experience at [firm] the leads are unsupportive and the workload pressure is too much… they – It isn't a profitable part of [firm] or well, [laughs] not as profitable as some of the consultancy services [firm] offers, so perhaps they care less about the audit teams which in turn has caused a lot of us to leave – like I said before, you don't stay because you want to, you stay because you have no choice [laughs].

As discussed in chapter two and found in section A of this chapter, having a role with a purpose is strengthened and can strengthen I sense of professional identity. In all interviews conducted, the author wanted to understand how participants identified in the profession. As reviewed in section A, the pre-Enron group had strong professional identities as well as wider identities within the profession. Although a small number of the post-Enron group identified as an auditor, most did not, and all of the post-Enron group saw their wider identity more aligned to the firms they worked for rather than the wider profession. This is different to the findings in section A in which it was more common to identify as an auditor and the profession among the pre-Enron group. A summary of these identities can be found in table 4.4 below. This table includes all the identities of both the pre- and post-Enron groups. This will be further discussed in chapter five; however, it is important to note that identity has links to independence *in-fact.* Notable work from Bamber and Iyer (2007) who found that auditors who were more familiar and started to identify with their clients were less likely to be independent. Furthermore, Bauer (2015) found that those auditors who had a strong professional identity were more likely to be independent in mind. Indeed, this research indicates that a weak identity is a cause for concern amongst auditors, often leading them to leave their positions and seek roles outside of the profession.

This leads to the next and final theme, unmotivated to be independent *in-fact*, which will discuss the narratives of participants in both the pre- and post-Enron groups understanding of independence. It will explore the post-Enron group's motives to be independent and how the profession's changing landscape has impacted the understanding of the social purpose of auditing. Finally, the next theme includes findings around the motivations for professionalism and

independence. The flashcards selected by the post-Enron group will also be discussed.

Table 4. 4 Individual and wider professional identity of participants			
Participant Code	**Pre/Post Enron group**	**Individual Professional Identity**	**Wider Professional Identity**
AUDITP2	Pre	Auditor	Profession
AUDITP3	Pre	Ex-auditor	Profession (old)
AUDITP4	Pre	Auditor	Profession now Firm
AUDITP5	Pre	Auditor	Profession
AUDITP6	Post	auditor	Firm
AUDITP7	Pre	Ex-auditor	Profession
AUDITP8	Post	Auditor	Firm
AUDITP9	Post	Accountant	Company
AUDITP10	Post	Accountant	Firm
AUDITP11	Post	Accountant	Firm
AUDITP13	Pre	Partner	Profession and Firm
AUDITP14	Post	Employee	Company
AUDITP15	Post	Accountant/employee	Firm
AUDITP16	Pre	Auditor	Profession
AUDITP18	Pre	Ex-auditor	Does not identify
AUDITP19	Post	Accountant	firm
AUDITP20	Post	Accountant	firm

4.8.4 Theme thirteen: Unmotivated to be independent *in-fact*

As discussed in section A, it was found that for auditors to be independent *in-fact* there needs to be motive to do so. Section A also found that core elements that allowed this included, a strong professional purpose, which helps create a strong sense of identity both individually and wider within the auditing profession, and that auditors needed autonomy and freedom to act in their professional duty and therefore be independent both *in-fact* and therefore *in-appearance.* Section B considered the changes that the profession made due to ongoing public scrutiny due to a string of auditing scandals in the early 2000s, notably the Enron and Arthur Andersen case. Auditors from the pre-Enron group, and some auditors who qualified soon after the scandal, in the post-Enron group noted that a push to reclaim the legitimacy the profession lost, saw a call to increase verification of independence *in-appearance* and standardisation of the role, which the pre-Enron group explained eroded the ability to be autonomous, and professional. This group and some from the post-Enron group discussed how this shifted the role of auditing in society.

Section C so far has discussed the findings from the post-Enron group's narratives, finding that ongoing reputational damage to the profession has seen a continued push for reclaiming their societal and professional legitimacy. A product of which has been described as the creation of complicit and obedient auditors, which, through the narratives of the post-Enron group, can be seen in their lived experiences. A culture of blame-avoidance and firm-on-firm conflict within the profession has been developed, causing the modern-day auditor to have, what this author believes, a very blurred perspective of the role and purpose of auditing in society today. Often the post-Enron group has described their understanding of the purpose of auditing as one which benefits investors as well as being seen as a tick box procedural role that is only there to provide some level of reasonable assurance. Interestingly, the identity of the post-Enron group is starkly different to that of the pre-Enron group as seen in Table 4.5 above. where the pre-Enron group felt a strong individual identity to the professional auditor role, and a wider connection to the collective identity of the profession, the post-Enron group often did not identify as an auditor an none of the post-Enron group identified with the wider profession, those that remained in

auditing, identified as part of the firm they worked for. Similarly to how section A concluded, the author will now present the findings of the post-Enron group's understanding of the independence, and discuss the differences in these findings to the ones from section A. Notably, this section will highlight how the themes and issues discussed so far in this chapter, have caused a new profession to lack the ability and motive to be independence *in-fact* through a slow but very real erosion of identity, purpose and autonomy in auditing.

As discussed in chapter three, the participants of this research were presented with the question "what is independence" and were asked to use the flashcards to answer this question, where the participants were then asked to describe and discuss these words or statements. Table 4.5 below showcases the words selected or written by the post-Enron group.

Table 4.5 Participants from the post-Enron group with selected and written cards				
Participant	Years' experience in the auditor role	Current role[27]	Selected Cards	Written Cards
AUDITP6	17 years	Auditor	Trust	Objectivity and integrity
AUDITP8	9 years	Audit manager	Professional*	Being objective *helps be independent
AUDITP9	15 years	Manager at a public Interest Entity	Rules* Trust*	Not achievable (but can help build trust) *abide by rules *independence is a tool used to improve trust
AUDITP10	6 years	Auditor	None	Objectivity Conflict free
AUDITP11	3 years	Trainee auditor	None	Being objective Acting with integrity
AUDITP12	7 years	Manager at a Public Interest entity	Freedom	Being objective
AUDITP14	8 years	Manager at a Public Interest Entity	Interest* Professional	Acting with objectivity and professionalism *free from
AUDITP15	3 years	Trainee auditor	None	Having integrity Being objective
AUDITP19	<10 years	Forensics	Trust Professional	Ability to be objective
AUDITP20	5 years	Auditor	None	Objectivity

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[27] For past industry, please refer to table 3.4 in chapter three.

One thing that stands out in this section and written cards from the post-Enron group of participants, was the added word 'objectivity', which, in contrast with participants in the pre-Enron group, was new. Often, when asked why they wrote this word or similar words and statements down, participants noted that it was a big part of their understanding of independence due to its inclusion in standards.

> AUDITP6: I wrote this and integrity down because you can't have independence without them…you have to have integrity to be professional, and you have to have objectivity to be independent.

Interviewer: can you tell me why you picked trust?

> AUDITP6: Sure, well – like the others they all go hand-in-hand, and trust is a by-product of independence isn't it? You need people to trust that you are independent and you are professional.

Similar to AUDITP6, AUDITP10 also wrote down objectivity, explaining,

> AUDITP10: I think this goes without saying, you have to have objectivity…

Interviewer: why did you write that word?

> AUDITP10: Well, if you read the standards or ethical standards its always discussed as an integral part of independence.

This was similar to what other participants in the post-Enron group discussed, often referring to the standards in auditing, as well as what they were taught at college,

> AUDITP20: I wrote this down because it is drilled into you that you have to be objective, you can't be independent if you're not, it's pretty much a synonym of independence.

AUDITP9 interestingly noted that independence was in real terms unachievable,

> AUDITP9: Yes so, I'm writing [can you read it out?] sure… I am writing 'not achievable' but with the caveat that it can help build trust…

> Interviewer: What do you mean it's unachievable?

AUDITP9: Well, in my experience, yes you can be independent to the point you have no blaringly obvious conflicts, but to be purely independent is stupid [laughs] because, you need the knowledge and expertise of the company you're auditing… I don't think being independent to the point of – you know, you can't not know what and who you're auditing… so I guess, can I pick another? [yes] ok so I'm going to pick rules but with the caveat that you use them to help you be professional and – ok I'm going to write 'abide by' yes, you need to use the rules to help you be independent but I still don't think it's actually fully achievable.

AUDITP12 noted that for independence to be achievable there had to be freedom in the role,

AUDITP12: I'm picking this [freedom card] because I think if you expect auditors to be independent you have to give them the room or 'freedom' to do it you know? I found the role when I worked at [firm] very restricted and its definitely one of the reasons I left like I talked about before [laughs] but yes, freedom to actually do stuff is necessary, I think.

AUDITP20 had a similar comment explaining that independence from their understanding is more about avoiding conflicts of interest, and they found that the restrictiveness created a monotonous role.

AUDITP20: I recognise the importance, and I think it is important you don't have personal ties to the client but I don't think – hmm… I don't think many of us think about it, you know… we're so bogged down with tediousness of the stuff we do; we don't really have the chance to think about it an active way. Sure, you do training, and you talk to your ethics buddy about it, but it's just not as meaningful in the role as people think.

This is interesting when looking at what the pre-Enron group discussed in section A, notably, the post-Enron group did not connect the idea of independence as a state of mind, like the pre-Enron group did to independence. Often the post-Enron group noted that having conflict free engagements were important but they did not talk about independence as a professional underpinning the role and purpose of auditing.

Like the participants in the pre-Enron group discussed in section A and B, these findings suggest that there is currently a very different understanding independence, one that as described by AUDITP9 is a tool used to increase trust. The following section will conclude this chapter.

4.9 conclusion of chapter four

This chapter has explored the narratives given by the 20 participants interviewed for this research. The chapter has been split across three different sections that came through in the analysis of the data as three different eras of auditing over the past two decades. To highlight the differences in the lived experiences and understandings across the 20 participants, the researcher has split the group into two, the pre-Enron and post-Enron auditors. This chapter has discussed the narratives that led to the 13 themes found in this research and used quotes from the conversations had to showcase where these themes arose. These themes have given insight into how the aim of understanding auditors' perceptions of independence has changed and how reclaiming legitimacy to strengthen the social contract has impacted that.

The following chapter five will discuss the findings from this chapter and explore what they mean to the current understanding of auditing and where this research sits in the academic sphere.

Chapter Five: Discussion

5.1 Introduction

This chapter will discuss the findings from the previous chapter and demonstrate where these findings fit within the literature surrounding auditing and professions. The aim of this thesis is to address the gap in understanding independence as a core phenomenon that underpins the professional legitimacy of the UK audit profession and consequently upholds the social contract it has with society. Specifically, this research has explored this from the perspective of those in or have experiences of audit practice[28]. As noted in chapter two, Citron (2002) warned of a divide in understandings of independence and the social purpose of audit across the profession due to ongoing commercialisation. Therefore, this research explored this by investigating narratives from participants with a range of length in experience in audit, to assess if this was the case. The research questions were designed to address this and can be seen in the table and figure below.

Thesis Research Questions
1. What purpose do auditors have in society today?
2. What changes have impacted auditors ability to be independent?
3. How is the fundamental principle of independence understood across the profession, and does this differ?
4. What motivates auditors to uphold the principle of independence and therefore the profession's legitimacy?

Table 5. 1 Thesis research questions

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[28] All participants have audit experience; however some have since left the profession (Chapter three).
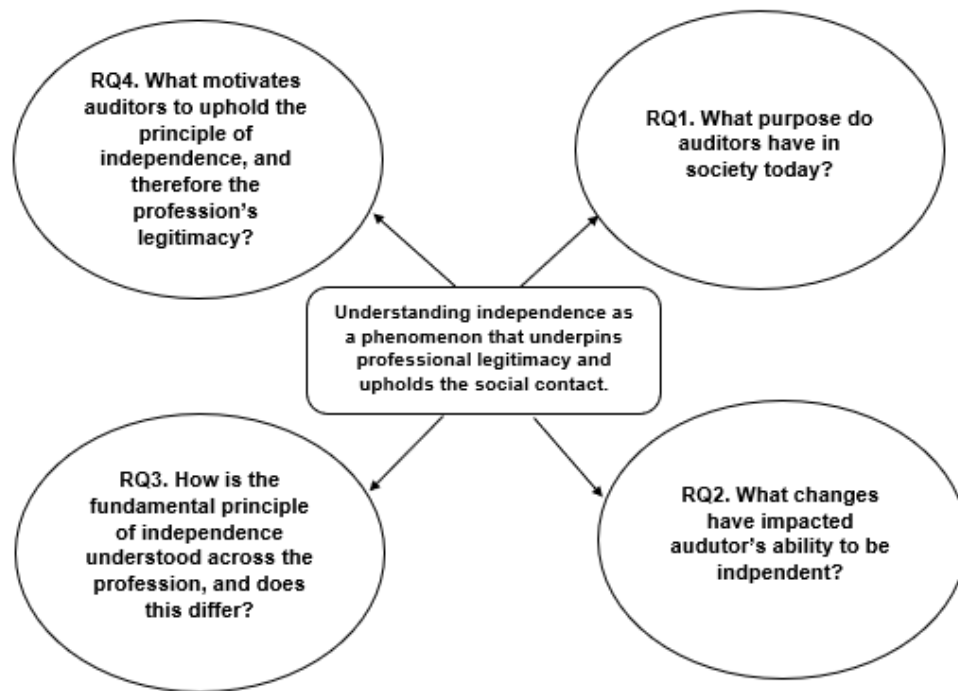
Figure 5. 1 Research questions addressing research gap.

The design of this chapter will firstly restate the findings from chapter four explaining what they indicate. Following this, this chapter will consider possible explanation for the findings discussed. More specifically, it will focus on what this research tells us about auditors' perception of independence and how reclaiming legitimacy to strengthen the Social Contract has impacted this. The following section, 5.2 will discuss the findings explored in section A: The old profession.

5.2 Discussion of The Old Profession: "*The good old days…audit before that Enron scandal*".

Section A of chapter four explored the narratives that developed four core themes found in the analysis for this research. These themes were theme one: A role with a purpose, theme two: Freedom of choice, autonomy and agency, theme three: Identity and moral duty and, theme four: Motive for independence. Section A focused on the findings and narratives surrounding what was termed as the 'Old Profession' by participants that made up the pre-Enron group. Table 5.2 below highlights in blue the summary of findings from the pre-Enron group in the first column.

