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**A GROUNDED THEORY OF
RECONSTRUCTING PUBLIC
SECTOR AUDIT**

H M WATSON

DBA

2019

A GROUNDED THEORY OF RECONSTRUCTING PUBLIC SECTOR AUDIT

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of the requirements of the University
of Northumbria at Newcastle for the
degree of Professional Doctorate

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Abstract

This thesis explores the effects of the transfer of English public sector audit contracts to private firms in 2012 as a result of the abolition of the Audit Commission. Financial audit is a key accountability mechanism over public spending, so changes in audit arrangements can affect the accountability of public sector entities. I use a constructivist grounded theory approach and 23 interviews with auditors and clients to research how the transfer has affected the financial audit of public sector entities.

I find that auditors and audit firms have reconstructed what it means to undertake a good quality audit in the UK public sector, in line with the firms' commercial objectives. There is more emphasis on image and customer service, and less on public sector specialisation. Crucially, efficiency is incorporated into auditors' understanding of audit quality, such that less work is necessary to do a good quality audit. I draw on Bourdieu's theory of symbolic violence to demonstrate how the new meaning of audit is imposed and perpetuated.

This research explicates hitherto unexplored practical consequences of the change to public sector audit in England. This could be valuable to those making policy decisions in other jurisdictions of the UK (Scotland, Wales and Northern Ireland), which still operate national audit institutions similar to the Audit Commission. More generally, it helps to explain how some New Public Management cost savings are achieved. It also adds to our theoretical understanding of how the dominant parties in the audit sector continue to extend their remit, and to define how audit works.

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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 17 July 2015 and an amendment was approved on 17 February 2017.

I declare that the Word Count of this Thesis is 68,913 words.

Name: Helen Watson

Signature:



Date: 24 September 2019

1 Introduction

1.1 Introduction

This study explores the effects of the transfer of public sector auditors to private firms. This transfer took place in England in 2012, as a result of the controversial abolition of the Audit Commission (Ellwood, 2014; Prospect, 2011; Tonkiss & Skelcher, 2015). The effects of the change in audit arrangements are not yet well understood (Ellwood & Garcia-Lacalle, 2015).

This chapter begins by setting out the background to the research (Section 1.2) and then the objectives of the study (Section 1.3) and the significance of the study (Section 1.4). Section 1.5 gives a brief overview of my use of grounded theory methodology. In Section 1.6 I discuss my personal position in relation to the research. Finally, Section 1.7 outlines the content of the thesis.

1.2 Background to the study

The English public sector spends hundreds of millions of pounds of public money on public services such as hospitals, social care, social housing, street lighting, police and probation services, and the fire service. Financial audit is one of the most significant ways in which the government secures confidence in the stewardship of public funds (Ellwood & Garcia-Lacalle, 2015; Ferry & Eckersley, 2015; Power, 1997). Auditors were employed within the public sector from 1844 to 2012, although recent decades have seen a plural provision of public sector audit, overseen by a government quango, the Audit Commission.

The following sections establish the background and context for this study by setting out an account of role of the Audit Commission in England in appointing and conducting audits, and the transfer of its auditors to private sector firms in 2012.

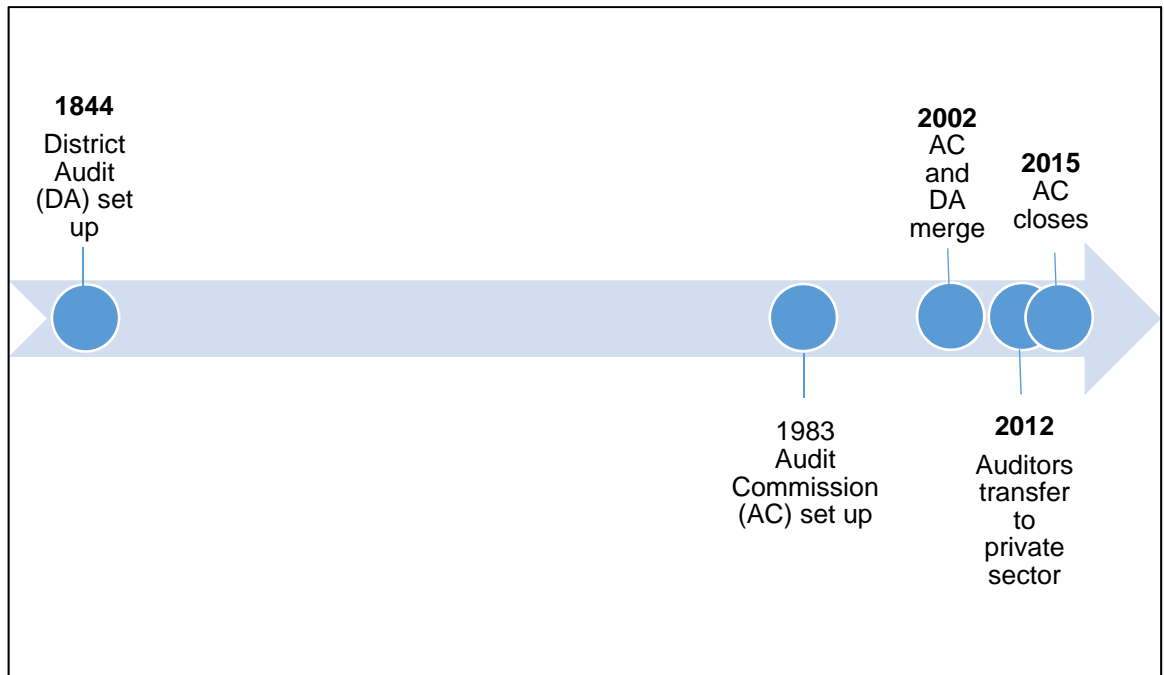
1.2.1 Public sector audit regimes

Systems of public sector audit can be classified into three dominant models: the Napoleonic system, the Westminster system and the board system (Blume & Voigt, 2011). The UK follows the Westminster model, whereby a supreme audit institution (the National Audit Office) reports to a Public Accounts Committee, which reports to the government. The Public Accounts Committee is usually chaired by a member of the opposition.

1.2.2 History of public sector audit in England

English local authorities were audited by independent specialist auditors from 1844, when the District Audit service was created, until 2012 (Ellwood & Garcia-Lacalle, 2015). Figure 1 shows a timeline of this period.

Figure 1 Timeline of English public sector audit 1844 - 2015



The government established the Audit Commission, an independent oversight body for local government audits in England and Wales, in 1983 (Ellwood & Garcia-Lacalle, 2015). The Audit Commission had responsibility for independently appointing auditors to all local authorities in England and Wales, as well as setting and monitoring fees and quality (Ellwood & Garcia-Lacalle, 2015). Over the next two and a half decades, the Audit Commission assumed additional responsibilities, appointing auditors to NHS bodies and to police and fire and rescue service authorities as well as local authorities, and taking on other work such as data matching and best value inspections (Audit Commission, 2014a). The number and range of public sector organisations falling within the Audit Commission's remit are shown in Table 1.

Table 1 Organisations within the Audit Commission's remit
(Audit Commission, 2013)

353 local authorities

265 NHS bodies

37 police authorities (replaced by police and crime commissioners and chief constables in November 2012)

83 other bodies, including the Greater London Authority and its associated bodies, fire and rescue authorities, national parks authorities and transport bodies

nearly 10,000 'small' bodies (mostly parish and town councils and parish meetings)¹

The District Audit service, public sector provider of audits from 1844, became subsumed into the Audit Commission in 2002, ceasing to use the District Audit brand name, and operating instead as the audit practice arm of the Audit Commission (Campbell-Smith, 2008). Thus, from 2002 onwards, the Audit Commission comprised both a central function that appointed auditors, and an audit practice that could be appointed to conduct audits (Audit Commission, 2013; Campbell-Smith, 2008). The Audit Commission's established custom was to award around 30% of audits to private sector firms and the remaining 70% to its own in-house auditors (Ellwood & Garcia-Lacalle, 2015).

In 2012 the Audit Commission's audits and around 700 auditors transferred to private firms (Audit Commission, 2014a; Ellwood, 2014) and in 2015 the

¹ 'Small bodies', defined by the Audit Commission (2014b) as those with income or expenditure less than £6.5m, operate under a slightly different regime and were not audited directly by the Audit Commission's audit practice at the time of the transfer, therefore they are not considered in this study.

central Audit Commission, responsible for oversight and for independent appointment of auditors to the public sector, closed. The abolition of the Audit Commission has been debated elsewhere (e.g. Cearns, 2012; Ellwood, 2014; Ellwood & Garcia-Lacalle, 2012, 2015; Ferry & Eckersley, 2015; Timmins & Gash, 2014; Tonkiss & Skelcher, 2015). The following section provides a brief overview of the reforms as well as some detail of the changes most relevant to this research.