Table 5. 2 Summary of findings

The Old Profession	The Changing Profession	The New Profession
A role with a purpose: Pre-Enron group participants explained that having a role with a clear purpose that had meaning and value was a strong part of their lived experience of audit and independence.	**Reclaiming legitimacy to increase trust part 1:** Pre-Enron group participants and those in the Post-Enron group that joined the profession soon after 2001, identified an era of change in which the profession's focus shifted towards proving legitimacy.	**Reclaiming legitimacy to increase trust part 2:** Both the pre- and post-Enron group describe ongoing efforts to increase the observed legitimacy of the profession.
Freedom of choice, autonomy and agency: Pre-Enron group participants identified freedom and agency to make independent and autonomous decisions and judgements allowed them to be independent and act with integrity towards wider profession purpose for society.	**Verifying independence in-appearance:** Pre-Enron group explained that increased pressure to prove existence of independence through demonstrating it in appearance, became a core role for the auditor, and a mechanism to reclaim legitimacy.	**Blame Avoidance:** The post-Enron group expressed a culture of blame avoidance in the profession. Increasingly focused on distancing themselves from others (wrongdoers) and denying ongoing issues were the profession's fault.
Identity and Duty: Pre-Enron group participants explained that they had a strong professional identity which was strengthened by a sense of duty towards the profession's aim to improve society.	**Removing autonomy and human judgement:** Pre-Enron group expressed that their ability to make autonomous decisions and independent judgements began to erode and were increasingly controlled by procedures and rules.	**The creation of obedient auditors and complicit profession:** The post-Enron group expressed a culture that was focused of verifying they had followed procedures, a fearful role that threated expulsion if rules weren't followed. Further demonstrating mechanisms of reclaiming legitimacy and the long-term impact these have on auditors.
Motivated to be independent: Pre-Enron group participants expressed that the above themes both allowed and motivated them to be independent in-fact (mind).	**Standardisation of audit and independence:** The pre-Enron group identified this as a moment of increased standardisation in what to do and how to think. This was a clear mechanism used to reclaim legitimacy.	**Purpose and identity of the modern-day auditor:** Post-Enron group had low professional-identity with audit, more inclined to identify with firm/employer. Furthermore, they indicate less awareness of the social impact and purpose of auditing and the profession. Many have or plan to leave the profession. **Unmotivated to be independent in-fact:** Post-Enron group felt that independence was a less important principle in practice, showing different understandings of the concept. Often describing it as a physical concept rather than a state of mind.

The findings from this section indicate that there was a difference in the auditing profession before the Enron-Arthur Andersen scandal of 2001, and participants who were part of the profession prior to this scandal, reflect in their discussions that they felt the profession was stronger than today. This is an interesting finding as the current profession sees itself having developed strongly since this world-altering scandal, however the pre-Enron group note that the moves the profession has taken have done the opposite. Specifically, as identified in the themes, auditors in the pre-Enron group noted that they had greater motivation to be independent *in-fact* for a number of different reasons, some participants explained they had autonomy and this encouraged a feeling of belonging to a profession. This supports the notion discussed by Gendron et al (2006) that having a strong sense of purpose and identity can strengthen professionalism. Likewise, as discussed in section 2.5.2 chapter two, independence *in-fact* is one of the two aspects of auditor independence, alongside independence *in-appearance*. Specifically, this follows Flint's (1988) definition of auditor independence, which he explains refers to the mental attitude of auditors, in which they have an unbiased mindset that encourages objectivity. This concept of independence is assumed to be embedded within the mindset and character of the auditor, making it difficult to determine (Gendron *et al.,* 2008). Therefore, for society to trust the independence of auditors, they must be able to see it (Beattie and Fearnley, 1999 & 2004). These findings indicate that the pre-Enron group felt motivated to be independent *in-fact* when they first joined the profession prior to 2001. Firstly, the pre-Enron group expressed in their discussions why they joined the profession: there was a heightened sense of purpose in the role of auditing. Many of the pre-Enron group felt that they wanted to become auditors in order to hold those in positions of power in the corporate world to account. Others described joining a profession that was there to do good or, as they saw it, 'the right thing'. This gave the auditors in the pre-Enron group a sense of purpose and a perception that their role had meaningful impact on society, which in turn, motivated them to be independent *in-fact.* As will be discussed in section 5.2.3, this is not how the post-Enron auditors that participated in this study felt, and something that the more experienced auditors in this research saw as diminishing.

The findings in this thesis indicate clearly that having a role with an embedded purpose, creating a meaningful professional environment, is valuable for auditors, specifically in their motivation to be independent and therefore create benefit for society. More recently however, changes to the profession have rekindled a fear of a 'tick-box' profession (Lemmon, 2021), something that was a key finding in this thesis and one that clearly hinders an auditor's motivation to be the independent auditor expected. This also indicates a more holistic understanding of what enables individual players (in this case auditors) to uphold the contract that exists between society and the professions, in the way society wants them to. As discussed in section 2.4.1, Social Contract Theory suggests there is multiple rights and duties embedded within the relationship between professional establishments and society (Rousseau, 1762 by Cole, 1978; Cruess & Cruess, 2008). For the auditing profession, this thesis suggests that due to the wider social and economic implications the profession's role has in society, this contract exists between the auditing profession and society (Curess & Cruess, 2008). Likewise, Flint (1988) explains that audit does have an important place in society and provides a social utility, that is it creates value for the public. Indeed, professions in general claim their intellectual spaces and fields of expertise through scoping out areas that society need them in (Abbott, 1988; Deegan, 2014). There is an expectation from society that the auditing profession will uphold its side of the contract, but to do this, the profession's members must be motivated and encouraged to meet those expectations (Cruess & Cruess, 2008). Therefore, auditors need to have a professional environment that encourages them to act with integrity, objectivity and indeed independence. The findings in section A, 'The Old Profession', provide evidence of what strengthens this. Specifically, having a role with a purpose, the autonomy to make independence decisions and a strengthened collective profession so auditors' professional identities are more aligned with the profession's than with the audited entity's (Brauer, 2015). To illustrate this, the author has developed the following diagram which represents the influence of purpose and autonomy on individual auditors, and how this impacts the social contract between the profession and society, through creating legitimacy (Figure 5.2).
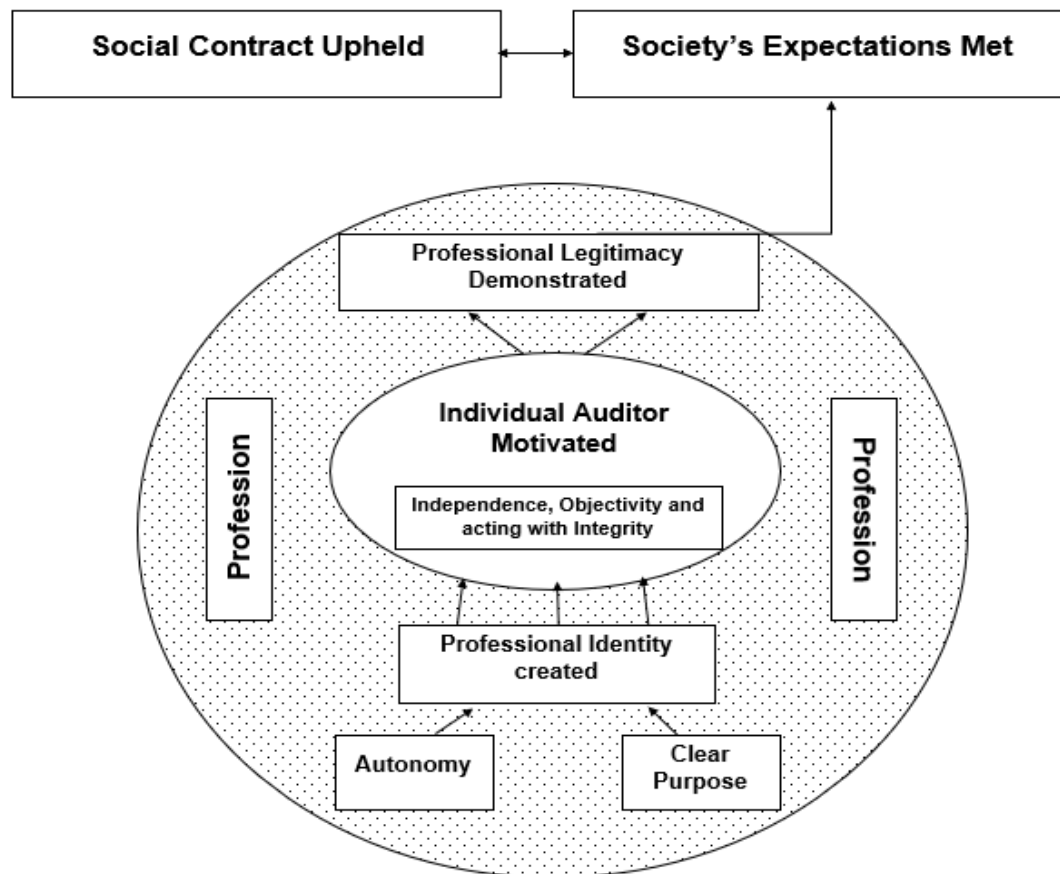
Figure 5. 2 The influence of purpose and autonomy on individual auditor

This finding is supported by the literature discussed in chapter two, in which Taylor (1991) and Appiah (2005) explain that finding purpose in work, in this case the participants' careers, helps individuals feel they belong to a collective good that the profession as a whole represents. As AUDITP2 said in chapter four, an auditor needs to ascribe to the purpose of auditing, which will motivate them to be independent *in-fact* and will uphold the profession's legitimacy. Again, the findings in this theme are consistent with the literature around purpose, as Recker, Peacock and Wong (1987) suggest, purpose in professional roles helps individuals achieve the overall goal of their respective professions. This means that auditors will be encouraged to uphold the social contract that exists, through being motivated to act with integrity, objectivity and be independent *in-fact* so that society's expectations are met and the profession's legitimacy is clear.

Similarly, purpose in an auditor's role will strengthen their sense of duty and professional identity. As discussed in chapter four, the pre-Enron group expressed a strong sense of identity as auditors as well as a strong identity to

the wider profession. Furthermore, the pre-Enron group voiced that they felt there was an embedded duty in their roles as auditors, and that duty was something that matched the purpose of audit. The idea that duty in a professional role enables auditors to see the purpose of their individual role in society, as well as the wider professions, is supported by the literature discussed in chapter two. Specifically, Pratt, Grant and Dunn (2014) note that having an embedded duty helps create a role with purpose, and this in turn will give auditors a strong identity. Furthermore, Warren and Alzola (2009) found that auditors were more likely to be independent *in-fact* if they have a stronger professional identity. The three factors here, identity, duty and purpose will strengthen an auditor's motive to be professional and uphold the profession's principle of independence (Flint, 1988). One of the reasons that the pre-Enron group expressed that they felt a strong sense of identity with being an auditor but also with the wider profession, may be due to a more embedded and well-articulated duty and purpose towards their role within the profession. This is an important factor relating to enhancing the duty of an auditor, as Appiah (2005) suggests. Furthermore, as will be discussed in section 5.2.2, it is clear from the findings in this thesis that this embedded duty and purpose has eroded over time. This loss of an embedded duty and clear focus on the purpose of auditing has been recently noted in key findings from investigations into the profession in the United Kingdom. Specifically, the three core reviews discussed in chapter one that arose from the Carillion collapse have articulated a lack of clear social purpose is a core issue in auditing. Both the Brydon and Kingman Review, as well as Rachel Reeves MP's keynote speech on the Future of Audit report (2019), indicate this as a great concern, as highlighted in the opening of chapter one. It is important for the profession to recognise this, especially if they want to uphold the embedded contract they have with society. As discussed in chapter two, one of the ways in which a profession upholds the social contract between itself and society is by strengthening trust in the profession. As Bryan-Brown and Dracup (2003) explain, professions have an embedded obligation to society, which for the pre-Enron group was to hold those in corporate power to account. This trust is lost when the profession fails to do that, and therefore the social contract that exists starts to break (Bryan-Brown & Dracup, 2003; Cruess & Cruess, 2008). The findings in chapter four have identified this happening, with identity, duty and purpose in auditing being weakened. As Rousseau

(1762), discussed by Cole (1979), explains, the social contract remains only so long as society needs the service being provided. If the auditing profession fails to continue this, society will reject it as an institution that provides a public service. As many of the pre-Enron group suggested in chapter four, this was something they felt the profession used to engage in but no longer does. This is a worrying finding from this thesis and demonstrates a trend in superficial changes being made by the profession to improve the perspective of legitimacy. Similar findings were seen in Samsonova-Taddei and Siddiqui's (2016) work on analysing the 2014 EU policy change which lacked any concern for the promotion of ethics and ethical behaviour education, and even more recently findings from Sikka (2021) that finds directions into new audit reform in the UK post-Carillion failed to tackle recurring failures.

Section A of chapter four also found that for auditors to have a strong purpose to their role, which strengthens their duty to provide society with what is expected, the audit profession must have mechanisms embedded to allow this. The theme that came from the analysis describing this was having freedom of choice to do the right thing, as well as having autonomy to give auditors agency in their decision-making. The findings in this theme suggest that for auditors to be able to act on their duty and therefore uphold the purpose of their role, they need to have the freedom to do this. This is an important factor to the auditing profession, as explained by Flint (1988) who suggests that for an auditor to be independent *in-fact*, the environment in which they work needs to allow the auditor to make autonomous decisions. This is important for the auditing profession as independence helps the profession uphold its legitimacy, which drives trust in the profession and therefore strengthens the social contract they have with society. The pre-Enron group notes that their autonomy gave them agency to make difficult decisions, but also the freedom to hold the people and entities they audited to account for wrongdoings when they occurred. In essence, this enabled the auditors to be independent *in-fact*, which as discussed in chapter two, is a foundational element to the auditing profession (Flint, 1988; Beattie *et al*., 1999; Jamal & Sunder, 2011). As has been highlighted in this chapter so far, the profession, in light of recent scandals and reviews, are following the same path as the post-Enron changes, which is it increase standardisation, regulation and oversight (FRC, 2020). The author

considers these changes to be questionable, given the narratives of the participants in this study.

As concluded in section A of chapter four, the pre-Enron group noted that what they felt were essential elements enabling them to be independent and strengthening the trust society has in the profession, had begun eroding. Specifically, this group expressed concerns over the profession today, and attributed this concern to changes made in the early 2000s, as discussed in section 2.7, chapter two and can be seen in appendix A and B. These concerns were also shared by participants who came into the auditing profession at the same time and explained that it was at this point they witnessed a shift towards the profession we know today. As chapter four does, the following section 5.2.1 will discuss the findings from section B, which specifically focus on the themes found within the narratives that help illustrate the specific shifts in practice that impacted this group of practitioners.

5.2.1 Discussion of The Changing Profession: "*out with the old, in with the new*".

Section B of chapter four showcased the findings of four core themes found in the analysis of the data collected for this research. These themes were theme five: Reclaiming legitimacy to increase trust part 1, them six: Verifying independence *in-appearance*, theme seven: Removing autonomy and human judgement and, theme eight: Standardisation of audit and independence. Section B focused on the findings and narratives surrounding what was termed as an era of the 'Changing Profession' by participants that made up the pre-Enron group and those that came into the profession soon after the Enron-Arthur Andersen scandal in the early 2000s.

Table 5.3 below highlights in blue the summary of findings from the pre-Enron group in the second column.