1.2.3 Changes in English public sector audit

In 2010, in the wake of the global financial crisis, the UK government made a policy decision to reduce the size of the public sector and instigated the 'bonfire of the quangos', including the abolition of the Audit Commission (Flinders & Skelcher, 2012; O'Leary, 2015), ostensibly for reasons of cost savings, accountability and efficiency (O'Leary, 2015), though Flinders and Skelcher (2012) also note longstanding and underlying political motives. These reforms were effected through changes in statute, principally the introduction of the Local Audit and Accountability Act 2014, accompanied by regulatory and other transitional changes as the Audit Commission's roles either ceased or transferred elsewhere. The most significant changes are described in the following sections.

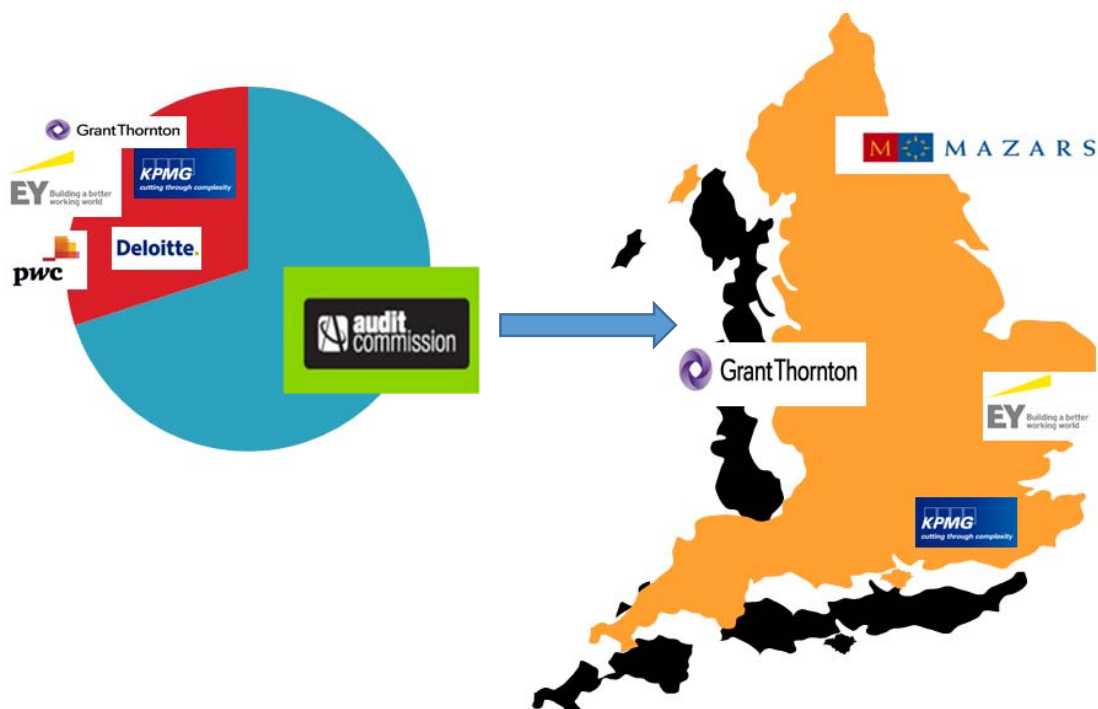
The reforms have unquestionably resulted in reduced audit fees (Baylis & Greenwood, 2016). This can partly be attributed to the cessation of some regulatory activities and performance assessment work, and the narrower scope of the audit.

1.2.3.1 The transfer of audit to the private sector

Under the Audit Commission regime, auditors were appointed independently to public sector bodies. This began to change in 2004 with the introduction of NHS foundation trusts, with the power to appoint their own auditors (Ellwood & Garcia-Lacalle, 2015). All remaining Audit Commission audits transferred to the private sector in 2012. The Audit Commission itself organised the transfer (Audit Commission, 2012), awarding geographically based contracts to four firms: Ernst & Young, KPMG, Grant Thornton and Mazars (Audit Commission, 2012; Ellwood & Garcia-Lacalle, 2012; Roxburgh, 2012).

Figure 2 helps to illustrate this change.

Figure 2 Changes in public sector audit provision from 2012/13



The diagram shows how the Audit Commission's 70% share of audits was transferred to four firms in geographic blocks, while the other 30% held by private sector firms remained unchanged. Thus, for example, in the North East region, the Audit Commission's share of around 70% of audit work was

reassigned to Mazars, with Deloitte (the private sector provider in that region) retaining its existing share.

Table 2 shows some key details of the contracts awarded in 2012.

Table 2 Audit Commission contracts transferred in 2012 (Ellwood & Garcia-Lacalle, 2012; Johnstone, 2012)				
Firm	Firm characteristics	Experience in public sector audit	Winning contracts	Location of contracts
Grant Thornton	5 th largest UK firm	Existing established public sector practice	Four contracts £41.3m	North West, West Midlands, London (South), South West
KPMG	Big 4	Existing established public sector practice	Three contracts £23.1m	Humberside & Yorkshire, East Midlands, London (North)
Ernst & Young / EY	Big 4	Previous experience but not in the years immediately prior to the transfer	Two contracts £20m	Eastern, South East England
Mazars	Smaller firm, limited UK presence	No experience in UK public sector market	One contract £5m	North East and North Yorkshire

Around 700 auditors transferred from the Audit Commission to these four firms (Audit Commission, 2014) under the Transfer of Undertakings (Protection of Employment) (TUPE) Regulations 2006 on 1 November 2012.

1.2.3.2 The appointment of auditors

From 2018/19, the Local Audit and Accountability Act 2014 allows public bodies to appoint their own auditors, but many have signed up to a voluntary scheme run by a new organisation, Public Sector Audit Appointments (PSAA), which manages the appointment of auditors on their behalf (Public Sector Audit Appointments, 2017; Russell, 2017).

1.2.3.3 The narrowed scope of the audit

The scope of public sector audit might be expected to extend beyond the financial statements, to include considerations such as economy, efficiency and effectiveness (Ellwood & Garcia-Lacalle, 2015; Power, 1997; Sikka, 2015a), but recent UK reforms have narrowed its scope. Audit now focuses almost exclusively on the financial statements, which is more in line with the private sector model (Ellwood & Garcia-Lacalle, 2015; Ferry & Eckersley, 2015). This corresponds to the more general scaling back of public sector services as part of the austerity agenda (Bracci, Humphrey, Moll, & Steccolini, 2015). The narrowing of the public sector auditor's remit has been debated elsewhere (e.g. Bracci, Humphrey, Moll, & Steccolini, 2015; Ellwood & Garcia-Lacalle, 2015; Ferry & Eckersley, 2015).

The National Audit Office has taken on responsibility for publishing and maintaining the Code of Audit Practice (Morse, 2012; National Audit Office, 2015), which prescribes how local public sector auditors conduct their work.

1.2.3.4 Audit quality monitoring

PSAA monitors the audit contracts to which it has appointed auditors. This includes reviewing and reporting on audit quality (Public Sector Audit Appointments, 2018b). To inform its work, PSAA relies on the Financial Reporting Council (FRC)'s reviews of audit files, as well as other information.

1.3 Objective of the study

The objective of the study was to explore the effects of the transfer of public sector auditors to the private sector in England. I aimed to contribute to theoretical understanding in both public sector audit and New Public Management (NPM), and to inform policy debate in relation to the state control of audit.

1.4 Significance of the study

Auditors have a central role in helping to hold governments to account (Ferry, Eckersley, & Zakaria, 2015). The abolition of the Audit Commission and the transfer of its auditors to private sector firms represents a substantial change in the accountability arrangements for the English public sector, over which Ellwood and Garcia-Lacalle (2015) and Ferry and Eckersley (2015) both highlight concerns. Ferry and Eckersley (2015) argue that dismantling key institutions and processes has led to a focus on financial compliance at the expense of organisational performance, and an overall weakening of accountability. Ellwood and Garcia-Lacalle (2015) suggest that removing the Audit Commission's oversight has led to a loss of assurance over audit quality. Neither addresses the detail of how financial audit has changed, yet

major cost savings (Baylis & Greenwood, 2016) suggest that changes have been made. In the context of wider concerns about oversight and accountability (Ellwood & Garcia-Lacalle, 2015; Ferry & Eckersley, 2015) and the climate of public sector austerity (Bracci et al., 2015), an understanding of *how* audit has changed has even greater significance.

The transfer of auditors to the private sector is consistent with the continued advance of neoliberalist and NPM policies worldwide (Hood & Dixon, 2016; Hyndman & Lapsley, 2016; Pollitt, 2016). This study adds to our understanding of how NPM cost savings are achieved (Humphrey & Miller, 2012), a step towards enabling better decisions about whether they are desirable. This could be directly helpful to other jurisdictions of the UK (Wales, Scotland and Northern Ireland) that might contemplate a similar transfer in the future.