Table 5. 3 Summary of findings

The Old Profession	The Changing Profession	The New Profession
A role with a purpose: Pre-Enron group participants explained that having a role with a clear purpose that had meaning and value was a strong part of their lived experience of audit and independence.	**Reclaiming legitimacy to increase trust part 1:** Pre-Enron group participants and those in the Post-Enron group that joined the profession soon after 2001, identified an era of change in which the profession's focus shifted towards proving legitimacy.	**Reclaiming legitimacy to increase trust part 2:** Both the pre- and post-Enron group describe ongoing efforts to increase the observed legitimacy of the profession.
Freedom of choice, autonomy and agency: Pre-Enron group participants identified freedom and agency to make independent and autonomous decisions and judgements allowed them to be independent and act with integrity towards wider profession purpose for society.	**Verifying independence in-appearance:** Pre-Enron group explained that increased pressure to prove existence of independence through demonstrating it in appearance, became a core role for the auditor, and a mechanism to reclaim legitimacy.	**Blame Avoidance:** The post-Enron group expressed a culture of blame avoidance in the profession. Increasingly focused on distancing themselves from others (wrongdoers) and denying ongoing issues were the profession's fault.
Identity and Duty: Pre-Enron group participants explained that they had a strong professional identity which was strengthened by a sense of duty towards the profession's aim to improve society.	**Removing autonomy and human judgement:** Pre-Enron group expressed that their ability to make autonomous decisions and independent judgements began to erode and were increasingly controlled by procedures and rules.	**The creation of obedient auditors and complicit profession:** The post-Enron group expressed a culture that was focused of verifying they had followed procedures, a fearful role that threated expulsion if rules weren't followed. Further demonstrating mechanisms of reclaiming legitimacy and the long-term impact these have on auditors.
Motivated to be independent: Pre-Enron group participants expressed that the above themes both allowed and motivated them to be independent in-fact (mind).	**Standardisation of audit and independence:** The pre-Enron group identified this as a moment of increased standardisation in what to do and how to think. This was a clear mechanism used to reclaim legitimacy.	**Purpose and identity of the modern-day auditor:** Post-Enron group had low professional-identity with audit, more inclined to identify with firm/employer. Furthermore, they indicate less awareness of the social impact and purpose of auditing and the profession. Many have or plan to leave the profession. **Unmotivated to be independent in-fact:** Post-Enron group felt that independence was a less important principle in practice, showing different understandings of the concept. Often describing it as a physical concept rather than a state of mind.

The core finding in this section was that participants who were part of the auditing profession in the UK around the time of the Enron-AA scandal, recalled the early 2000s as a pivotal era of change in the profession which changed their lived experiences as independent auditors on demonstrated a shift in the purpose of audit. Specifically, as shown in the section B, participants describe a notable push from the profession to reclaim the legitimacy lost due to scandals in the early 2000s through different techniques. Mechanisms to reclaim legitimacy was explored in chapter two, where literature describe increasing focus on independence *in-appearance* (Fearnley & Beattie, 2004; Turley, 2008)*,* scapegoating wrongdoers (Guénin-Paracini & Gendron, 2010) and lowering the institutional logic over time (Suddaby & Greenwood, 2005) were all techniques used by professions when their legitimacy faced scrutiny. These techniques are all described by participants in this research, which demonstrates the auditing profession actively used different mechanisms at a time in which its legitimacy was being scrutinised. Specifically, the pre-Enron group and those auditors that came into the profession in the early 2000s, all witnessed an increased push to verify independence *in-appearance* and intensifying standardisation of the role of an auditor which in turn, participants explained reduced their autonomy. As figure 5.2 above shows, autonomy, coupled with a strong embedded purpose, helps strengthen the legitimacy of the profession and uphold its side of the social contract. The author has illustrated in the figure below, how these mechanisms described by participants, impact individual auditors, legitimacy and therefore the social contract (Figure 5.3).
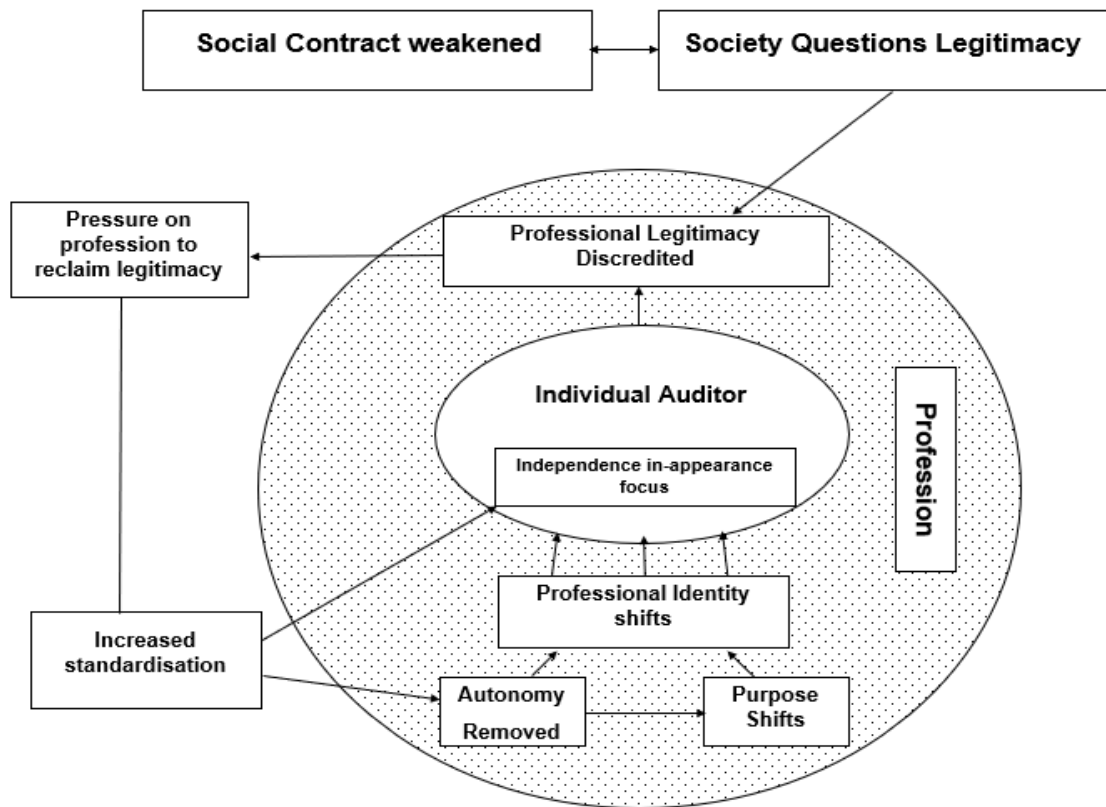
Figure 5. 3 Mechanisms to reclaim lost legitimacy and the impact on auditors

As discussed in chapter two and previously in section 5.2, Social Contract Theory suggests that the auditing profession relies on society witnessing their expert legitimacy and therefore trust in the profession increases (Lindblom, 1994; Deegan, 2002; Suddaby & Greenwood, 2005). This legitimacy strengthens trust in the profession, but when scandals occur, such as in the 2000s, this trust and therefore the legitimacy of the auditing profession is questioned by society. When professions see the social contract that exists between them and society start to weaken, efforts are made to restrengthen this relationship (Lindblom, 1994). Likewise, Legitimacy Theory indicates that when this happens, the profession in question will do what it can to reclaim it (Deegan, 2002; Guénin-Paracini & Gendron, 2008). The findings in section B of chapter four illustrate that this happened after the Enron-AA scandals amongst others, which is consistent with the literature discussed in chapter two section 2.6. Participants described what they saw as a change in the focus of the wider profession and regulators, noting that the profession and firms became a more risk-averse profession in the hope of protecting their reputation.

Further to this, the findings in section B indicate that one of the measures implemented by the auditing profession, was a shift in their focus on independence *in-appearance*. Participant discussion in section B concludes that there was a noticeable push for firms and individual auditors to showcase that they were visibly independent. This is consistent with Fearnley and Beatties' (2004) research that explores the changes made to the profession after scandals in the early 2000s occurred. Although it is well advised by scholars and professional institutions that independence *in-appearance* is just as important as independence *in-fact*, the findings in this research indicate that increasing focus on the former may hinder the latter. Notably, Bazerman, Morgan and Loewenstein (1997) suggest that little benefit will come to auditor independence if the inherent structural features that cause conflicts are not addressed. Similarly, as discussed by the participants in section B, these findings suggest that although showing independence *in-appearance* is important to uphold professional legitimacy, auditors still need encouragement and motivation to be independent *in-fact.* The findings in this research indicate that the mechanisms the profession introduced to improve independence did not do this. Specifically, participants in section B explained that the increasing standardisation actually eroded their ability to be autonomous and removed the agency they had to make independent judgement. This contrast to the narratives from the post-Enron group is interesting and could show how this erosion is occurring. The fact that many of the post-Enron group often used word-for-word language taken from standard in auditing, for example in explaining what independence means, suggests a more superficial understanding of information, rather than meaningful engagement with the purpose of standards.

Participants in this section explained that the mechanisms to push independence *in-appearance* actually negatively impacted their ability to be independent *in-fact*. As discussed in chapter two, section 2.5.2, for auditors to be independent *in-fact,* their environment must enable this (Flint, 1988; Gendron, Suddaby & Lam, 2006). Participants in section B, explained that alongside a push to verify independence *in-appearance,* they saw their ability to make autonomous decisions removed and attributed this to an increase in standardisation. Moreover, participants in section B expressed concern over

how these standards, although designed to be flexible, were aggressively rigid and removed their ability to make autonomous decisions. Interestingly, current professional published opinion is that these standards have gone too far, and that they have caused auditors to take on too much responsibility (Lennon, 2021). Whilst this wasn't something the pre-Enron group discussed, the post-Enron group did. This could be due to a shift in internal narratives such as a more blame-avoiding culture being developed in the profession, as found in Part C in chapter 4. The pre-Enron group also noted that the standards turned the role of audit into a risk-aversion task, explaining that the purpose of auditing began to move to the primary goal of reclaiming the legitimacy they lost in a more superficial way, rather than improving audit itself. As mentioned by AUDITP4, the profession at this time seemed to be increasing independence, but not improving it. This is consistent with what Power (1994) suggests, when increasing system-based audits risks auditors becoming concerned over the process rather than the substance. Power (1994) also explains that this can cause auditors to have a heavy compliance mentality, which shifts the wider profession's focus away from their original embedded duty and purpose. This is also reflected in a more recent paper by Humphrey et al (2021) which considers if audit is capable of becoming more socially purposeful. Participants in section B remarked that increasing standardisation did quite the opposite, and the embedded rules in these standards raised concerns amongst section B participants that today's auditors pay lip-service to the standards rather than engaging with the spirit and being valuable to society.

This is reflected by Timmermans and Epstein (2010) who warn that when new standards are introduced to a professional group there is risk that the intentions of them will be lost. Although the participants did note that some increase and modernisation to keep up with global trends in standards is needed, the way it had been implemented in reality did not benefit them. One of the explanations for this could be that the increase in standardisation and removal of autonomy, coupled with the profession's push to reclaim legitimacy, may have changed the purpose of auditing seen by individual auditors. As discussed in section 5.2, having a clear purpose in auditing and an embedded duty, strengthens professional identity, which as supported by Warren and Alzola (2009). However, these findings suggest this has been removed, and reflect what

Windor and Warming-Ramussen (2007) warn, where they found increasing regulation and standardisation can hinder an auditor's motivation to be independent *in-fact.* When purpose, autonomy and professional identity are removed, the motivation to be independent *in-fact* is too (Reiter & Williams, 2004; Windor & Qarming-Ramussen, 2007; Warren & Alzola, 2009). Since the social contract between the profession and society relies on trust in their legitimacy and is underpinned by the principle of independence, the profession's increased focus on independence *in-appearance*, rather than *in-fact* may be in reality weakening this contract.

Interestingly, as will be discussed in the following section 5.2.2 in this chapter, the pre-Enron group's concerns on how this has impacted the current auditing profession was confirmed in the findings discussed by the post-Enron group. Like the literature discussed in this section suggest, the participants the pre-Enron group described how these changes had impacted the auditing profession, identifying the current profession as a new one to what they had experienced in their auditing careers. The following section will consider this new profession, and the findings discussed in section C of chapter four, which indicates that the mechanisms used to reclaim legitimacy, have created a new profession that is very different to the one described by the pre-Enron group.

5.2.2 Discussion of The New Profession: "*They've created an army of obedient auditor's*".

Section C of chapter four showcased the findings of five core themes found in the analysis of the data collected for this research. These themes were theme nine: Reclaiming legitimacy to increase trust part 2, theme ten: Blame avoidance, theme eleven: Creating an obedient auditor and a complicit profession, theme twelve: Purpose and Identity of the modern-day auditor, and theme thirteen: Unmotivated to be independent *in-fact*. Section C focused on the findings and narratives surrounding what was termed as the 'New Profession' by participants that made up the pre-Enron group and those that came into the profession soon after the Enron-Arthur Andersen scandal in the early 2000s. An exploration of the findings and narratives from participants that joined the profession post-Enron was presented in section C of chapter four, and through the analysis the researcher observed how these narratives and opinions were vastly different to the discussions had with the pre-Enron group.

Table 5.4 below highlights in blue the summary of findings from the post-Enron group in the third column.

Table 5. 4 Summary of findings

The Old Profession	The Changing Profession	The New Profession
A role with a purpose: Pre-Enron group participants explained that having a role with a clear purpose that had meaning and value was a strong part of their lived experience of audit and independence.	**Reclaiming legitimacy to increase trust part 1:** Pre-Enron group participants and those in the Post-Enron group that joined the profession soon after 2001, identified an era of change in which the profession's focus shifted towards proving legitimacy.	**Reclaiming legitimacy to increase trust part 2:** Both the pre- and post-Enron group describe ongoing efforts to increase the observed legitimacy of the profession.
Freedom of choice, autonomy and agency: Pre-Enron group participants identified freedom and agency to make independent and autonomous decisions and judgements allowed them to be independent and act with integrity towards wider profession purpose for society.	**Verifying independence in-appearance:** Pre-Enron group explained that increased pressure to prove existence of independence through demonstrating it in appearance, became a core role for the auditor, and a mechanism to reclaim legitimacy.	**Blame Avoidance:** The post-Enron group expressed a culture of blame avoidance in the profession. Increasingly focused on distancing themselves from others (wrongdoers) and denying ongoing issues were the profession's fault.
Identity and Duty: Pre-Enron group participants explained that they had a strong professional identity which was strengthened by a sense of duty towards the profession's aim to improve society.	**Removing autonomy and human judgement:** Pre-Enron group expressed that their ability to make autonomous decisions and independent judgements began to erode and were increasingly controlled by procedures and rules.	**The creation of obedient auditors and complicit profession:** The post-Enron group expressed a culture that was focused of verifying they had followed procedures, a fearful role that threated expulsion if rules weren't followed. Further demonstrating mechanisms of reclaiming legitimacy and the long-term impact these have on auditors.
Motivated to be independent: Pre-Enron group participants expressed that the above themes both allowed and motivated them to be independent in-fact (mind).	**Standardisation of audit and independence:** The pre-Enron group identified this as a moment of increased standardisation in what to do and how to think. This was a clear mechanism used to reclaim legitimacy.	**Purpose and identity of the modern-day auditor:** Post-Enron group had low professional-identity with audit, more inclined to identify with firm/employer. Furthermore, they indicate less awareness of the social impact and purpose of auditing and the profession. Many have or plan to leave the profession. **Unmotivated to be independent in-fact:** Post-Enron group felt that independence was a less important principle in practice, showing different understandings of the concept. Often describing it as a physical concept rather than a state of mind.