This research also adds to a growing literature about the domination of the major accounting firms (Andon, Free, & O'Dwyer, 2015; Everett, 2003; Sikka, 2015b; Stringfellow, McMeeking, & Maclean, 2015). It helps to illuminate how the firms continue to extend their domination of different areas – in this case public sector audit. Understanding and unveiling domination strategies is a step in the process of resistance to domination, and part of the process of social change (Cooper & Coulson, 2014).

1.5 Approach to the research

This research followed a grounded theory methodology (Charmaz, 2014; Glaser & Strauss, 1967), engaging from the outset with the individuals who

experienced the transfer (Corley, 2015) to inductively build theory. The research began with a broad and open question.

Initial research question (RQ)
 How is public sector audit affected by privatisation?

The question developed as the study progressed and gained theoretical direction. Figure 3 summarises the main research question (RQ) and sub questions (SQ).

Figure 3 The evolving research question

RQ: How is public sector audit affected by privatisation?
SQ1: How is the quality of public sector audit affected by privatisation?
SQ2: What is audit quality?
SQ3: What strategies do auditors use to maintain audit quality in the face of changes to their environment?
SQ4: What is the effect of commercial strategies on the audit and the auditor?
SQ5: How are the changes so widely accepted despite significant discomfort?
SQ6: What are the practical implications of the research findings?

These questions are revisited in Section 3.1.1 and Section 8.2.5.

1.6 My position in relation to the research

I have worked in the field of public sector audit for most of my working life, including a number of roles in different geographical locations at the Audit Commission. I feel strongly connected both to the idea of public sector audit

and to many individuals who worked in that field. I was made redundant as part of the dissolution of the Commission in 2012, an unexpected shock experienced personally and alongside the auditors who transferred to private firms. I do not purport to conduct this research from a neutral perspective. Rather, I recognise my personal investment in the Audit Commission and interest in the research. This is discussed further in Section 3.11.

1.6.1 Personal motivation for the research

My interest in the impact of audit privatisation was prompted by scepticism and speculation by practitioners about the ongoing quality of audits (e.g. Sheen, 2014). Much scholarly research in auditing was externally focused, and made assumptions and generalisations at odds with my practical knowledge; for example, that ‘earnings quality’ could be measured and used to draw inferences about audit quality (e.g. Francis, 2011b). I wanted my research to more faithfully represent the practice of auditing, by being grounded in auditors’ experiences.

1.7 Outline of the thesis

This research follows a grounded theory methodology, described in detail in Chapter 3. This approach is iterative and non-linear. The thesis is nevertheless structured in a standard way, and proceeds as follows.

Chapter 2 begins by setting out the role and timing of the literature review in grounded theory methodology and goes on to review the domains of literature relevant to the research: the role and social construction of audit; audit quality; the environment of neoliberalism, NPM and austerity, and audit in the public sector. It then discusses key concepts from Bourdieu’s theory of

symbolic violence (Bourdieu, 1977), which are invoked in Chapter 7 to interpret and extend my substantive grounded theory.

Chapter 3 describes and justifies my choice of constructivist grounded theory methodology (Charmaz, 2014) and semi-structured interviews in this research. I explain my use of a pilot study, outline data collection and analysis methods, and consider ethical issues and reflexivity. Finally I address quality criteria for qualitative research, and the limitations of the study.

Chapters 4, 5 and 6 set out the findings of the research which together constitute my theory of reconstructing public sector audit. Chapter 4 describes the commercialisation of public sector audit, extending a well-documented phenomenon to the public sector and exploring its effects in detail. Chapter 5 shows how the meaning of audit quality has been reconstructed in accordance with firms' commercial objectives, enabling auditors to do a good job with fewer resources. Chapter 6 discusses auditors' different responses to the change, and argues that all responses lead to the reconstructed meaning of audit becoming embedded.

Chapter 7 shows how I developed a core category and sub-categories from my data, and I related these to each other to construct my substantive grounded theory of reconstructing public sector audit. I then invoke Bourdieu's theory of symbolic violence (Bourdieu, 1977) to explore and interpret my theory. I argue that private sector firms have orchestrated a reconstruction of public sector audit in line with their own commercial objectives.

Chapter 8 concludes the thesis, drawing from the other chapters and articulating the contribution to practice and theory. It also sets out the limitations of the study and makes some suggestions for further research.

The next chapter presents my literature review.

2 Literature review

2.1 Introduction

This chapter first sets out the role of the literature review in my research (Section 2.2), then goes on to consider the substantive domains of literature that help to illuminate the findings.

Section 2.3 discusses the role of audit. Section 2.4 explores the social construction of audit by audit firms and by individual auditors. Section 2.5 analyses ideas about audit quality, a problematic concept that resists measurement and can only be observed to a limited extent, even by auditors. I consider five aspects of audit quality: competence, conscientiousness, independence, moral courage, and auditor reputation.

Section 2.6 sets out the context of neoliberalism, NPM and austerity that constitute the setting for the transfer of auditors to the private sector.

Section 2.7 introduces key Bourdieusian concepts which I use in Chapter 7 to help interpret my research. Bourdieu's concepts are helpful because they link individual behaviour with macro structures, yet still allow for agency (Everett, 2002).

2.2 The role of the literature review in this study

This research follows a grounded theory methodology (Charmaz, 2014; Glaser & Strauss, 1967), which gives precedence to data over literature in the early stages, allowing the research to develop flexibly in a way that is relevant to practitioners (Corley, 2015).

There is significant debate about the role and timing of a literature review in grounded theory research (Bryant & Charmaz, 2007; Charmaz, 2014).

Classical grounded theory is commonly considered to advocate delaying the literature review until after the data analysis phase (Urquhart, 2013). Indeed, Glaser (1978, pp. 2-3) advises the researcher to “enter the research setting with as few predetermined ideas as possible – especially logically deduced, a priori hypotheses”. However, Dey (1999, p. 251) famously and helpfully draws a distinction between an “open mind and an empty head”. In practice, many authors recommend an initial literature review, in order to orientate the researcher in the field (Bryant & Charmaz, 2007; Charmaz, 2014; Goulding, 2002; Urquhart, 2013).

Reviewing the literature served three functions in this study. First, undertaking a preliminary, non-committal literature review allowed me to become familiar with the field of study at the outset (Bryant & Charmaz, 2007; Goulding, 2002; Urquhart, 2013; Urquhart & Fernández, 2013). Next, it facilitated the development of theoretical sensitivity both at the start of the research, and as it progressed (Glaser & Strauss, 1967; Urquhart, 2013). Towards the end of the research, a further literature review phase enabled me to develop a “theoretical story” from the grounded, “field-based story” (Locke, 2001, p. 122).

Although I have conducted the literature review in this fragmented way, in the interests of clarity, it is presented here as a single piece.

2.3 The role of audit

The Financial Reporting Council sets out the aim of an audit in paragraph 3 of International Standard on Auditing (ISA) 200.

The purpose of an audit is to enhance the degree of confidence of intended users in the financial statements. This is achieved by the expression of an opinion by the auditor on whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework. (Financial Reporting Council, 2016)

Power (1997) draws attention to the normative and hopeful nature of such pronouncements; what an audit does, or is, in practice, is a different matter, and resists definition. Moreover, in the public sector, the 'intended users' of the FRC definition are not shareholders but something more nebulous, for example, 'the taxpayer' in the DCLG²'s Local Audit Impact Assessment (DCLG, 2014).

A number of different formal theories have been applied to explain the value of audit. Agency theory, management control theory, signalling theory and the insurance hypothesis are some of the most common explanations (Hay & Cordery, 2018); the following sections discuss these in turn.

2.3.1 Agency theory

Auditing text books (e.g. Gray & Manson, 2011; Hayes, Wallage, & Goertemaker, 2014; Millichamp & Taylor, 2012; Porter, Simon, & Hatherly, 2014) explain the need for audit with agency theory (M. C. Jensen & Meckling, 1976): auditors decrease agency costs by reducing the information

² Department for Communities and Local Government

asymmetry between principal (shareholders) and agent (managers). Audit renders information more reliable, and therefore more valuable (Flint, 1988; Gray & Manson, 2011; Hayes et al., 2014; Manson & Zaman, 2001; Mueller, Carter, & Whittle, 2015). The increased reliability of audited information is professed to lead to the smooth running of capital markets (DeFond & Zhang, 2014; Porter et al., 2014) because it improves resource allocation and contracting efficiency (DeFond & Zhang, 2014). Agency theory applies in a similar way in the public sector (Gustavson & Sundström, 2018): an audit provides principals (public and Parliament) with confidence over the activities of their agents (public sector bodies) (Hay & Cordery, 2018). Audit can also be seen as securing the accountability of corporations (Millichamp & Taylor, 2012; Porter et al., 2014). Accountability is at least as relevant in the public sector (Ellwood & Garcia-Lacalle, 2015; Ferry et al., 2015; Power, 1997).