The findings in section C indicate that although participants from the post-Enron group have similar understandings of independence and the social purpose of auditing to each other, these were different to those opinions that were discussed in section A by the pre-Enron group. Firstly, the findings from this group show that a push to reclaim legitimacy in the profession has continued to date. This was attributed to ongoing increases in standardisation that created constraints in the ability to do audit work by both pre- and post-Enron participants. Notably, a change in culture was observed by the pre-Enron group and confirmed by the post-Enron group, where a focus to "s*tay out of the limelight"* and "*showing compliance to avoid fines*" was a common opinion. These findings illustrate that the auditing profession in the UK continues to use techniques to reclaim legitimacy when ongoing scandals happen, such as increasing standardisation, encouraging scapegoating and lowering institutional logic through developing obedient auditors. These findings expand Chandler, Edwards and Anderson's (1993) work that suggests the profession tackles situations that force them to reclaim legitimacy, when they occur. However, with issues in auditing continuing, these findings further suggest that the way in which the profession is reacting, may not be reclaiming the legitimacy they lost, and instead deepen issues that are causing falls in trust in the profession.

An interesting theme emerged from the analysis of the post-Enron group, in connection with avoidance of blame. This manifested in a number of ways, but mostly consisted of stories that explained a core aspect of their role was to protect themselves from blame during times of heightened public scrutiny. The post-Enron group also tended to strongly distance themselves from other firms in the profession, showing an *'us and them'* culture. Blame avoidance is a common technique used to reclaim legitimacy, as discussed by Guénin-Paracini and Gendron (2010) who explain that when major crisis occurs, instead of blaming themselves, groups turn towards blaming others. Specifically, in their research, Guénin-Paracini and Gendron (2010) find that in the aftermath of the Enron-Arthur Andersen scandal, this technique of blame avoidance turned into scapegoating, where the auditing profession as a whole, rallied together to sacrifice Arthur Andersen (see: section 2.7, chapter two). Although their research focuses on the aftermath of the Enron-AA scandal, it is clear from the findings presented in section C, chapter four, that the profession today still has

a culture of blame avoiding through scapegoating other firms. Further of interest is Whittle, Mueller and Carter's (2016) research into accountability and professional legitimacy in the UK audit market, in the aftermath of the Financial Crisis. They noted that one of the ways in which the auditing profession attempted to claim legitimacy when faced with scrutiny over their role in the lead up to the crash was complete denial of wrongdoings (Whittle, Mueller & Carter, 2016). Specifically, they found that heads of the Big Four firms declined to admit legitimacy in the profession had been lost in the first place. Similar blame avoiding techniques can be seem in the findings in section C, where some post-Enron group participants said they felt scrutiny on them and their peers was uncalled for. However, there was clear attempts amongst these participants to also distance themselves from other firms in the profession, specifically those who had been scrutinised (for example, KPMG in the Carillion collapse). Again, this is consistent with Guénin-Paracini and Gendron's (2011) research, which these findings suggest blame avoidance and scapegoating is a continuous technique used by the profession to reclaim legitimacy.

The findings in Section C further indicated a stark change in the culture of auditing, and a noticeable consequence of this change was theme eleven, creating obedient auditors and an overall complicit profession. For example, the pre-Enron group explained that this move to a more obedient set of auditors was a core change they witnessed in the profession. This was further stated by post-Enron participants, who attributed this obedience culture to threats of being excluded in auditing teams, a culture of learning to pass, rather than develop knowledge in qualification training and pressure from regulators to do what they're told. This could be an indication that in their push to uphold the social contract the profession has with society, the profession is inadvertently shifting the institutional logic, as discussed in section 2.7 chapter two and illustrated by Figure 2.2. Suddaby and Greenwood (2005) explain, legitimacy is reclaimed when the profession lowers the institutional standard to the one that occurs when scandals happen. Indeed, these findings suggest that standards in auditing have shifted from a more duty and purpose driven one as discussed in section A, to a more risk-adverse, reputational focused one, as seen in section C. It is concerning that, although this is a quick fix for legitimacy at the time of scandals, the standard in practice continues to be lowered. Likewise, this was a

key finding in recent investigations by the Kingman and Brydon reports and was raised as a concern in the Keynote speech on the future of audit by Rachel Reeves MP (2019). A consequence of this, the author believes, is the drastic difference in what current auditors see as their purpose and indeed the lack of identity they have with audit today.

The purpose, duty and identity of auditors today differs from those who joined the profession pre-Enron. As found in section A and discussed in section 5.2 of this chapter, having a role with a purpose gave auditors a strong sense of professional duty and identity. This in turn was found to be a core motivational factor for auditors to uphold the core fundamental principle of independence in audit and allowed auditors to see the role they played in the wider social environment. This is important and is reflected in literature by Mautz and Sharaf (1964) and Flint (1988) who explain that auditing provides value to society through holding those in power to account. The post-Enron participants have less aspiring views of the role of auditing today, with many explaining they have or plan to leave to pursue careers in fields with more challenge and autonomy. Interestingly, as noted in section A, having autonomy to make independent decisions and agency to fulfil the role of an auditor was a core value professional auditors needed.

The post-Enron group's narrative around the purpose of auditing was very centred around the audited entity and their shareholders. When asked about the purpose of audit, interviews from this group highlighted a tendency to use the word 'client', thus giving the sense that the post-Enron group saw themselves as service providers rather than "*guardians of money*" as identified by the pre-Enron group. Further, the post-Enron group did not see their role as an accountability tool, rather, a stability measure for public interest entities and their shareholders. They often saw their own responsibility was towards the shareholders as well as their audit leads and partners. This was a significantly different thread of narratives compared to the pre-Enron group. Of interest was AUDITP6 who came into the profession in the early 2000s and who said they had noticed a change, specifically around the level of assurance and how the role of auditing had become heavily mandated. Alongside this, the findings highlighted that the professional identity of the post-Enron group was also different to those in the pre-Enron group. As seen in table 4.5, many of the post-

Enron group identified as accountants rather than auditors and all saw their wider identity with the firm they worked for, rather than the wider profession. Likewise, many of the post-Enron group expressed that they did not see a future in auditing long-term, with some of the group indicating that they recently left to pursue more specialist careers elsewhere or, had already started this transition. This indicates that these participants, unlike those in the pre-Enron group, did not ever fully identify with the professional identity of an auditor. As discussed in section 2.7.2, chapter two, Michaelson *et al.,* (2014) explain careers play a significant role in an individual's life, therefore finding one with a strong purpose that instils professional identity will strengthen their sense of belongingness. If the post-Enron auditors have not felt this in the beginning of their careers, this could be why they choose to move on to a different career path. However, this further indicates that the profession itself has failed to strengthen the modern-day auditor identity, which is supported by Brouard *et al.,* (2017) who, as discussed in chapter two, clarify that the early stages of auditor identity formation, is directly impacted by the profession's influence.

Lastly, section C concludes with the post-Enron group's understanding in the principle of independence. The group expressed their understanding of independence was based on what was said in the FRC's Ethical Standard and its definition. Other post-Enron participants noted that the principle of independence and the definition was 'drilled' into them at college, whilst undertaking their professional exams. Some of the participants that had left auditing noted that there was a big difference in the way independence was taught to them in university compared to professional college, explaining that the former took a more philosophical approach. post-Enron participants also recalled how the standards effectively limit the ability to be independent, which was reminiscent of the conversations had with the pre-Enron group that an increase in standardisation had shifted the profession to verify independence *in-appearance* rather than focus on *in-fact.* None of the post-Enron group considered independence to be a 'state of mind' like their peers in the pre-Enron group. One of the reasons for this could be due to a lack of purpose and professional identity within the auditing profession. This explanation is consistent with research by Bauer (2015) who found that auditors with a lower level of professional-identity would in fact be more inclined to side with their

clients and therefore their motive to be independent *in-fact* decreases. What the findings from section A through to section C indicate, is that over time the mechanisms (such as strong sense of purpose and autonomy) that strengthened auditor motivation to be independent, have slowly been eroded.

Like figure 5.2 and 5.3, the following figure (5.4), demonstrates the impact of these factors on individual auditors, and how this impacts the social contract that exists with society.
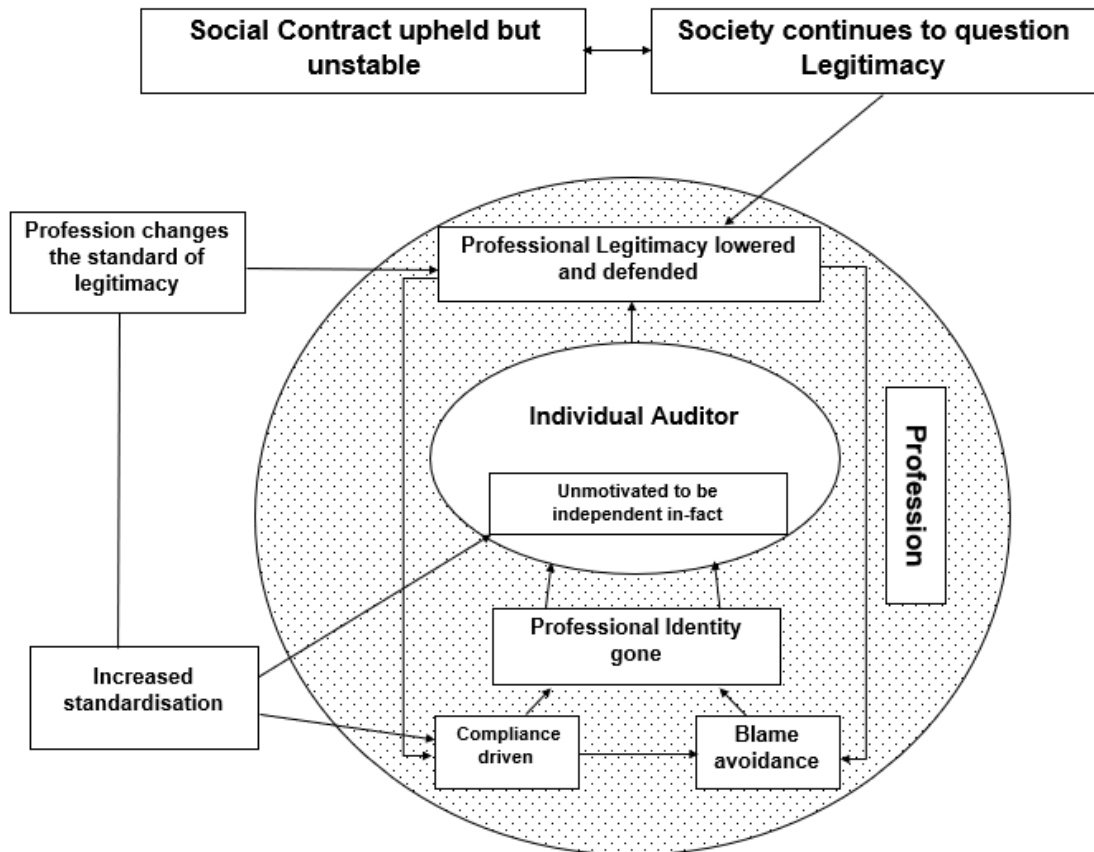
Figure 5. 4 Continued reclaiming of legitimacy and the impact on the individual auditor

These findings show that through increasing calls to prove their legitimacy as a profession an almost invisible by-product of this has been a slow deterioration of the independent professional auditor that once was. As Social Contract Theory indicates, the profession must provide utility for society if it wishes to uphold it. Although it is clear efforts have been made to reclaim the legitimacy lost after ongoing scandals, these findings suggest that this has been through a short-term lens and little implication on the long-term effects of the mechanisms used have been considered.

The following section in this chapter will consider possible explanation for these findings in the context of literature discussed and reviewed in chapter two.

5.2.3 Evaluation of findings

There are several possible explanations for these findings. As discussed, one likely cause could be a short-term outlook on reclaiming legitimacy to uphold the social contract that exists between profession and society. It is clear from the discussion in this chapter, and the findings in chapter four, that the profession used techniques to reclaim the legitimacy it lost in the aftermath of the Enron-AA scandal. These techniques were explored in the findings section B and participants noted that there was a clear push to verify independence *in-appearance* as well as an increase in standardisation which participants described as a removal of their individual autonomy.

It is important to note that professions in general, as explained by Abbott (1988), need standards. As explained in chapter two, what makes professions different to organisations is their expertise and specialism in an area that requires a specific set of skills and knowledge (Carr-Saunder & Wilson, 1934; Abbott, 1988). Those skills need to be built upon extensive training, in the case of audit in the UK, professional membership is obtained through a mix of exams and hours on the job. The auditing profession has standards that informs members what to do and how to do it, with standards of behaviour and ethics. However, what this research has found is that there is a point at which these varying types of standards become a barrier. Indeed, the technical standards in auditing such as the ISAs are important and give clear and expert advice to auditors, which enables them to do their role. Nevertheless, this research highlights a growing concern by individual actors in the profession that this is causing a shift in the purpose of auditing and the identity of auditors. This was warned by Power (1997) who foresaw an increase in verification even before the Enron-AA scandal happened. Indeed, Matthews (2006) and Turley (2008) both highlight regulatory changes were being considered prior to the scandals that occurred in the early 2000s. Likewise, an increase of concern into the professional and ethical commitments by auditors, and how that has impacted their ability to be independent has been raised by scholars (e.g. Gendron *et al,* 2006; Samsonova-Taddei & Siddiqui, 2016; Sikka, 2018). Yet, it could be considered that when these scandals occurred, a panic was felt by the

profession in the UK, which saw a swift turnaround to increase regulation and standards. The outcome of which has caused a change in the essence of audit, the purpose of which has been changed. Humphrey et al (2021) explain that despite constant promise of improvements, when change occurs, it does little to rectify persistent issues within the profession. Like this research has questioned, Humphrey et al (2021) also raise concerns around what audit stands for today, and similar to the authors opinion from conducting this research, is audit a broken system, or can it evolve back into something valuable for society.

Another explanation is the increasing commercialisation of the auditing profession and its impact on the purpose and identity of auditors. What is quite striking in these findings is the increasing use of the term "*client*" used by the post-Enron group. Recently, Dermarkar and Hazgui (2020) considered how individual auditors legitimize the clear conflict that occurs from their now commercial and professional commitments. Like this study has found, there is a much more concerning and complex relationship between what commercialisation has done to the professional commitments of auditors in the UK (Dermarkar & Hazgui, 2020). Indeed, these findings show that there has been a clear shift in the auditors understanding of their own responsibility and the purpose of their role, what is of interest but also of significant concern is how commercialisation has impacted this – perhaps for longer and more damagingly than both the research and professional audit community originally thought. As seen in chapter four, section C, today's auditors see the entities being audited as a client who they are inherently there to serve. As Hanlon (1994) highlighted, there was increasing concern that auditors were moving towards a more blatantly commercial role. Hanlon (1994) explained that this was more prominent in the Big Six (now merged and known as the Big Four). Indeed, calls for drastic improvements back then have clearly been ignored by the profession, which has continued to commercialise auditing today. This research indicates what the long-term effects of this have been, where we now have a profession built on satisfying clients' needs, and demotivating auditors so much they see their role as a springboard to higher, better things outside of audit. Increases in commercialisation combined with pushes to reclaim legitimacy lost can also explain the change in culture impacting auditors. As

shown in section C, pressure to abide by the rules in firms was highlighted by the post-Enron group. Like Guénin-Paracini *et al.,* (2014) found, auditors today are faced with impossible tasks to find all errors in accounts, creating a culture of fear. These findings suggest that this has not been addressed by the wider profession, and perhaps regulators and firm leaders are too focused on proving legitimacy to allow continued commercialisation and growth in other fields of expertise. Commercial drive could indeed be creating an inherent blind spot for the profession's leaders and regulators, where the issues raised in this research are going unseen and unaddressed.