The putative benefits of an audit arising through the credibility of financial statements and the accountability of organisations accrue to society as a whole rather than to individual clients (Flint, 1988). For this reason, audit can be viewed as a public good (Hay & Cordery, 2018; Jim Stewart, 2006), imposed for the benefit of the community (Hay & Cordery, 2018).

2.3.2 Management control theory

Audit can be conceived of as a tool to help senior executives exert management control over large organisations (Hay & Cordery, 2018). This is consistent with the history of public sector audit (Funnell, 1994) and with the practice of auditors making recommendations to management (Hay & Cordery, 2018).

2.3.3 Signalling theory

According to signalling theory, a (high quality) audit signals credibility (Titman & Trueman, 1986). Hay and Cordery (2018) argue that this explanation can apply in the public sector as well as the private sector, as governments have an interest in convincing the public that its statements are credible. This viewpoint is more cynical than agency theory and management control theory in that the function of the audit is to build reputation rather than to provide information.

2.3.4 The insurance hypothesis

Under the insurance hypothesis (Gray & Manson, 2011; Lennox, 1999; Wallace, 2004), a key purpose of the audit is for the auditee to have recourse to the auditor in case of an error. Wallace (2004) points out that this can relate to 'insurance from blame' in a political sense, as well as the traditional 'deep pockets' consideration. This wider concept of insurance can also be applied in a public sector setting (Hay & Cordery, 2018): audit as insurance could provide a means for the recovery of reputations rather than, or as well as, monetary losses (Hay & Cordery, 2018; Wallace, 2004).

2.3.5 Linking audit and public good

Academics have highlighted disconnects at a number of points between the procedures undertaken by auditors and the public good arising from increased confidence in financial statements. First, there is a lack of clarity in the link between assurance over financial statements and the true and fair view provided by auditors, and between the true and fair view and professional standards (Humphrey & Moizer, 1990; Mautz & Sharaf, 1961;

Rutherford, 1985). Next, there is significant doubt over whether professional standards are consistently followed. Humphrey and Moizer (1990) note differences between firm approaches and standards (firm standards usually being more strict). Research shows evidence of failure to follow procedures, for various reasons: auditors work to their own personal comfort level (Curtis & Turley, 2007; Fischer, 1996), make compromises with regard to audit evidence (Leung, 2011) and even omit or 'botch' procedures (Herrbach, 2005).

Audit procedures and audit assurance are only loosely coupled (Downer, 2011; Humphrey & Moizer, 1990; Pentland, 2000; Power, 1997) but procedures and terminology are required for legitimacy (Curtis & Turley, 2007; Power, 2003a). Downer (2011) illustrates how audit work is conducted on two levels: 'back stage' work involving 'soft' factors such as intuition and previous experience of the clients (Herrbach, 2005; Pentland, 1993) provides the auditor with enough assurance to sign the audit opinion, while a separate 'front stage' convinces clients, regulators, and potentially courts that they have done a good job.

Critics also challenge the usefulness of the audit opinion. Young (2006) alleges that the financial statement 'users' referred to in professional literature are hypothetical, constructed by standard setters according to their ideas of who uses financial statements and what they should require. Malsch and Gendron (2009) dispute the theory that trust in audit leads to market stability. Sikka (2008b) points out that confidence in audited statements did not prevent a run on Northern Rock.

This is not to say that audit does not have a value. Auditors' tendency to work to a personal level of comfort (Curtis & Turley, 2007; Fischer, 1996; Herrbach, 2005) supports the view that they glean a level of assurance from their work (Guénin-Paracini, Malsch, & Paillé, 2014; Pentland, 1993). Beattie, Fearnley, and Hines (2012) find that a significant majority of audit partners, chief financial officers and audit committee chairs (65.3% of survey respondents) considered audit to be valuable or very valuable. Moreover, there is evidence that audit is of interest to wider society. Regulatory changes in the EU and the US demonstrate the importance governments attach to financial audit, and a huge increase in the extent of voluntary certification practices (Francis, 2011a) attests to a societal demand for audit. Williams (2017), though very sceptical of the auditor's purported role, sees value in the idea of auditors checking the conduct of corporations. In a very blunt footnote to his reflective piece in *Critical Perspectives on Accounting*, he comments: "Auditors are the only eyes and ears inside large corporations that allegedly serve the public; maybe they should let the public know what those bastards are up to." (Williams, 2017, p. 84 Footnote 27)

This suggests that audit does have a significant role to play. It is less clear exactly what that role is.

2.4 Social construction of audit

2.4.1 The social construction of meaning

Constructionism is the view that all knowledge, and therefore all meaningful reality as such, is contingent upon human practices, being constructed in and out of interaction between human beings and their world, and developed and transmitted within an essentially social context. (Crotty, 1998, p. 42)

Berger and Luckmann (1991) conceive of reality as socially constructed by humans through the creation of institutions that are reified and legitimised through language and action. At the same time, individuals define meanings through socialisation, and with reference to other humans. Both intentionality towards an object and interactive human community are factors in how meanings are constructed (Crotty, 1998; Howell, 2013). Howell (2013, p. 89) draws a distinction between the view that meaning is created by individuals ('social constructivism') and the subtly different view that meaning is created through social agreement ('social constructionalism'), but notes that "each amounts to a similar position" and that individual interpretation always takes place in a social context.

The following sections discuss the socially constructed nature of audit, and how its meaning is constructed both socially by firms and individually by auditors.

2.4.2 Audit as a social construction

Audit is socially constructed (i.a. Dirsmith, Covalleski, & Samuel, 2015; Downer, 2011; Flint, 1988; Humphrey, 2008; Humphrey & Moizer, 1990; Power, 1997), an idea rather than a technical practice (Power, 1997). Flint discusses audit as "a social phenomenon" (p. 14) and "a social control mechanism for securing accountability" (p. 17), emphasising that it has no intrinsic value, except in its practical usefulness, a response to a perceived need for reassurance about the conduct or performance of others.

Audit, like the broader field of accounting, changes over time. Miller (1998), Miller and Napier (1993) and Morgan (1988) all provide discussions of the

socially constructed and changing nature of accounting. Central to this is terminology and discourse (Khalifa, Sharma, Humphrey, & Robson, 2007). Key terminology used in both accounting and auditing is neither well defined nor fixed. For example, Rutherford (1985, p. 483) describes the true and fair view as a “largely empty” criterion. Fraser and Pong (2009, p. 107) suggest that “the nature of accounting ‘facts’ is less clear than ever before”, citing the increasing complexity of fair value accounting as a contributory factor. Leung (2011), in his ethnography of an accountancy department, makes a convincing argument that even such basic concepts as ‘asset’ and ‘expense’ are not definitive. Rather, their meanings are defined through use, which changes over time, including into the future. The key ideas on which the auditing profession rests are constructed and shifting.

Flint (1988) saw the role of audit as determined as a response to the needs of society at a point in time. Andon et al. (2015) regarded it as contestable; the profession has agency in negotiating its role. Audit is open to be defined and shaped by society, and by interested sections of society.

2.4.3 Construction of audit by firms

Audit is constructed in an interested and political way (Carcello, 2005; Humphrey, 2008; Stringfellow et al., 2015), influenced and negotiated by those with power and control.

Most accountants originally trained as auditors (Hanlon, 1994) and there is a growing bias towards training in large firms (Marriott, Telford, Davies, & Evans, 2011). These individuals become socialised in the ways of the profession (Anderson-Gough, Grey, & Robson, 2001; Suddaby, Gendron, &

Lam, 2009) and then go on to become not only auditor managers and audit partners, but also auditors' clients and regulators, the staff of its professional bodies, and the standard setters. The auditing profession is self-regulating and self-referencing, leading to a weak regulatory environment (Sikka, 2009a) where organisations have more power than professional institutions (Edgley, Sharma, & Anderson-Gough, 2016; Sikka, 2008a).

Although Edgley et al. (2016) conclude that most accounting professionals remain committed to their profession, others are more sceptical. Hanlon (1994) convincingly dispels the image of the auditor as a disinterested professional, while Zeff (2003b) recounts the profession's transition from public interest towards commercial interest. Indeed, a whole tranche of literature addresses the increasing commercialisation of the profession (e.g. Andon et al., 2015; Carcello, 2005; Carter & Spence, 2014; Hanlon, 1994; Humphrey & Moizer, 1990; Imhoff, 2003; Kornberger, Justesen, & Mouritsen, 2011; Malsch & Gendron, 2013; Spence & Carter, 2014; Wyatt & Gaa, 2004). Sikka (2008a) goes further, implicating audit firms in tax evasion and money laundering in their quest to increase profits.