Both of these issues could also explain the why the pre-Enron group felt their autonomy had been removed. It is clear from the discussions with participants in this research, that increased standardisation on what they can do and must do has eroded the ability to be flexible, make quick decisions and particularly hold those in power to account. In essence, this removes the ability to be independent in mind (*in-fact*). These findings indicate that as warned by Timmermans and Epstein (2010), increases in standardisation can risk the autonomy of professional individuals. Indeed, as has been demonstrated by this research, an ongoing push to reclaim legitimacy in the hope of strengthening the social contract has caused a boom in standardisation of auditing. Although the profession itself remains semi-autonomous through self-regulation, the individual auditors have lost their agency to make independent decisions, such as to challenge management about something they are sceptical about but the standards do not suggest. As highlighted in section C of chapter four, this in turn is causing a growing number of freshly qualified auditors to seek more challenging and autonomous roles. The profession has an opportunity to enhance the purpose and identity of the modern-day auditor, but they will first need to address the issues presented in this research.

The findings of this research add to the current understanding of auditing in a number of ways. It is clear that actors within the profession, and those who have since left, have significant concerns for its future. Although investigations into the legitimacy of the auditing profession along with the impact of commercialisation have been explored prior to this research, the findings here present fresh perspectives. The contribution of this thesis will be discussed in

the next chapter, which includes the contribution to theory, existing knowledge, methodological understanding, and auditing practice.

5.3 Conclusion

This chapter has discussed the findings explored in chapter four and has highlighted where this research sits in the body of knowledge surrounding the field of auditing research. This chapter discussed the core findings from each group of participants (pre- and post-Enron) in chapter four, commenting on what these findings show and support. This chapter further evaluated potential explanations for these findings in drawing upon core theoretical understandings from the literature review in chapter two.

The following chapter (Chapter six) will provide a conclusion to this thesis. It will review the original research questions highlighted in chapter one, and how the findings in this research have address them. The next chapter will also demonstrate the contribution of this thesis, which is fourfold. In addition, the following chapter will provide potential avenues for future research, as well as directions for practice to consider.

Chapter Six: Conclusion

6.1 introduction

This chapter will begin by reviewing the original research intentions and the research-gap this thesis aimed to address as set out in chapter one. An overview of the research methods employed will be discussed together with details of how the research questions have been answered by the findings in chapter four and five. This chapter will then go onto discuss the four contributions this thesis has towards theory, existing knowledge, methodology and practice. Following this, consideration for future directions of research will be explored, which consider the unanswered unique questions found from this research and its contribution to theory, knowledge, and methodology. Finally, this chapter will conclude with a summary of this thesis.

6.2 Summary of the research intentions

The opening quote from Rachel Reeves MP (2019), in her keynote speech on the Future of Audit in chapter one, perfectly encapsulates the motive behind this research. Ongoing audit scandals have been at the forefront of financial and business public inquiry over the past two decades, and onlookers, including the author of this research have been left puzzled as to why the profession simply does not improve.

"*Audit is not broken but has lost its way*" – Sir Brydon CBE, 2018, p.4

Indeed, the author has been fixated on this troublesome statement for some time, long before the public enquiries that led to the above quote by Sir Brydon came to be conducted. As discussed in section 1.4 of chapter one, the motivation for the work was the simple hope for a profession to be and do better. Naturally, this request for a better profession led to further questions, starting from the current social benefit and purpose of auditing today. Why do we need audit? and as contemplated by the researcher, what is its purpose?

Previous experience from past studies gave the author an understanding of auditing as a professional phenomenon. The author knew that this phenomenon was built upon the principle of independence and after undertaking a review of existing literature (Chapter two) found that as a profession, independence was a

core principle that gave the profession legitimacy which upheld the social contract that exists between the profession and society. Yet, witnessing ongoing public scandal that specifically highlighted the lack of independence, and therefore reduced the legitimacy of the profession, the author began to see relationships between independence, the social purpose and contract of audit and its legitimacy. After conducting a review of existing literature (chapter two) these suspected connections transformed into this research enquiry aim and developed the research questions stated below (Table 6.1) and led to the data collection discussed next.

Aim: To understand the impact of reclaiming professional legitimacy has on auditor independence and the Social Contract of audit.
Thesis Research Questions
1. What purpose do auditors have in society today?
2. What changes have impacted auditor's ability to be independent?
3. How is the fundamental principle of independence understood across the profession, and does this differ?
4. What motivates auditors to uphold the principle of independence and therefore the profession's legitimacy?

Table 6. 1 Thesis aim and research questions

6.2.1 Summary of research method

To answer the research questions in table 6.1, the author conducted a qualitative research method through interviewing those in the auditing profession. Data for this thesis was collected through semi-structured in-depth interviews with 20 individuals who were part of the auditing profession, past and present. As discussed at the end of chapter two, the author aimed to develop an understanding of auditors' perceptions of the purpose of audit as well as independence as a phenomenon from those that had experience in the profession. Furthermore, it was a key interest of the author to see if these perceptions differed across the profession and to uncover the meaning behind the purpose of audit and independence from auditors themselves. Due to the nature of phenomenological enquiry, techniques were employed known as bracketing, through the use of flashcards, to strip back participants' preconceptions of the purpose of auditing and independence. Here, participants used words to define what independence meant to them and were encouraged

to reflect on their understanding. The benefit of conducting semi-structured interviews allowed the discussion with participants to develop a rich insight into their lived experience of audit, understanding why they joined the profession and what audit meant to them as a social phenomenon. This data was analysed through an Interpretive Phenomenological Approach (IPA), which is concerned with detailed exploration of the lived experiences of people, in this case auditors. The researcher adopted the method of IPA presented by Storey's (2015) four stages of IPA with supporting guidance on Thematic Analysis by Braun and Clarke (2021). This allowed the author to ensure transparency, consistency and rigour in the analysis methods conducted, with a hope it will guide future researchers in understanding how to conduct analysis of qualitative data in a similar way.

The analysis of each interview uncovered that there was a striking different in the narratives and understanding of audit and independence as a phenomenon. This led to the discovery that there seemed to be two groups of auditors within the research sample, those that joined the profession before the Enron-AA 2001 scandal, and those that joined afterwards. It was clear (as discussed in chapter three) that the lived experiences of these two groups was different to one another. Therefore, the researcher split these groups into two, the pre-Enron group and the post-Enron group, so that in writing the findings (chapter four) from the data collected, this difference in experience was clear. The analysis of the narratives from these two groups illustrated how the auditing profession had changed over time. Specifically, as noted by participants of this research three eras were identified, "*The old profession*", "*The changing profession*" and, "*The new profession*". This difference in the participants' epoch gave the author insight to structure chapter four (Findings) into these three different sections, to showcase how the understanding of the purpose of auditing and the identity of auditors had changed overtime, and how these changes had impacted the participants' understanding of independence.

The following four sections in this chapter will demonstrate how the data collected for this research have contributed to answering the four research questions that this thesis aims to answer.

6.3 Research question one: What purpose do auditors have in society today?

Research question one aimed to discover what auditors perceived as their social purpose today. From chapter two, it was found that the purpose of auditing had changed over time, most recently influenced by a rise in commercialisation into new realms of specialism by the profession (Hanlon, 1994; Citron, 2002; Shore & Wright, 2018; Dermarkar & Hazgui, 2020).

It was found in chapter four, further discussed in chapter five that the perceptions of the purpose and role auditors have in society has changed quite drastically over the past two decades. This difference was highlighted by the various understandings of the role auditors plays in society and the profession's fundamental purpose by pre- and post-Enron groups. Specifically, as noted in section A of chapter four, participants who made up the pre-Enron group recalled having a clear understanding of the social purpose of auditing, citing they were "*guardians of money",* there *"to do good"* and, "*hold those in positions of power within companies to account".* Participants who joined the profession before 2001 explained that this social purpose, and the embedded duty to audit for society as a whole, was a reason and motive to becoming auditors. They expressed that this was a motivating factor for joining the profession and the purpose of auditing was a clear vision shared. In essence, the pre-Enron group expressed that their understanding of the wider purpose of their role and the broader profession was to benefit society.

However, as discussed in section C of chapter four and further highlighted in chapter five, this understanding of the purpose of auditing and its role in society was not expressed in the same way by the post-Enron auditors. Many of the post-Enron group saw their purpose and duty was towards the entities they audited. Specifically, this group highlighted that they were "*providers of stability to shareholders"* and that they were duty-bound to their audit leads and partners. The post-Enron group did not identify their role as one that was there to benefit society and did not express a perception of understanding the social impact of auditing. In fact, the post-Enron group often saw their role as an impossible one, in which total assurance would never be provided and the public who scrutinises this, is wrong and ill-informed about their reality. For

example, the post-Enron group citing *"they* [public] *don't have a clue what audit is!"* and regarding public perception of audit, *"we can only do so much"*.

The analysis of the interviews highlighted some of the core themes that were attributed to this difference in experience and opinion. As discussed in chapter five, a core theme that came through in the analysis was the continued effort to reclaim the legitimacy the profession has lost due to ongoing scandals that negatively impacted its reputation. The findings of this research indicate that the techniques used to reclaim this legitimacy have had a clear impact of auditors' understanding of their purpose and the way the wider purpose of the profession impacts society. This includes an increase in verifying independence *in-appearance*, a push to standardise the role of an auditor, which has in turn created a hostile environment where little focus on the wider social implications of auditing is considered. This reflects more contemporary concerns raised by authors in the academic field of auditing research such as Samsonova-Taddei & Siddiqui (2016), Dermarkar and Hazgui (2020) Humphrey et al (2021), Sikka (2021) and Samsonova-Taddei and Gendron (2022). The implications of these findings will be discussed further in section 6.7 of this chapter, onwards.

As found in chapter two, the fundamental principle of independence upholds this Social Contract between the audit profession and society. Independence as a concept, gives the profession legitimacy which instils trust from society. Therefore, it was important for this research to understand if any changes to the profession had impacted an individual auditor's ability to *be* independent, that is to be independent *in-fact*. The following section will discuss how this research question has been answered by the data collected for this thesis.

6.4 Research question two: What changes have impacted auditor's ability to be independent?

Research question two aimed to discover if any changes made to the profession over time had any impact on the abilities of auditors being independent. As found in chapter two, independence as a phenomenon can be broken down into two concepts. The first being independence *in-fact* which describes an auditor's independence as a state of mind (Flint, 1988) and the second, independence *in-appearance* which provides auditors the ability with which to *prove* their independence, through reducing visible conflicts (Beattie & Fearnley, 1999). It was further discovered from chapter two that techniques

employed by the profession to reclaim legitimacy had occurred over time, and it was, therefore, the intention of the author to understand if these techniques presented themselves as noticeable moments of change and to explore whether they had impacted the ability of the participating auditors in this study ability to be professionally independent.

The findings from chapter four and further discussed in chapter five, indicate that changes made to the profession over the past two decades have indeed impacted auditors' ability to be independent *in-fact*. Furthermore, this has not been described as a positive change from individuals who took part in this research. As seen in section A of chapter four, participants in the pre-Enron group expressed a clear motivation to be independent *in-fact*, which was universally encouraged through an embedded duty to do good and benefit society. However, the same group reflected that core changes made to reclaim lost legitimacy had significant implications on their ability to be independent *in-fact* as well as eroding the motivation discussed in section B. The pre-Enron group described how a push to reclaim legitimacy, and therefore uphold the Social Contract, introduced a shift in focus towards proving independence *in-appearance.* Alongside this, increases in standardisation coupled with tightened restrictions on what auditors can and cannot do, was described as a limiting factor on their ability to be independent *in-fact.*

The implications of these changes were further discussed by the post-Enron group. These were reflected on in a different manner, due to the fact most of the post-Enron group did not experience the direct implication of the changes made in in the early 2000s (discussed in chapter two, 2.7 and chapter four, section B), but nonetheless discussed as limiting their ability to be independent *in-fact.* Many of the post-Enron group explained that for them, independence was seen as a 'tick box' exercise, something of which they were aware but not particularly focused on. Although many of the post-Enron group described the push to verify independence *in-appearance* as an annoyance, they saw it as a rule rather than an embedded principle that underpinned auditing. Some of the post-Enron group explained how they felt independence was impossible due to restrictions from standards and regulation. Specifically, the post-Enron group reflected that the tediousness of the role arising from increased standardisation had led to an inability to deeply think about independence on a day-to-day basis. This finding

is concerning due to independence being such a fundamental principle that underpins the profession's legitimacy. Like discussed in section 2.7 onwards, independence is more than just a characteristic of audit, it is a fundamental essence to the ethics of audit and the professionalism of individual auditors (Bazerman & Sezar, 2016). The implications of these findings will be discussed later in this chapter but draw similar conclusions to authors such as Humphrey et al (2014), Samsonova-Taddei and Siddiiqui (2016) and Sikka et al (2018).

The following section will explain how this research gave insight into the role independence plays in the Social Contract between the audit profession and society. Specifically discussing how the findings answer the research question three that aimed to discover how independence as a central phenomenon to audit in the UK is understood and if at all this understanding differs across the profession.

6.5 Research question three: How is the fundamental principle of independence understood across the profession, and does this differ?

Similar to research question two, research question three aimed to uncover the meaning behind the fundamental principle of independence from those within the profession. As found in chapter two and discussed by Citron (2002) as well as Baurer (2015), changes to the profession can lead to different understandings in core concepts, such as independence. It was, therefore, important to understand not only if changes made impacted the ability to be independent *in-fact,* but to discover if the understanding of this integral concept was understood by participants in the same way or not.

In order to address this research question, the author used the bracketing technique and brought in the use of flashcards. The author wanted to remove preconceptions, by essentially putting the prepared cards in front of participants; encouraging them to discuss the embedded meaning of independence in a detailed way. The words and terms used to describe their individual understanding of the concept independence can be seen in tables 4.2 and 4.6, for the pre-Enron and post-Enron group respectively. Similar to the previous research questions one and two, the findings in the analysis of this question saw significant variances in the way both groups understood independence as a phenomenon.

The core finding that answers this research question was that the understanding and interpretation of independence as a phenomenon differed across the participants in this research that came from the auditing profession. Specifically for the pre-Enron group, they used similar terminology to describe what independence meant to them. Many of these participants expressed that independence as a concept was about the individual auditor mindset. Participants in this group wrote on blank cards available to them in the interview, adding words such as "*mindset", "attitude",* and "*state of mind"*. This was in line with the concept of independence *in-fact* as defined by Flint (1988). The cards and the findings explored in chapter four saw that the participants that made up the pre-Enron group attached the concept of independence to that of a personal one. To them, it was reflected in the individual and in turn (discussed further in section 6.6) was an embedded duty of an auditor.