Audit firms use their power and influence to define and redefine their role (Andon, Free, & Sivabalan, 2014; Carpenter & Dirsmith, 1993; Gendron, Cooper, & Townley, 2007; Robson, Humphrey, Khalifa, & Jones, 2007). They construct and simultaneously legitimise audit procedures (Carpenter & Dirsmith, 1993; Robson et al., 2007) through the "rites and rituals of the profession" (Hamilton & Ó Hógartaigh, 2009, p. 911).

2.4.4 Construction of audit by individuals

The power and control of audit firms notwithstanding, firms are constituted of individual auditors. Individuals decide when they have done enough work and whether to qualify their opinion on the financial statements (Curtis & Turley, 2007; Moizer, 1995). Individuals interpret mandates such as the Local Audit and Accountability Act 2014 Part 5 s. 20 requirement that auditors “be satisfied” with audited accounts, and the ISA 200 instruction to obtain “reasonable assurance” (Financial Reporting Council, 2016, paragraph 11 (a)). How much assurance is reasonable, and whether an auditor is satisfied, are judgements made at an individual level, albeit in accordance with professional standards and subject to firms’ quality control and review procedures.

Audits depend on individuals balancing the evidence they have gathered against the time available, and making decisions involving both ethics (Moizer, 1995) and personal levels of anxiety or comfort (Guénin-Paracini, Malsch, et al., 2014; Pentland, 1993). Humphrey (2008, p. 178) points out that “one person's optimality is unlikely to be adequate for others”.

2.5 Audit Quality

2.5.1 Defining audit quality

Audit quality is socially constructed and difficult to define (Holm & Zaman, 2012; Humphrey, 2008). Academics have nevertheless produced a variety of definitions. This thesis makes use of DeAngelo’s intuitive “market-assessed joint probability that a given auditor will both (a) discover a breach in the client's accounting system, and (b) report the breach” (DeAngelo, 1981, p.

186). Alternatives address whether an audit meets legal requirements (Francis, 2011b) or professional standards (Christensen, Glover, Omer, & Shelley, 2016), the quality of inputs (Christensen et al., 2016), and the quality of financial reporting (DeFond & Zhang, 2014).

2.5.2 Assessing audit quality

'Actual' audit quality cannot be directly observed by the public (DeAngelo, 1981; DeFond & Zhang, 2014; Francis, 2004; Mautz & Sharaf, 1961; Palmrose, 1988). Fischer (1996) asserts that it is almost equally difficult for the client to judge.

We're in a marketplace where the product quality is unobservable ... Now, if you go out and buy a dozen eggs, and you break them open and they're rotten, you know it right away, If you buy a sub-GAAS audit you may never know it. Because every audit looks exactly the same (quote in Fischer, 1996, p. 223)

Improved insight and differentiation is provided by recent reforms to the auditor's report (Bookey & Quick, 2016), but the crucial interplay of timing and judgement (Mautz & Sharaf, 1961) and the essential difficulty (or impossibility) of determining what a good quality is (Fischer, 1996) mean that the problem of post hoc quality assessment remains unresolved. For Fischer, this difficulty extends even to the individuals producing the work.

Many researchers use proxies for audit quality (DeFond & Zhang, 2014), while practitioners rely on policies, guidelines, and last year's file (Fischer, 1996) as well as feelings such as comfort (Pentland, 1993) and anxiety (Guénin-Paracini, Malsch, et al., 2014) about their work. Clients, investors and the general public are likely to heed the brand name reputation of the

auditor (Firth, 1993) as a signal of audit quality (Herrbach, 2005; Watkins, Hillison, & Morecroft, 2004).

2.5.3 Audit quality: dichotomy or continuum?

Much audit literature regards audit quality as dichotomous: individual audits are either 'good' or 'bad' (Francis, 2011b) and audit quality refers to the instance of 'bad' audits. Francis and other high profile scholars are heavily critical of this model, arguing instead that audit quality varies along a continuum (DeFond & Zhang, 2014; Francis, 2004, 2011b; Watkins et al., 2004). Donovan, Frankel, Lee, Martin, and Seo (2014) employ two insightful analogies to challenge this stance: first, airlines do not differentiate on safety, and second, Akerlof's (1970) used cars are unlikely to achieve a price premium if their quality is unobservable.

2.5.4 Auditor attributes contributing to audit quality

Table 3 and the following discussion expand DeAngelo's (1981) definition of audit quality beyond the commonly invoked concepts of competence and independence (Francis, 2011b; Watkins et al., 2004) to arrive at five auditor attributes relating to audit quality: competence, conscientiousness, independence, moral courage and reputation.

Table 3 Audit quality attributes derived by the author from DeAngelo's definition of audit quality (DeAngelo, 1981, p. 186)		
Section of DeAngelo definition	Interpretation	Auditor attribute
The market-assessed joint probability ...	The market assesses how good it perceives the auditor to be at finding misstatements (Watkins et al., 2004)	Reputation (Section 2.5.9)
... that a given auditor will both (a) discover a breach in the client's accounting system, ...	Auditors need to be competent enough to find a misstatement (many authors, including Francis, 2011b; Watkins et al., 2004)	Competence (Section 2.5.5)
	Auditors need to expend sufficient time and effort to enable them to find a misstatement (Herrbach, 2005; McNair, 1991)	Conscientiousness (Section 2.5.6)
... and (b) report the breach	Willingness to report a breach is frequently interpreted as independence (many authors, including Francis, 2011b; Watkins et al., 2004)	Independence (Section 2.5.7)
	Auditors also need to have moral courage to report even when this is uncomfortable (ICAS, 2017).	Moral courage (Section 2.5.8)

This table represents a categorisation that I have found helpful in my analysis, rather than a definitive list of auditor attributes.

2.5.5 Competence

Audit literature often translates part (a) of DeAngelo's definition as competence (Francis, 2011b; Watkins et al., 2004). In order to find a misstatement in an entity's financial statements, an auditor must be sufficiently competent, and greater competence increases the likelihood of finding a misstatement. Archival research supports the idea that audit quality increases with expertise (Christensen et al., 2016) and a large volume of experimental research explores this relationship in more detail (Reheul, Van Caneghem, Van den Bogaerd, & Verbruggen, 2017). In particular, industry specialisation has been shown to increase auditors' ability to perform audit tasks in an experimental setting (Moroney & Carey, 2011).

The notion that assurance must be provided by experts is challenged by the success of Trip Advisor ratings (Jeacle & Carter, 2011; Power, 2011) and Amazon reviews (Jeacle, 2017), suggesting that expertise is either unnecessary (Power, 2011) or can be redefined in a way that does not require professionals (Jeacle, 2017). A more fundamental challenge to the primacy of expertise is its inherently social and self-referring institutional nature. Expertise is socially constructed (Gendron et al., 2007; Power, 1995) and interested (Gendron et al., 2007; Malsch, 2012). The audit profession is instrumental in creating and recreating audit expertise, in its own interest, as audit evolves, serving the continued legitimization of audit as a profession (Power, 1995). Since both audit expertise and what constitutes a good audit tend to be defined with reference to the same source (the profession), it is

perhaps not surprising that expertise has been found to be a factor in achieving a good quality audit. Power (1995) is especially critical of the experimental research setting in this regard.

These criticisms notwithstanding, and using the generally accepted meaning of expertise, encompassing ideas of technical knowledge, generic and sector-related experience, we can nevertheless accept that auditor expertise is linked both to finding more errors and to perceptions of a higher quality audit (Christensen et al., 2016).

2.5.6 Conscientiousness

I now consider the concept of auditor effort, care or conscientiousness (Herrbach, 2005; McNair, 1991) as an additional attribute that increases the likelihood of an auditor finding a misstatement (Table 3). The idea of time as a contributory factor to audit quality is so well accepted that some quantitative researchers (e.g. Deis & Giroux, 1992) regard audit hours as a suitable surrogate for audit quality. This is problematic for a number of reasons. First, there are many reasons why some hours may be more effortful than others. Second, discovering an error involves a significant element of chance. Third, additional audit procedures are likely to yield diminishing returns beyond a certain optimal point, when the auditor has gathered enough assurance, but not spent an excessive amount of time (Francis, 2004). This optimum may differ between firms and individuals, and be impossible to define (Herrbach, 2005; Humphrey, 2008; McNair, 1991). However, it is clear that a certain amount of effort is required to give the auditor a reasonable chance of finding a misstatement, even though the

relationship between effort and the chance of discovering an error is not simple.

The concept of conscientiousness combines the imperfect ideas of audit hours and effort with an element of personal responsibility. Herrbach (2005) highlights conscientiousness as an important auditor attribute in his study of audit practices in France, which shows how auditor conscientiousness allows auditing to 'work' even if there are glitches. Herrbach's auditors express confidence in their audit opinions despite violating guidance and procedures, because they are conscientious and persevere until they are comfortable with their work.

2.5.7 Independence

The second part of the DeAngelo (1981) definition concerns the likelihood of the auditor to report a misstatement, which is usually translated as independence. Mautz and Sharaf (1961) argued that the significance of audit independence was so well established that they hardly needed to justify its position as a cornerstone in their theory of auditing. Independence mitigates the incentives for auditors to please their clients, and a lack of independence has been blamed for many audit failures (Bazerman & Moore, 2011; Sikka, 2009b). Independence continues to occupy a prominent position in professional codes of ethics, and it has played an important role in the EU's justification of their recent introduction of mandatory auditor rotation (Humphrey, Kausar, Loft, & Woods, 2011).

There are challenges to the primacy of independence. Jamal and Sunder (2011) and Knechel, Wallage, Eilifsen, and Van Praag (2006) both

demonstrate that it is not an important consideration for customers in other settings. Andon et al. (2015) suggest that independence could be more important to the profession than to its clients, as a legitimating device, in place of traditional character-based ethics. Power (2011) considers independence as a function of reputation, rather than an individual attribute, arguing that its meaning is “much more fluid than we might realise” (p. 325). Thus the well-established concept of independence is complex, contested, and can be related to either character or reputation. These complications notwithstanding, I nevertheless regard independence to be helpful in considering the likelihood of auditors to report an error they have found (DeAngelo, 1981).

2.5.8 Moral courage

Reporting a misstatement, the second part of the DeAngelo (1981) definition, could be an unpleasant and uncomfortable experience for any auditor, irrespective of their independence. Recognising this, the Institute of Chartered Accountants in Scotland has recently added moral courage to its Code of Ethics (ICAS, 2018) as an enabler of the fundamental principles of professional ethics (integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour). Section 100.5 of the ICAS Code of Ethics explains:

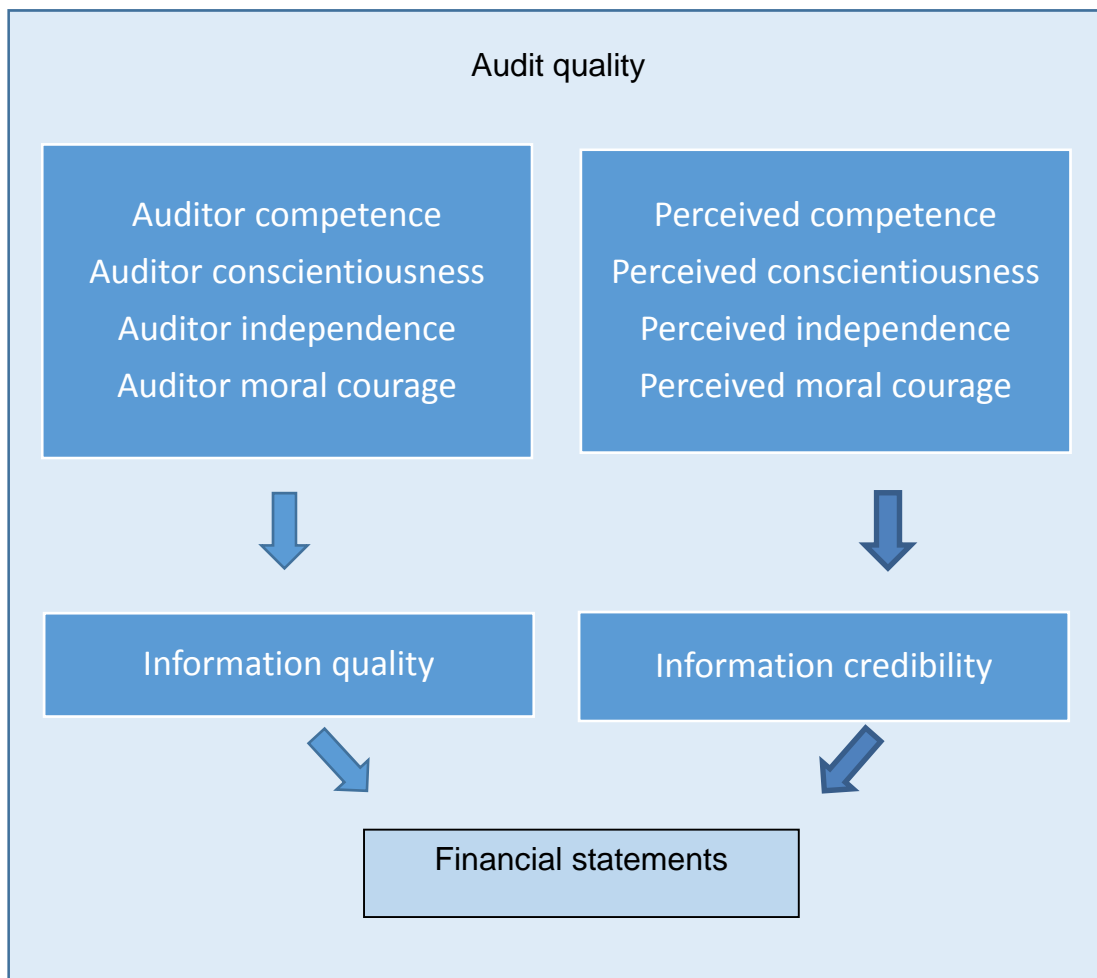
There is a need for the professional accountant to confront ethical dilemmas with courage. When facing an ethical dilemma, the professional accountant needs to have the courage to acknowledge the dilemma, to make a reasoned judgement as to the ethical action required to resolve the dilemma, and then to act accordingly. (ICAS, 2017)

Courage enables an auditor's ethical decision to be translated into an ethical act (Armstrong, Ketz, & Owsen, 2003; Imen, Khaled, & Hedi, 2016; Libby & Thorne, 2004). Therefore, moral courage can be considered an auditor attribute contributing to audit quality.

2.5.9 Reputation

DeAngelo (1981) defines audit quality not as how likely auditors *are* to find and report an error, but as how likely *the market judges it is* that the auditor will find and report an error (Watkins et al., 2004). If the purpose of audit is to make financial statements more credible, and credibility increases with the market's faith in the auditor, then the auditor's reputation can be considered a component of audit quality. Watkins et al. consider that 'actual' and 'perceived' audit quality both contribute to overall audit quality, as shown in Figure 4. I have added the concepts of auditor conscientiousness (Section 2.5.6) and moral courage (Section 2.5.8) to their model.

Figure 4 Model of audit quality, adapted from Watkins et al. (2004, p. 157)



In this model, information quality and information credibility are two separate products of audit quality: good audit work only improves the credibility of the financial statements if the auditor also has a good reputation, and being audited by a firm with a good reputation can improve the credibility of the financial statements even if the audit work is poor (Watkins et al., 2004).

Audit quality is therefore rhetorical rather than just technical (Holm & Zaman, 2012) and reputation, or perceived quality, is of key importance both to audit firms and to the profession as a whole. Clients favour auditors they consider to have greater expertise (Carcello, Hermanson, & McGrath, 1992; Jamal &

Sunder, 2011; Knechel et al., 2006; Modlin & Stewart, 2014; Samelson, Lowensohn, & Johnson, 2006), but are unable to assess the 'actual' quality of work done (Section 2.5.2). Carrington's (2010) study of Swedish disciplinary cases, and Jeacle's (2017) research into Amazon reviews come to the same uncomfortable conclusion: that actual expertise is somewhat irrelevant, and it is more important to be seen to be credible.

Regarding reputation as an element of audit quality makes sense if the role of audit is to enhance the credibility of the financial statements. This aligns with agency theory, with the insurance hypothesis, and with signalling theory. If, however, one of the purposes of the audit is Parliament's means of assurance over the stewardship of public funds, then the substance of the auditors' work matters more than their reputation. Thus, the definition of audit quality depends on the purpose of the audit, and could differ between the public and private sectors.

2.6 The audit environment

The Audit Commission was abolished and its auditors transferred to the private sector in a political environment informed by neoliberal ideas. This section discusses the ideology of neoliberalism and the related concepts of New Public Management and privatisation, and then goes on to consider the private sector provision of public sector audit and the commercialisation of audit.

2.6.1 The context of neoliberalism

Neoliberalism is a debated term that has changed its meaning over time and incorporates a multitude of ideas (Harvey, 2005; Peck, 2013; Turner, 2008).

Its primary use has been derogative (Chiapello, 2017; Peck, 2013), with many proponents of its ideals preferring alternative terms such as ‘liberal’ (in the UK), ‘libertarian’ or ‘neo-conservative’ (in the US) (Turner, 2008). A number of authors discuss neoliberalism at length without defining it (e.g. Chiapello, 2017; Rose & Miller, 1992; Sikka, 2015a; Williams, 2017). For the purpose of this research, I draw on Turner (2008), who defines neoliberalism by delineating four central principles, as set out in Table 4.