As discussed, this was different to the words and phrases used to describe what independence meant to them, by the post-Enron group. Many within this group used '*Objectivity'* to describe what independence means to them, however when probed on what objectivity meant, those who picked this word referred to the standards. This illustrated a more standardised understanding of independence in the post-Enron group, which reflects the implications of changes made in the profession. Other words and phrases used were linked to the idea of independence *in-appearance* more than *in-fact*, as seen in by the pre-Enron group. Words such as '*abide the rules', 'free from interest'* and '*a tool used to improve trust*' implied a more physical, appearance-based understanding of independence. This reflects what was a raised as a concern by the pre-Enron group and has been something that the academic research field of auditing has raised on numerous occasions as a warning to the profession, which is that increasing standardisation in a profession that requires autonomy for professional judgement can hinder ethical and professional commitment (Gendron *et al,* 2006). The implications of this finding will be discussed further later in this chapter.

Further discussed in chapter five, this indicates that the push to reclaim legitimacy to uphold the Social Contract of auditing, may be having an impact on the contemporary understanding of independence. This is critical when we consider the commercialisation of audit happening concurrently, as described

by Hanlon (1994); Power (1997); Citron (2001), Picard (2015) and Dermarkar and Hazgui (2020). The implications of this will be discussed later in this chapter.

As was clear from the analysis and discussion in this thesis, the fundamental concept of independence was understood and interpreted differently across the members of the profession that were part of this research. Further to understanding how auditors perceived independence, the author developed the following research question four, which will be discussed in the next section. This research question, the final of four, aimed to understand the deeper context of what supports and motivates auditors to be independent, specifically in mind (*in-fact*). The findings will be summarised to show how this research question was answered.

6.6 Research question four: What motivates auditors to uphold the principle of independence and therefore the profession's legitimacy?

Research question four aimed to get a deeper understanding of what motivates auditors to be independent *in-fact*. As discussed in chapter two, the concept of independence can be broken into two, with *in-fact* being centred on the auditor's mental ability to be independent. Understanding what motivates auditors to uphold this was of interest due to the lack of prior research focusing on this question. Chapter two uncovers that for the profession's Social Contract to be upheld, they must show professional legitimacy to the public. As a core principle underpinning this legitimacy, independence and, more specifically, why auditors uphold this principle was a key investigation in this research. Many of the themes found and discussed in section A of chapter four related to the ways in which the pre-Enron group had support that encouraged them to be independent *in-fact* from the wider profession itself. However, both the pre- and post-Enron group describe these factors of motivation as mainly non-existing today. Specifically, themes discussed in section A in chapter four, illustrated that a strong sense of professional purpose in their role, inspired a clear professional identity and duty as an auditor. Alongside this, having autonomy and agency to make independent decisions strengthened this professional identity which, was described by the pre-Enron group as a clear motivation to be independent *in-fact.* The group explained that being able to do their role with

agency to ask questions and challenge management, created a strong professional identity that was aligned with the expected duty of the profession. This duty being built upon the social purpose of auditing.

As in Section B of chapter four, the pre-Enron group describe how this began to be eroded. The group made explicit connections to the push to rebuild reputational damage in the aftermath of the Enron-AA scandal (reclaiming legitimacy). As discussed in section B and described by the pre-Enron group, this was an era of change and although the group expressed the view that they understood why those changes occurred, they reflected two decades later that these changes did not deliver a good outcome. Many in this group warned that the 'New profession' was one that took little responsibility for the scandals that continued to occur. Further, participants in the pre-Enron group explained that they viewed the new profession as a group of '*Armchair auditors'* and said they were '*acting obediently'* as well as the profession itself being *'too complicit'.* Interestingly, there is significant concern being raised by research think-tanks such as Accountancy Europe that the moves made by FRC post-Carillion in response to BEIS investigation risk a more tick-box approach to audit, which is what many of the participants in this research said was already apparent.

These findings coupled with the core themes that were discussed in section C, reflect what the pre-Enron group discussed about this 'New Profession'. Many of the post-Enron group participants had negative views of the profession itself and described a professional culture of blame-avoidance and an environment which pressured them to comply. This was more recently seen in the media when KPMG was blamed for scapegoating a junior auditor for their failures in reporting financial concerns around the going concern of Carillion (O'Dwyer, 2022). In a harshly different narrative to the one provided by the pre-Enron group in section A, section C displayed the post-Enron group blaming other auditors and firms, or even neglecting to acknowledge any responsibility for continued wrongdoings in auditing. This group also expressed a view that the role of an auditor was a stepping-stone or '*springboard job'* which they planned to use to get careers in areas that had more challenge and autonomy. Furthermore, the post-Enron group gave examples of a harsh culture in which threats of being sent off to secluded towns across the country were used to pressure them into doing something that *'felt wrong',* Discussed in section 4.8.2,

Section C, chapter four. These findings similarly reflect the contemporary findings of de Vries et al (2022) who found reflexive accounts from trainee accountants showed compliant behaviours or, when raising concerns, they often fell on deaf ears.

Chapter five considered possible explanations for this change, and perhaps a common thread is the growth and speed at which firms are developing into other realms of specialism may be to blame. Certainly. what these findings do suggest is exactly what Sir Donald Brydon CBE and Rachel Reeves MP expressed and which was outlined in chapter one. That audit has indeed clearly *'lost its way'* and this shift to avoid blame and professional responsibility used to reclaim legitimacy has led to a below-standard profession beset with problems. For researchers in the auditing field, this thesis can bring a more critical and deeper understanding of what has happened to the profession in the UK. The implications of which should be considered by both academics in future research and the profession in designing, developing and implementing changes to practice and policy.

The following section will draw the findings and answer to these research questions together, to demonstrate how this thesis has reached its overall aim. Following this, this chapter will then discuss the implications of these findings on practice and knowledge and potential avenues for future research.

6.7 Bringing it all together

The aim of this thesis is to gain a deeper and contemporary understanding of the impact reclaiming legitimacy through independence has on the Social Contract between audit and society.

The most ancient of all societies, and the only one that is natural, is the family: and even so the children remain attached to the father only so long as they need him for their preservation. As soon as this need ceases, the natural bond is dissolved. The children, released from the obedience they owed to the father, and the father, released from the care he owed his children, return equally to independence. If they remain united, they continue so no longer naturally, but voluntarily; and the family itself is then maintained by convention.

- Rousseau, 1774, as quoted by Cole, 1973.

Reflecting on the findings in this research and the quote above by Rousseau describing the only natural Social Contract in societies, it illustrates how this contract exists. The second half of this quote exemplifies that the Contract exists voluntarily and is maintained by agreed upon conditions. Exploring the literature surrounding the purpose, legitimacy, and social contract of professions in chapter two, demonstrates how the auditing profession does indeed have the same invisible and voluntary contract with society. So long as the profession upholds this contract, society will have trust in it and so long as society trusts the profession, the profession will continue to be seen as legitimate. However, these findings suggest that not only is an imbalance of value being given in this contract, but that the profession itself may be to blame. To strengthen this trust, the profession must prove its legitimacy which, for audit is underpinned by the fundamental principle of independence, both in-fact and in-appearance (Flint, 1988; Abbott, 1994). This research sought to explore this hidden contract and the ways in which the profession maintains it, alongside understanding how the lived experiences of auditors where, if at all changed, through mechanisms used to strengthen the profession's legitimacy in times of scrutiny. Chapter two found that without independence, there is no professional legitimacy and without legitimacy, the social contract breaks. Therefore, with constant ongoing corporate collapses happening and auditing firms lacking accountability being repeatedly questioned these issues occurred, it was of significant importance to critically analyse what was happening to the profession, specifically in times of change.

Chapter four explored the narratives from those individuals that make part of this profession, who discussed their lived experiences of audit and independence as a phenomenon as well as how their lives as auditors in practice had changed over time. What was found is a split profession, one described as the pre-Enron group and the other the post-Enron group, illustrating a divide in experiences of auditing. These findings indicate how the wider profession has morphed over time, creating different eras of auditing; '*The Old Profession, The Changing Profession, and The New Profession*'. The changes which have allowed this shift, were sadly found to be a disadvantage for individual auditors, creating a role with little or no purpose, a weak professional identity and a hostile environment which demotivates auditors to be

independent *in-fact*. This finding is shocking as the profession seems to be on the same trajectory for implementing change as it was post-Enron, if not more significantly now.

As discussed in chapter five, one could look at this as an active way of lowering the institutional logic of society's expected legitimacy and standard of auditing. This would reflect what Suddaby and Greenwood (2005) describe as a powerful tool in reclaiming legitimacy, especially over a long period of time in which scandals keep occurring. Perhaps it is a hunger for power and growth into more profitable operations that as Hanlon (1994) explains has pushed the profession into a more commercial profit-centred role. This would be a good explanation and is supported by Berlant (1975) and Abbott (1988), who suggest that professions, in general, create new realms of expertise so as to increase their dominance, power and thus the reliance society has on them. These findings do not provide factual evidence of this but do give an insight into the techniques used by the auditing profession to strengthen their legitimacy and keep the Social Contract intact. Unfortunately, as seen by the recent string of scandals in the past five years (discussed in chapter one) which has led to increased suspicion and scrutiny, this supposed legitimacy is beginning to unfold. These findings show this in chapter four in which the actors that do the work to strengthen this legitimacy are starting to see cracks in the system of audit and the profession they work for. The profession would do well to remember the fragility of this contract, perhaps by reflecting on the sacrificial way they let Arthur Andersen fall (Guénin-Paracini & Gendron, 2008). As Rousseau (1774) states, "*The strongest is never strong enough to be always the master, unless he transforms strength into right, and obedience into duty*" (Translated by Cole, 1973, p.168). It may be that this was the intention of the profession, but the conversations with auditors who volunteered to be part of this research indicate that this duty has crumbled and are themselves trying to create distance between them and a profession they once loved. This old profession that had an embedded duty to do good and gave auditors a sense of purpose and identity. As said by AUDITP4 in their reflections on what went wrong in the profession:

> *You have to give a word, a role, a duty meaning… if you want it to be understood.*

The next part of this chapter will consider how, in its totality, this thesis has contributed to the academic research field. Specifically, the contribution from this research is four-fold, contributing to existing understanding of the Social Contract Theory, knowledge surrounding the lived experiences of auditors, techniques of IPA and, insight into practical implications of changes made in the profession. Following this, this chapter will then go onto discuss four core directions for future research that would be of benefit to the current field of auditing research.

6.8 Contribution to Social Contract Theory.

This research is significant in four respects, firstly, this research expands the current understanding of Social Contract Theory (Rousseau, 1762, translated by Cole, 1979). This research has explored the auditing profession through the theoretical lens of the social contract that exists between professions and society (Deegan, 2014). Having established that auditing is a social phenomenon that is expected to be beneficial to society, it was determined that there does exist a social contract between the auditing profession and society today (Flint, 1988). Like past research that has looked at the social contract that exists between accounting reporting such as Corporate Social Reporting (CRS) and society (for example, Ramanathan, 1976 & Gray, Owen & Maunders, 1988), this research has established that the auditing profession makes constant effort to uphold its side of the contract. Through this, the importance of professional legitimacy has been found, which expands the current understanding of Legitimacy Theory in connection to Social Contract Theory. Chapter two determined that the expectations of audit from society, encourage the audit profession to strive for their continued existence, and in doing so, it must demonstrate professional legitimacy (Cruess & Cruess, 2008). It is clear from this research that the auditing profession utilises multiple mechanisms to strengthen its legitimacy when faced with scrutiny from society. These include increased standardisation (Abbott, 1988; Power, 1997; Brunsson & Jacobsson, 2002; Matthews, 2006), scapegoating and blame avoidance techniques (Guénin-Paracini & Gendron, 2010; Whittle, Mueller & Carter, 2016) and, changing the institutional logic around the standard of quality and practice (Suddaby & Greenwood, 2005; Timmermans & Epstein, 2010). This research has extended the current understanding of SCT, by investigating how the

profession uses techniques to reclaim legitimacy to uphold its side of the contract with society and how this has changed over time. Taking consideration of the impact of increased commercialisation (Hanlon, 1994; Citron, 2002), mechanisms to prove legitimacy, this has provided a more nuanced view of Social Contract Theory and expands the way in which SCT can be used in contemporary research in auditing, specifically from the perspectives of the profession. Alongside this, the findings of this research have contributed to the existing knowledge of how these mechanisms of reclaiming professional legitimacy to uphold the social contract have impacted the lived experiences of auditors within the profession overtime.

Crucially, this research also has developed a more critical understanding of the complexities negatively impacting the contract that exists between the profession and society. Specifically, the author believes that these findings and contribution can help understand what is going wrong in the profession in times of change. It is clear from the findings of this thesis that a more critical and meaningful investigation into issues impacting trust in professions such as audit needs to be done periodically. For this research, a more holistic finding is that superficial and short-term solutions are often seen as the cure for deep-rooted foundational issues that go beyond a flaw in policy. Like Humphrey et al (2021) suggest, this thesis and its author believes that a fundamental shift in the understanding of audit as a phenomenon is needed. The goods being produced by audit in this social contract that society is calling for are not being met – the world has and is changing and audit can be an independent force of good in that change.

This thesis has also added to the rich fabric of narratives given by auditors over time. The contribution of these narratives will be discussed next.

6.8.1 Contribution to the knowledge on the lived experience of auditors.

As discussed, this research sought out to understand the impact of changes to the profession on the lived experiences of auditors, past and present. Specifically, through the theoretical lens of SCT, and developing an understanding of mechanisms used by the profession to uphold this contract with society, this research has unearthed a more contemporary understanding of the lived experiences of auditors. This thesis has brought in new insights

from the data collected into the perspectives of auditors, and found that over time, methods in reclaiming legitimacy have changed auditor's understanding of independence, but not in the way the profession would probably hope. Furthermore, it is understood from the findings in this research that changes made by the profession have been more negatively impacting by reducing the autonomy of auditors, shifting their understanding of the profession's purpose and destroying the professional identity of auditors. These findings shed light on what is discussed by de Vries et al (2022) who critically review the accounts of junior auditors in accounting firms. Like their research, this thesis also finds that this new era of auditors is suffering. This in turn is shifting the professions wider known concept of audit and this "New Profession" lacks in motive to be professionally committed auditors.

Three eras in audit were found in the analysis of the data collected from auditors who had been part of the profession from before the Arthur Andersen-Enron scandal in 2001. These eras are "The Old Profession", "The Changing Profession" and "The New Profession". The first era, 'The Old Profession' discovered that having a strong embedded professional purpose and autonomy to work towards that gave auditors in this research a sense of professional identity. Further, it strengthened their salience to professional duty and motivated them to act with integrity and independence. More specifically, the pre-Enron group noted an enhanced motivation to be independent *in-fact*. This motivation was seen to be reduced in the second era, through long-term mechanisms used by the profession to reclaim legitimacy after widespread public scrutiny. However, this research has found in the third era, that the long-term impact of this may have negative consequences and for the post-Enron group in this research. It was found to create a culture of blame avoidance and obedience, which resulted in a loss of professional identity, lack of purpose and less motive for being independent *in-fact.* What is clearly an issue is an increase in pressures from constant commercialisation of the accountancy world and the strain that puts on the pursuit for a more independent and professionally committed auditor (Dermakar & Hazgui, 2020). It is clear from the narratives of the auditors in this study that it is something that is not being considered by the wider profession when changes are being made, despite calls from academics (Sikka, 2018) and independent investigation (Brydon,

2019). Therefore, this thesis and the narrative from the participants expands the current knowledge that exists on what motivates auditors to be independent, specifically how reclaiming legitimacy to uphold the social contract impacts this (Flint, 1988; Beattie & Fearnley, 1999, 2004, Deegan, 2014). Furthermore, it adds to the understanding of the importance of professional identity and auditor independence (Bamber & Iyer, 2007; Bauer, 2016). This further gives insight into contemporary understandings of the social contract between auditing and society, through exploring what enables auditors to uphold the contract through their lived experiences. Taking the figures produced in chapter five, the author has consolidated these (Figure 6.1 below), to show how reclaiming legitimacy to uphold the social contract between the audit profession and society has impacted the lived experiences of auditors over time. This framework illustrates the relationship between the social contract, legitimacy, and independence in audit. These different components of influence as well as the relationship between them, the individual auditor and the wider professions relationship with society can help both scholars and professionals understand the impact change is having on the profession. This may help future researchers and policy makers consider wider implications of change.