Table 4 Defining principles of neoliberalism (Turner, 2008)
(1) Markets produce a natural order that efficiently allocates resources whilst safeguarding individual freedom.
(2) Regulation is necessary to manage relations and potential conflicts between autonomous individuals.
(3) State intervention should be minimal.
(4) Private ownership is crucial because it decentralises decision making and reinforces the value of the individual.

Features of governments that have adopted a neoliberalist ideology include privatisation (J. Clarke, 2004; Harvey, 2005), deregulation (Chiapello, 2017; Harvey, 2005), a retrenchment of the welfare state (Harvey, 2005; Wrenn, 2014), and in the public sector, the introduction of competition and payment by results (Osborne & Gaebler, 1992).

Neoliberal ideals were first conceived by academics in the inter-war years (D. S. Jones, 2012) as a response to the perceived threat of socialism to individual liberty (Friedman & Friedman, 1982; Harvey, 2005; Hayek, 2005). Hayek in Europe and subsequently Friedman in the US were proponents of the free market as a means to diversify power away from a potentially

dangerous totalitarian state (Friedman & Friedman, 1982; Hayek, 2005).

Both Hayek and Friedman portray a dichotomy of socialism versus the free market; democratic socialism is considered unachievable (Hayek, 2005).

Neoliberalism was a relatively eccentric concept until around the 1970s (Rose & Miller, 1992); policy change was slow and incremental (D. S. Jones, 2012). D. S. Jones (2012) sets out three phases of neoliberalism, shown in Table 5.

Table 5 Phases of neoliberalism (D. S. Jones, 2012)		
1920s – 1950s	1950s – 1980s	1980s onwards
The term begins to acquire meaning. The 'neo' part of the term distinguishes neoliberalism from earlier 'laissez-faire' liberalism.	UK and US policies are informed largely by neo-Keynesian ideas. While there is limited implementation of neoliberalist policies, its ideas gain coherence and maturity and are championed by academics and business people.	An agenda of neoliberal policies spreads through Europe, the US and beyond. Neoliberal policies are also adopted by influential international organisations such as the World Trade Organisation and the International Monetary Fund.

Neoliberalism started to become more mainstream from the mid-1970s (Rose & Miller, 1992). It was embraced enthusiastically by the UK and other countries as an antidote to Keynesian theories held responsible for 1970s stagflation (J. Clarke, 2004; Cooper, 2015; D. S. Jones, 2012; Williams, 2017). Margaret Thatcher in the UK and Ronald Reagan in the US are particularly associated with extensive programmes of privatisation and deregulation (Harvey, 2005), but neoliberalist policy changes also occurred

both before and after this period (D. S. Jones, 2012). The ostensibly left wing governments of Tony Blair and Bill Clinton consolidated rather than redacting neoliberalist reforms (Casey, 2011), and neoliberalist ideology has continued to thrive since then, proving itself resistant both to financial crises and to severe criticism (Casey, 2011; Cooper, 2015; Guénin-Paracini, Gendron, & Morales, 2014; Mirowski, 2013; Peck, 2013).

Criticism of neoliberalism comes from sources that are both populist (J. Clarke, 2004) and academic (Chiapello, 2017; Peck, 2013). It stands accused of, among other things, precipitating a dissolution of the public interest and public service (J. Clarke, 2004), reasserting class power (Duménil & Lévy, 2001), fuelling the financial crisis (D. S. Jones, 2012; Sikka, 2015a), and instigating the commercialisation of the audit profession (Windsor & Warming-Rasmussen, 2009) (Section 2.6.6). Williams (2017) argues that the framing of the market logic has become so pervasive in Western democracies that it has colonised every aspect of economic, social and political life. Other authors present a more tempered view: the reach of neoliberalism is broad but also limited (J. Clarke, 2004; Turner, 2008), and some of its alleged consequences are too entwined with other projects, such as globalisation, to be attributable to a single cause (Peck, 2013).

One of the key aims of neoliberalism is to diversify power (Friedman & Friedman, 1982; Hayek, 2005; Turner, 2008), but Hayek and Friedman's view of political power is simplistic and fails to take into account the "profusion of shifting alliances between diverse authorities" (Rose & Miller, 1992, p. 174). While Hayek (2005) contends that the power of bureaucrats over individuals is inherently greater and more dangerous than any power

that can be exercised by the private sector, Sikka (2008a) provides evidence to the contrary. Accountancy firms, he argues, wield such power that they have become the 'new masters of the universe'.

Neoliberalism is supported by 'enabling myths' (Wrenn, 2014), by the scapegoating of individuals rather than examining the system (Guénin-Paracini, Gendron, et al., 2014), and by a persistent view that organisation of society by markets is natural (Mirowski, 2013; Williams, 2017), but also by the lack of a viable alternative that has significant popular support (Casey, 2011). Scrutiny of neoliberal beliefs is not on the political agenda (Sikka, 2015a).

2.6.2 New Public Management (NPM)

New Public Management (NPM) (Hood, 1991) is a concept closely related to neoliberalism (Pollitt, 2016). It is a collection of ideas (Hood, 1991) with the aim of making public sector organisations more business-like and market-oriented (Diefenbach, 2009). The theory, a fusion of new institutional economics and managerialism (Hood, 1991), is that NPM practices increase efficiency and effectiveness (Hyndman & Lapsley, 2016).

Like neoliberalism, NPM is ill-defined (Diefenbach, 2009; Dollery & Wallis, 2000; Hood, 1991). Hood's (1991, 1995) seminal papers on NPM describe it by delineating seven key precepts or doctrines (Table 6), although he takes care to point out that these are not all present in every case.

Table 6 Key doctrines of NPM (Hood, 1991, 1995)
Visible, hands-on management; managers have clear responsibilities and are 'free to manage'
Explicit standards and measures of performance (especially quantitative); increased use of performance indicators and audit
Emphasis on output controls rather than procedures
Disaggregation of the public sector into manageable units
Increased competition, contracts and tendering
Private sector management styles – shifting away from the public service ethic in recruitment and reward and towards 'proven' private sector management tools
More discipline and frugality in the use of resources; more emphasis on the bottom line

Diefenbach (2009) describes the shift towards NPM as an ethical change in governance from public welfare to value for money. NPM policies are focused towards markets, towards (the most powerful) stakeholders, and towards customers, a less demanding concept than citizens.

NPM ideas have gained popularity and traction in various countries since the 1970s (Hood, 1991). NPM has informed policy in all public service sectors, and is supported by all major political parties (Diefenbach, 2009). The UK government in particular, a self-styled leader in public management reform (Pollitt, 2013), has embraced NPM in recent decades, privatising services, introducing market testing and setting up public / private partnerships, in a bid to increase efficiency and accountability (Ferry & Eckersley, 2015). The abolition of the Audit Commission was part of the 2010 coalition

government's ongoing commitment to the principles of NPM (Eckersley, Ferry, & Zakaria, 2014).

Like neoliberalism, NPM is controversial. In his original 1991 paper, Hood notes that it arouses strong and varied emotions, commentators variously lauding it as the only way forward or charging it with destroying a century's work in public administration. An example of the former is Osborne and Gaebler's 1992 book, which presents NPM, 'a third choice' alternative to raising taxes or cutting public spending, as innovative, flexible and empowering. Among its many critics, Lapsley (2009, p. 1) describes NPM as "a cruel disappointment" and Humphrey and Miller (2012, p. 309) allege it to be "inherently failing". Key criticisms are a narrowing in focus, leading to a reduction in the scope of services (Andrews & Van de Walle, 2013; Diefenbach, 2009), an increase in beuraucretisation (Diefenbach, 2009; Hood & Peters, 2004; Lapsley, 2009) and a reduction in accountability (Ferry & Eckersley, 2015; Gendron, Cooper, & Townley, 2001; Hood, 1995; Humphrey & Miller, 2012). There is also some strident critique of NPM in specific niche areas. For example, Jupe and Funnell (2015) show that the privatisation of British Rail has led to substantial and ongoing transfers of funds from the taxpayer to private companies, and Kartalis, Tsamenyi, and Jayasinghe (2016) show that NPM practices have led to a change in identity of the Greek Show Caves, shifting away from an archaeological and cultural focus towards economic concerns.

Despite the heavy criticism, and in common with neoliberalism, NPM has defied pronouncements of its death and intensified following the financial crisis (Hyndman & Lapsley, 2016; Pollitt, 2016). Pollitt (2016, p. 434) refers

to it as “a hardy perennial”; its practices are very embedded. “A generation of civil servants have been professionally socialized into singing from the NPM songsheet — and their training courses and promotion criteria have also reflected these harmonies” (Pollitt, 2016, pp. 433-434).