Before discussing the implications and potential contributions this research has for the profession, the author believes that the methods of analysis, specifically in the research field of auditing, has a significant contribution to the practices of qualitative research. Therefore, the following section will discuss the contribution this thesis has had to existing understandings on Interpretive Phenomenological Analysis techniques.

Figure 6. 1 The impact of reclaiming legitimacy over time to uphold the social contract between the audit profession and society.
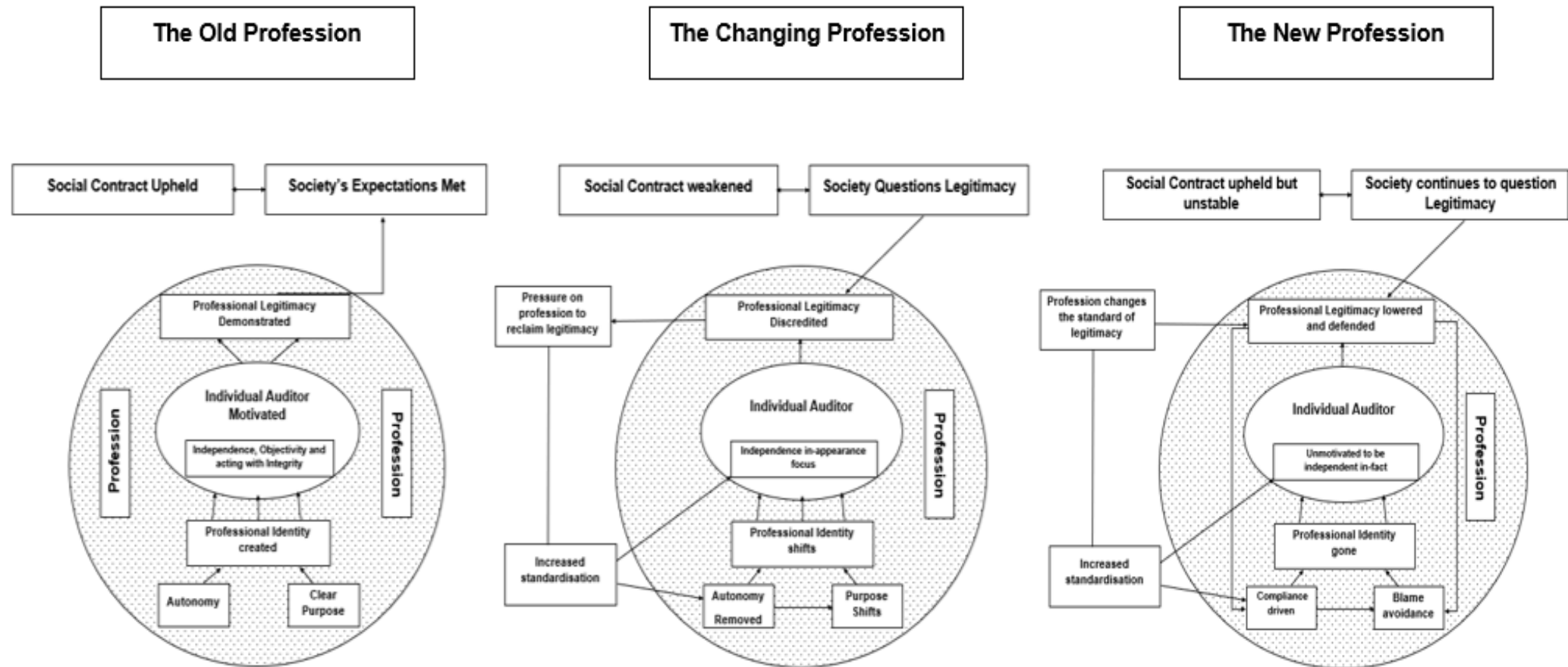
6.8.2 Contribution to phenomenological research and Interpretive Phenomenological Analysis techniques

Alongside the theoretical and empirical contribution this thesis has, the techniques used in collecting and analysing the data expand the current understanding of how to conduct phenomenological research as well as use IPA in qualitative research.

In conducting the interviews, the researcher sought to explore the nuanced insights and understandings of phenomena in auditing from the perspective of those with experience. Therefore, this inquiry aimed to peel back the presuppositions held by participants to the phenomena in question, which is an important factor in phenomenological research (Langdridge, 2007; Smith, Flower & Larkin, 2012, Van Manen, 2014). Furthermore, in conducting the analysis under the guidance of Interpretive Phenomenological Analysis, the author sought to develop a new combined rigorous technique that will guide future researchers on their own application of IPA.

The first contribution to methodology is the use of flashcards in the interviewing process as discussed in section 3.3.1.1, chapter three. Specifically, this technique was employed to ensure that participants peeled back their own presuppositions regarding their interpretation of independence. The researcher expanded the use of bracketing, which is a technique used in phenomenological inquiry to encourage participants to explore in detail their own preconceived ideas (Hurrserl, 1931; Langdridge, 2007). After conducting a pilot interview, the author found that it would benefit the interview if the preconceived ideas of what independence is, were instead, used as a tool to open up a more detailed discussion. Therefore, the author produced flashcards with words that were found to be common in the description and meaning behind independence as a core principle in audit, that way the participants were encouraged to discuss these in their own words, allowing for a more nuanced understanding and reflection. This method of using flashcards with common terminology would benefit the auditing research field as well as others interested in inquiring contemporary understandings of phenomena which is taken for granted. For example, understanding the interpretation of standards, frameworks, or laws from those that use them. This method gives clear direction on how researchers can use practical methods to ensure bracketing in phenomenological research

is being utilised. Consequently, it allowed the researcher to explore the rich underexposed perceptions of the lived experiences of auditors interviewed in this study, which has been valuable to the contribution of knowledge as discussed in section 6.8.1. Furthermore, this method designed by the author has been described in detail so future researchers may use this description as a guide for their own fields of inquiry.

Alongside this method design, the researcher combined two existing analysis techniques to enhance the rigor and transparency of IPA used in this research. Specifically, as can be seen on the following page, (table 6.2) taken from section 3.4.1, chapter three, the researcher combined to methods of analysis, adapting the works of Story (2015) and Braun and Clarke (2012). Combining two techniques, the first by Storey (2015), the second by Braun and Clarke (2012) allowed the author to follow a rigorous process of analysis to the data collected for this research. This is a common critique of the nature of qualitative research, specifically for IPA (Langdridge, 2007; Smith, Flower & Larkin, 2009; King & Horrocks, 2010. Combining the guidance from Storey (2015) and Braun and Clarke (2012) gave the author an opportunity to add extra steps of clarity for readers, for example in stage two, identifying and labelling themes, the author combined Braun and Clarkes (2012) first two phases of thematic analysis. This includes describing exactly what the researcher did in each stage, alongside illustrating how this was conducted in practice.[29]

The author believes that the flashcard method produced to illustrate the process of encouraging participants to bracket their preconceived assumptions will contribute to the existing practical guidance on conducting phenomenological research into contemporary social research disciplines. Furthermore, the development of a combined thematic and interpretive phenomenological analysis technique will add to the current guidance and literature on how to employ rigorous analytical procedures in qualitative research.

The following section will outline the contribution this thesis has to practice, specifically to the auditing profession.

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[29] See for example: Figure 3.3. Extract from interview – initial coding and Figure 3.4. Extract from interview – recording initial themes.

Table 6. 2 Taken from chapter 3 section 3.4.1
Summary of interpretive phenomenological and thematic analysis method adopted from Storey (2015) and Braun and Clarke (2012).

Stages of the analysis process.	Aim of the stage.	Sub-phase of stages to help clarify the method.
Stage One: Initial reading of the transcript	To get an overall feel for the interview	None
Stage Two: Identifying and labelling themes	Note or 'code' anything that appears significant and interesting. Narrowing these 'codes' into more overarching themes	**Phase A of Stage Two:** Create a column on the right side of the interview, noting significant points. **Phase B of Stage Two:** Create a column on the left side and narrow notes to potential themes linking to concepts discovered in literature or new unknown themes that seem significant and of importance.
Stage Three: Linking and identifying thematic clusters.	Drawing connections between preliminary themes produced in the interview transcript.	**Phase A of Stage Three:** Review preliminary themes written on the left side of the interview and considering similarities to others written in the same column. **Phase B of Stage Three:** Considering collective 'terms' or 'words' that help describe similar themes produced through stage two and phase A of stage 3.
Stage Four: Producing a summary table of themes	Organising superordinate themes into a table and searching for collective links across all interviews.	**Phase A of Stage Four:** Listing each superordinate theme for the interview. **Phase B of Stage Four:** Repeat all stages for all interviews. **Phase C of Stage Four:** Create a summary table of all themes across all interviews.

6.8.3 Contribution to the auditing profession, practice and policy

So far, this research has highlighted the contribution it has to existing understanding of theory, expansion of knowledge and adding to the practical methodology of phenomenological inquiry. Finally, this section will discuss how this research can contribute to the auditing profession's own insight into the practice it conducts and the way in which it implements changes in policy.

The author has found that there are three core areas from this research that the auditing profession can use to better understand the nuanced experiences of its members. Firstly, this research has added to the existing understanding of the long-term impact of change on the lived experiences of individual auditors. Most notably within this, how mechanisms used throughout the past two decades have changed this lived experience. Auditors in this research, explained that their ability to make autonomous decisions has been restricted through expansion of standards and standardisation of practice since the early 2000s. Although the pre-Enron group expressed understanding for more guidance, this was coupled with concerns for restrictiveness of standards and limitations introduced over decision-making. Specifically, the restrictions on being independent *in-fact.* For the profession, this is of significant importance as the changes that were made in the early noughties' era of audit in the UK seem to be reoccurring again in a reactive way to the public scrutiny raised post-Carillion collapse amongst other scandals. This research has unearthed some rich but shocking discussion around the implications of this short-handed and reactive addressing of issues. Specifically, it can be seen that the more recently joined auditors in this research are struggling with their constantly modified role. Pressures from more senior members at firms trickling down the hierarchy is creating a negative and problematic culture that is directly impacting the quality of audits (see for example: O'Dwyer, 2020; 2021; 2022 reporting on firm culture; recent research by de Vries *et al* 2022 and Beau & Jerman, 2022). Increasing standards in length and number, reshuffling regulation or strengthening regulator powers may seem practically relevant, but, as this research shows as well as the likes of Humphrey *et al* (2021) argue, for any good to come from these changes, more meaningful engagement with fundamental issues needs to happen. A sticker to the skin won't help a broken bone.

Likewise, this research has given insight into a more comprehensive view of how changes made to the professional practice of auditors has shifted their understanding of audit as a social good. As discussed in chapter four and five, it is clear that the purpose of auditing has moved to one that is more commercial in practice. This also reflects what the recent inquiry led by Sir Donald Brydon called for, which was a call for the profession to consider redefining audit and its purpose (2019) and reflects more contemporary concerns raised in academic research from Dermarkar and Hazgui (2020). Similar to the latter of these, this author finds it absurd that there continues to be a blind eye being turned to this fundamental conflict in auditing. If the profession wants its auditors to be independent, then they need to give up on the pursuit of commercialisation as this isn't what audit should be for. The author believes that for auditing to be of quality, the profession needs to enquire what it is society needs from it. It is clear from the narratives given by both groups, there exists variation in understanding the purpose of auditing, specifically its potential impact on and benefit for society. For the profession to continue to be seen as legitimate, they should consider where it wants to sit within society, and how it plans to continue to be a benefit (Humprey *et al,* 2021).

Lastly, these findings show that there is some concern around both the curriculum and culture within audit. As discussed by the post-Enron group on section 4.8.1 and 4.8.2 respectively, there is evidence of conflicting information in the education provided to trainee auditors surrounding the purpose of audit and its relationship with society. This finding reflects what was raised by Samsonova-Taddei and Siddiqui (2016) who noted that very little concern had been given to the continuous professional and educational development of auditors in relation to ethics in the EU's most recent change to major policy implemented across member states. Significant concern was raised in the investigations into the knowledge needed by the auditing profession in the UK post-Carillion collapse to address the concern surrounding going concern complexities, sophisticated technological advances that allow for potential fraud and auditors ability to spot these issues and question those charged with governance (Sikka *et al,* 2018; Brydon, 2019; Reeves, 2019). However, like Samsonova-Taddei and Siddiqui (2016) found, very little has been developed or suggested by the government or regulators of the profession to address this.

These issues and complexities faced by auditors require constant debate and discussion across teams to enhance the understanding and knowledge in the profession.

Likewise, auditors from the post-Enron group in this research expressed heightened pressure within firms and although this was not explored in depth in this research, the profession should consider these findings and how they illustrate the long-term consequences of increasing commercialisation coupled with ongoing efforts in reclaiming legitimacy to uphold the social contract between it and society (Hanlon, 1994; Power, 1997; Citron, 2002; Guénin-Paracini & Gendron, 2010). Hearing of a pressured environment in the Big Four accounting firms is not new, but this research highlights how this may be impacting the wider professions collegiality. The author understands that competition across the firms and alternative auditors are seen as an important aspect of an open and democratic marketplace, but the findings from this thesis suggest that the overarching implications of this coupled with the increasing pressures of wider commercialisation are not benefiting profession or society. Competition is often assumed to improve quality of product and services, but as seen by this research and suggested by others such as Sikka et al (2018) Sikka (2022) the audit profession seems not be working inline with the expectations of a normal open market. Where this author differs with opinions on this is the question of competition. The current discussion of competition in audit seems to focus on the theory that more will increase pressure on firms and therefore eventually increase quality (CMA, 20189, 2019; Sikka *et al,* 2018; Sikka, 2022). The author questions whether this sort of free-market competition is healthy for the auditing profession. A call for potential research to address this issue is discussed further in the following section.

Overall, this research has demonstrated that professions, like audit must have a balance of autonomy and standardisation to give it its professional status (Abbott, 1988). Chapter two found that in order for auditing to survive as a profession, they have carved areas of specialism through increased provision of NAS (section 2.3). This in turn requires enhanced demonstration of legitimacy to uphold the social contract that exists between the auditing profession and society. Within this, the author has considered the fundamental principle of independence and how as a profession, audit continues to strive for trust in their

integrity from society in light of ongoing scandals. Whilst this is an important aspect of a profession, the mechanisms used to strengthen independence and demonstrate professional legitimacy to uphold the social contract have had damaging consequences. These findings have contributed to the contemporary theoretical understanding of Social Contract Theory as well as its relationship with Legitimacy Theory. Likewise, the existing body of knowledge around the impact of reclaiming legitimacy and its long-term consequences on the lived experiences of auditors. Most prominently, the impact it has on the professional identity of an auditor, their understanding of the social purpose of audit and motive to be independent *in-fact*.

Further this research has contributed to the existing literature that provides guidance on conducting qualitative phenomenological research in contemporary research. In addition, it has provided a rigorous and transparent guide to analysis which combines the use of Storey's (2015) work on conducting interpretive phenomenological analysis and Braun and Clarke's (2012) guidance on thematic analysis. These combined techniques as well as the illustration on how this research used them in chapter three, will provide clear practical guidance for future research.

Finally, these findings show that there is a gap in the understanding of the purpose of auditing and the importance of independence as a phenomenon through the perspectives of auditors in the UK today. Although auditing before Enron-AA was not perfect, the auditors of that generation were clear about their purpose and had a strong sense of professional identity to the wider auditing profession. This adds to Citron's (2002) work, who explained that commercialisation was shifting auditors' understanding of their purpose and duty as well as independence. This is important for the profession to know, and as discussed should be considered in future professional works. Further, this research supports that of Hanlon (1994) that commercialisation will split the profession into different segments that share different and conflicting values and understandings of core audit phenomena. This split was clear in the findings of this research and it adds context to the understanding of the different perceptions of auditing in the profession. Similar to Humphrey et al (2021), this research calls for both profession and academics to consider how, if at all the profession can repair itself and reconfigure the purpose of auditing in society.

6.9 Future research

This research has been insightful that it has found some intriguing areas that indicate scope for future study. Three core areas of interest were highlighted to the author, the first being an indication that there is conflict between firms in the auditing profession. Notably, the author found that individual auditors in the post-Enron group, under the theme "Blame Avoidance" often attempted to distance themselves from other firms in the profession. This is similar to Guénin-Paracini and Gendron's (2010) research that demonstrated the way in which the profession sacrificed Arthur Andersen in the aftermath of the 2001 scandal. This research has found this to be a technique used to reclaim legitimacy, however it would be of interest and research worthy to explore this on a deeper level. An investigation into the different attitudes auditors across firms have on each other and to see if they trust other auditors from outside firms would be of interest. Likewise, it was found that commercialisation and a push for increased competition has aggregated this distancing technique – as a profession, the author believes it would benefit for a deeper investigation into how this competitive focus has caused a broken and disjoined profession, increasingly causing this blame avoiding culture, where even in parliamentary hearings senior firm partners point blaming fingers to their competitors. The implications of this would be beneficial to understand the potential limitations of competition within and across professions. If we as researcher suggest that there needs to be a more embedded and intertwined purpose, how does that conflict with the need for aggressive competition to pressure firms to add quality? What would be of significant interest is to consider what supreme audit institutions have as core features that private auditing firms do not (for example National Audit Office in the UK, Cour des Comptes in France, Bundesrechnugshof in Germany). Do some of the features of these SAI's add abilities to be more professionally sound and independent? This is an interesting area of potential research that could help the private profession and scholars understand what is needed for a more socially good audit.

Further to this, a strong finding from this research brought out the importance of professional identity. This has been researched in a number of ways, for example Bauer (2015) found that independence is strengthened when auditors identify more with the profession which was also indicated by this research. However, it would be beneficial to the research field of auditing to explore

reasons why the modern-day auditor does not identify with the wider profession. Many of the post-Enron participants in this research recalled they identified as accountants and employees for the firms they worked for. This could be an indication of weak forms of professionalism and the implications of this may be concerning. Research should also look at the relationship between professional identity and tenure as auditors. Many of the participants in this research indicated that they planned to leave or had already moved to different specialisms and roles. With the post-Enron group indicating weak professional identity, it would be useful to investigate if this was a reason to leave the profession.

Finally, there is scope for pedagogical research into the training and education of auditors. Interestingly, the curriculum of auditor training was briefly discussed by participants in this research, mostly from the post-Enron group. There are a few different directions this could lead, firstly, this research indicates that the concept of independence is largely looked at from an *in-appearance* perspective. Participants in this study indicated that there was little focus on the mental attitude that encourages independence *in-fact.* Further to this, it is of interest to understand the impact the current curriculum has in trainee-auditor understanding of the purpose auditing has on society. This research indicates that this purpose and understanding has been eroded, exploration into how and if the curriculum has impacted this would be key.

6.9.1 Chapter summary

This chapter has provided a conclusion to this thesis by showing how the research questions raised at the beginning have been answered by the research process. This chapter has drawn together the discussion from chapter five to understand how perceptions of independence have changed in the auditing profession, in the push to reclaim legitimacy and uphold the Social Contract. Furthermore, this chapter has outlined how this thesis in its totality, has contributed to existing knowledge. Specifically, demonstrating its contribution to contemporary understandings of the Social Contract Theory and its relationship with Legitimacy Theory. In addition, the contribution this thesis has to the existing knowledge around the lived experiences of auditors and the impact change and reclaiming legitimacy has had on this experience. Methodological contribution has been discussed through highlighting the way in

which this research has added to the existing practical guidance in literature on how to conduct phenomenological research, as well as interpretive phenomenological analysis. Finally, this chapter has outlined the contribution to practice, and how the auditing profession can use this research to expand their investigations into the future of audit in the UK. Lastly, this chapter has explored how future directions of study could compliment the findings from this thesis.

Appendix A: Timeline of scandals involving audit (UK and US)

Accounting scandals involving audit (UK and US) timeline 1990-2018

2020

Patissarie Valerie and Grant Thornton

Ted Baker and KPMG

Carrilion and KPMG

BT and PWC

HBOS and KPMG

BHS and PWC

FIFA and KPGM

Toshiba and EY

Tesco Plc and PWC

Olympus and EY/KPMG

2010

Lehman Brothers and EY

Bear Stearns and Deloitte

Northern Rock and PwC

Refco and Grant Thornton

Beyou Hedge Fund and fake auditing

Dot.com crash ends approx.

Arthur Andersen surrenders licence

Worldcom and Arthur Andersen

Enron and Arthur Andersen

Dot.com Crash

2000

Dot.com Bubble starts

Maxwell and Coopers and Lybrand

BCCI and Price Waterhouse/ EY

Polly Peck and Stoy Hayward

1990

Appendix B: Timeline of regulatory and standard change UK

Regulation and Standards reform to UK audit 1970-2018

2020

BEIS/Brydon/Kingman review

Compitition Markets Authority investigate UK audit

last updated ISA (UK) and ISQC (UK)

EC amends Directive and releases Regulation to reform audit

APB replaced by Audit and Assurance Council

2010

IAASB issues reformed ISA's

EC requires all statutory audits use ISAs from 2005

ISA's come into UK practice

Companies Act 2006 updates

CGAA set up

IAASB releases all ISAs

Financial Reporting Council takes responsibility for setting standards through APB

IAPC renamed as International Auditing and Assurance Standards Board (IAASB)

2000

SOX introduced US

APC renamed Auditing Practice Board (APB)

IAPC issues first International Standard of Auditing

1990

APC issues standards and guidelines for UK audit

APC sets out draft standard and guidance for best practice in UK audit

IFAC creates International Auditing Practice Committee (IAPC)

1980

International Federation of Accountants (IFAC) founded

AICPA calls for a set of global audit standards

Auditing Practice Committee UK (APC)

International Accounting Standards Committee created UK

1970

Appendix C: Informed Consent Form

Faculty of Business and Law

Informed Consent Form for research participants

Title of Study:	**Auditor Independence in the UK: Understanding the impact of reclaiming legitimacy on the social contract of audit.**
Person(s) conducting the research:	Rosie Diamanti
Programme of study:	Postgraduate Research
Address of the researcher for correspondence:	Room 241 CCE1 Newcastle Business School Northumbria University NE1 8ST
Telephone:	0191 227 4960
E-mail:	Rosie.diamanti@northumbria.ac.uk
Description of the broad nature of the research:	This is a qualitative study on the perceptions of independence in the UK audit profession, from those directly involved in the audit profession.
Description of the involvement expected of participants including the broad nature of questions to be answered or events to be observed or activities to be undertaken, and the expected time commitment:	The expected involvement of research participants are as follows: Introduction to tasks (approx. 5 minutes) Initial flashcard task (approx. 10 minutes including discussion) Discussion of flashcards and meaning (approx. 30 mins) Concluding discussion (10 minutes) The interview will be an open discussion based on the participant's decision and experience within audit. The interview will start with a question, at which the participant will be asked to discuss the question through their own understanding and experience. All interviews will be recorded with a digital voice recorder and transcribed. Anonymity will be assured by changing the names of the participants, the organisations and people that they name during the interview in the transcripts. Interview transcripts will be emailed back to participants for reviewing and agreement. Participants are free to

	make any amendments, deletions, or additions to the transcripts. Data may be used for research publications and/or case studies.
Description of how the data you provide will be securely stored and/or destroyed upon completion of the project.	All data will be stored securely electronically on a computer or in hard copy version in a locked cupboard. The recordings on the digital recorder will be deleted once they have been saved on the researcher's password-protected laptop and work PC. This will be done within 2 weeks of the initial recording. As part of the data analysis process, hard copies of the anonymised transcripts (raw data) may be given to the doctoral supervision team and a small number of other research participants to review. Hard copies will be returned to the researcher. The saved audio recordings and text transcriptions will be deleted from the laptop and work PC folders at the end of the project's 'life'. However, it is envisaged that they will be held for a period of up to 5 years, to allow time to maximize the data for publication purposes.

Information obtained in this study, including this consent form, will be kept strictly confidential (i.e. will not be passed to others) and anonymous (i.e. individuals and organisations will not be identified *unless this is expressly excluded in the details given above*).

Data obtained through this research may be reproduced and published in a variety of forms and for a variety of audiences related to the broad nature of the research detailed above. It will not be used for purposes other than those outlined above without your permission.

Participation is entirely voluntary and participants may withdraw at any time.

By signing this consent form, you are indicating that you fully understand the above information and agree to participate in this study on the basis of the above information.

Participants signature: Date:

Students signature: Date:

Appendix D: Participant debrief and research synopsis

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Auditor Independence in the UK: Understanding the impact of reclaiming professional legitimacy on the social contract of audit.

What are the main drivers behind this research?

It is often believed that the relationship between audit firms, regulators and the users of audit services should be built on independence and without conflicting interest (Bazerman, Loewenstein, & Moore, 2002; Citron, 2003; Flint, 1988; Moore, Tetlock, Tanlu, & Bazerman, 2006) However, with complete independence being increasingly difficult to achieve, there remains a gap in research surrounding the current challenges faced for independence in the audit profession today. Furthermore, understanding the complexity of relationships between the profession and users and exploring how the profession manages conflicting interests is rarely discussed in academic literature, rather there is a collective agreement for independence to be fully evident for audit to work (Hussey, 1999; Lee & Stone, 1995; Reiter & Williams, 2004).

Interestingly, the current literature tends to focus on criticising the profession's attempts to be independent, which inevitably widens the expectation-gap between public understanding of audit and what is really happening by those involved. The aim of this research is to explore the perceptions of independence from those with experience in audit, and to understand the current challenges they face in an industry that is often scrutinised.

What will participation in this research involve?

The researcher (Rosie Diamanti) will liaise with you to arrange a one-to-one interview lasting approximately 45-60 minutes. The interview will be conducted face to face at a date, time, and location of your choice. If a face-to-face interview is not suitable, there is scope for a telephone or Skype interview.

The research aims to explore perceptions of independence in audit from a range of people who have experience with audit. This includes, but is not limited to:

> - auditors (past and present),
> - those who have been audited in an organisation (and have a reasonable understanding of the concept 'audit independence'),
> - Financial Reporting Council employees,
> - ICAEW employees,
> - retirees from any of the above list.

What are the time scales for this research?

The indicative timescales for the research are outlined below; however, there is scope for flexibility to accommodate participants needs.

March 2018 – July 2018: Agreement to participation in research,

March 2018 – January 2019: one-to-one interviews.

What will the benefits be for my participation in this research?

Following the analysis of the results you will have access to the following:

- ➢ An executive summary of the research and key implications of the findings,
- ➢ A tailored report for you, in your position (or interest) with the option of a presentation to you, peers or your Executive Team.
- ➢ The opportunity for future research with yourself, your organisation and interests.

How will the information I provide be kept secure?

The research will be conducted in line with the strict ethical regulations set out by Northumbria University. Specifically:

- ➢ You will remain anonymous in the publication of the results, and will be given a code name, for example PA021.
- ➢ No names of individuals discussed will be identified in the analysis of the results.
- ➢ Any discussion of organisations will be given a pseudonym, such as Company/Firm X.
- ➢ All the information collected in this research will be stored securely on the personal Northumbria University account of the researcher. This is only accessible by the researcher and is password protected.

In advance of the formal agreement to participate in this research, you will be provided with an individual consent form detailing the agreed privacy arrangements.

Where will the results of this research be published?

It is anticipated that the results of this research will be published in the following:

- ➢ As a Doctoral Thesis,
- ➢ Academic journals,
- ➢ Academic conference proceedings.

How can I find out further information?

If you are interested in participating in this research, please contact Rosie Diamanti at rosie.diamanti@northumbria.ac.uk to arrange a convenient time to discuss further.

Appendix E: Interview questions Pilot and Final

Pilot Questions	Final Interview Questions	Research Question Link
Introduction questions		
What is your experience with audit? How did you get into the profession? Has that changed the way you understand an audit to be? Can you tell me what you know about audit?	What is your experience with audit? How did you get into the profession? /length of time? Has audit changed? Can you tell me what you know about audit?	RQ1 & RQ2
Independence		
I would like you to think about the term "independence" – can you describe to me what it means to you.	Flash card task "What is Independence" Follow up questions regarding answers and cards… "Can you tell me what you mean by that"/ "How would you explain that word/term to someone else?"	RQ3
Has this changed for you over time? If so, what was it before it changed to your current understand? What do you think led to that change, can you recall the experience(s)?	Leading from words: Has this meaning changed? Why has it changed?	RQ2 & RQ3
In the context of audit, what does independence mean to you? How does your experience of independence in an audit setting differ from a non-audit setting?	What does "being independent" mean to you? Does independence mean the same for you outside of an auditing setting?	RQ3 & RQ4
What helps you be independent?	What helps independence?	

	What things are important to be an independent auditor? Has anything impacted that? Can you think of a time when independence has been difficult?	RQ3 & RQ4
Do you think the rest of the profession is independent?	Is independence important? If so, why? If not, why?	RQ1 & RQ3
Social Purpose of Audit		
What is the purpose of audit?	What is the purpose of audit? Was this important to you? Was that important when you joined the profession?	RQ1
	Has that purpose changed? If so, how? Do you feel audit is important? Why?	RQ2 RQ1
Identity		
n/a	If not already answered: If you were to tell someone your profession, how would you describe it? Do you identify as an auditor? Do you feel part of the profession?	RQ2 & RQ4
Final questions		
Do you think independence has changed?	Do you think the profession has changed over the time you've been an auditor? Are there any issues you haven't commented on?	All

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