Hood’s (1991) paper ‘*A Public Management for All Seasons?*’ sets out three alternative types of core values for public management, as shown in Table 7: ‘Honest and fair’ representing the traditional priority for public sector workers, ‘Lean and purposeful’ describing NPM values, and a third category ‘Robust and resilient’, where security is most important. Hood argues that it is possible to design procedures to satisfy two out of three of these value sets, but difficult to satisfy all three at once. Therefore, systems designed to prioritise ‘lean and purposeful’ values may be less capable of ensuring honesty or resilience. Translating this to the audit context, a focus on efficiency could risk either the public interest (‘honest and fair’) or a safe audit opinion (‘robust and resilient’). Diefenbach (2009, p. 895) extends this argument further, alleging that in pursuit of efficiency, NPM policies ignore, reduce, damage or destroy a long list of other values: “impartiality, social equality, integrity, equity and community, qualitative dimensions and the uniqueness of individuals, citizenship, representation, neutrality, welfare, social justice”.

Table 7 Core values in public management Adapted from Hood (1991, p. 11)			
Core values	Lean and purposeful	Honest and fair	Robust and resilient
Characterised by	Frugality; less waste	Fairness, proper discharge of duties	Resilience, security
How this translates to public sector audit	Efficiency / Doing just enough	Protecting the public purse	Safe audit opinion

Despite the considerable extant literature debating NPM (e.g. Andrews & Van de Walle, 2013; Diefenbach, 2009; Hood & Dixon, 2015, 2016; Lapsley, 2009), Humphrey and Miller (2012, p. 310) emphasise “the continuing importance of knowing more about what is done in the name of new public management”, because practical experience has frequently not tallied with its proponents’ claims.

2.6.3 Austerity

The 2010 change in UK government precipitated the prioritisation of fiscal restraint as the route to economic growth (Casey, 2011). NPM-type reforms continued and intensified (Hyndman & Lapsley, 2016; Pollitt, 2016), accompanied by across-the-board cuts, and recruitment and salary freezes, to satisfy the demands of the austerity programme (Pollitt, 2016). This resulted in services being scaled back (Bracci et al., 2015), and a reinforcement of the neoliberalist agenda (Peck, 2013, 2014). It is within this context that the Audit Commission was abolished and its auditors transferred to the private sector (Section 1.2.3).

2.6.4 Privatisation

Privatisation has been defined as a deliberate sale of government owned assets or enterprises (Megginson, 2005) or more loosely as “the act of reducing the role of government or increasing the role of the private sector in an activity” (Savas, 1987, p. 3). The transfer of the Audit Commission’s auditors to private sector firms in 2012 (Section 1.2.3.1) clearly fits within this broader definition, although no assets or enterprises were transferred.

The idea of increasing the role of the private sector and reducing the role of government accords with the NPM objective of making the public sector more business-like (Diefenbach, 2009), and fulfils the neoliberalist aims of maximising private ownership and minimising government involvement in service delivery (Harvey, 2005; Turner, 2008). Privatisation was a significant feature of Margaret Thatcher’s government in the 1980s (Harvey, 2005). It has also been a global phenomenon: almost all advanced democracies have launched significant privatisation programmes since that time (Obinger, 2016).

A common argument in favour of privatisation is the (supposed) superior efficiency of the private sector (Boycko, Schleifer, & Vishny, 1996; Savas, 1987; Wrenn, 2014). Governments are held to be less efficient than the private sector because they address political objectives rather than maximising efficiency (Boycko et al., 1996; Obinger, 2016); for example, excess employment may be more palatable to governments than public sector redundancies (Boycko et al., 1996). Privatisation is also seen as a solution to the undesirable intervention of politicians in commercial decisions in state-owned enterprises (Obinger, 2016). Minimal state intervention is a

key tenet of neoliberalism (Turner, 2008). However, Rainey and Bozeman (2000) caution against oversimplifications of the difference between the public and private sectors, and Wrenn (2014) regards the 'superior efficiency' narrative as a myth; more efficient actually means cost cutting. She also cautions that privatisation changes the motive for the provision of public goods and services, so that making a profit, rather than for the welfare of the public, becomes the underlying concern (Wrenn, 2014).

Positivist research (e.g. Megginson, 2005; Obinger, 2016; Savas, 1987) typically concludes that privatised services are more efficient than equivalent services run by government. Such conclusions are often drawn from narrowly defined, frequently financial and almost always quantitative measures of service performance. The equivalence of the provision is therefore debatable, but for these researchers, any change in service quality is secondary to the main aim: to measure the improvement in efficiency.

Where researchers give weight to considerations other than cost, results are more nuanced and more mixed. Zafra-Gómez, Plata-Díaz, Pérez-López, and López-Hernández (2016), in their study of waste, and Stolt, Blomqvist, and Winblad (2011), in their study of elderly care, both find that service quality improves with privatisation. Conversely, Schuster's (2013) research into European postal services and O'Toole and Meier's (2004) study of Texan schools both conclude that performance is worse after privatisation. Gong, Cullinane, and Firth (2012) report ambiguous findings from their study of sea- and airport privatisation, with no clear links between mode of ownership and performance. Alonso and Andrews (2015) report the interesting finding that privatised prisons in England and Wales perform better than the public sector

against indicators that are easy to measure and manage, and less well against indicators that are more difficult to measure and manage. J. Clarke (2004) comments that there is less control over the service quality of privatised operations.

Some researchers document broader effects of privatisation, including discomfort and cognitive dissonance experienced by affected staff (Johnson, Smith, & Codling, 2000; White, 2014). J. Clarke (2004) also notes that workers of privatised operations are likely to suffer worse conditions of service and that the dissolution of public sector service organisations has disrupted some routes into work, especially affecting women and minorities.

2.6.5 Private sector provision of public sector audit

Researchers have studied the private sector provision of external audit in the contexts of Australia (Chong, Dolley, Houghton, & Monroe, 2009; English, 2003), New Zealand (Bradbury, 2015), Florida (K. L. Jensen & Payne, 2005) and the UK (Basioudis & Ellwood, 2005; Baylis & Greenwood, 2016; Giroux & Jones, 2007). Most of these studies concentrate on audit fees, but their conclusions are far from consistent. Chong et al. (2009), Bradbury (2015) and Basioudis and Ellwood (2005) all find private firms more costly than public sector auditors, but Giroux and Jones (2007) report the opposite. Neither K. L. Jensen and Payne (2005) nor Baylis and Greenwood (2016) make a comparison of public and private sector fees, but both show a reduction in fees as a result of competition. English's (2003) study is exceptional in not focusing on fees; she explores Australian public sector audit in from a critical stance, finding the change to private sector provision to be politically motivated.

Internal audit has similarities to external audit (Spira & Page, 2003), and has been subject to more frequent outsourcing and market testing than external audit, however research is limited and results are mixed (Jenny Stewart & Subramaniam, 2010). Stewart and Subramaniam's review concentrates on independence and objectivity, and concludes that it is unclear whether outsourced internal audit services are more or less objective than those provided in-house.

2.6.6 The commercialisation of audit

Over the past 30 years, researchers have documented a shift in auditors' priorities away from traditional professional values towards commercial considerations such as maintaining the firm's image and making a profit (e.g. Carcello, 2005; Carter & Spence, 2014; Hanlon, 1994; Hopwood, 1998; Humphrey & Moizer, 1990; Imhoff, 2003; Spence & Carter, 2014; Wyatt & Gaa, 2004; Zeff, 2003a).

Professional and commercial logics are often portrayed as separate and conflicting (e.g. Carter & Spence, 2014; Gendron, 2001; Holm & Zaman, 2012; Lander, Koene, & Linssen, 2013; Sikka, 2009a). Interpretations of professionalism traditionally include a concern for public service (e.g. Gendron, 2001; Hall, 1968), which has been criticised as idealised (Sikka, 2009a) and symbolic (Neu, 1991), but Carter and Spence (2014) argue that this view is not entirely outdated. Rather, it is one part of a complex picture: the professional logic is too valuable to lose (Power, 1995; Spence & Carter, 2014) and it continues to exist alongside the commercial logic (Spence & Carter, 2014; Suddaby et al., 2009) – although, in the new regime, the commercial logic has a higher status (Carter & Spence, 2014; Spence &

Carter, 2014). Carter, Spence, and Muzio (2015, p. 1208) liken traditional professionalism to an extinct volcano: “The shell is there but the burning core of public service, independence and a commitment to a higher set of values has long been extinguished.” Other authors chart changes in professional logics, encompassing broader ideas such as client service (Robson et al., 2007) and diversity (Edgley et al., 2016).

Windsor and Warming-Rasmussen (2009) argue that commercialisation has exacerbated the inherent flaw of the auditor’s financial dependence on the auditee, thereby damaging independence. Sikka (2008a, p. 268) makes serious allegations about the practical consequences of commercialisation, accusing audit firms of “anti-social behaviour” such as “price fixing, tax avoidance/evasion, bribery, corruption, money laundering and practices that show scant regard for social norms and even laws”.

Audit firms are keen to present a good image (Carrington, 2010), and have become more client focused (Anderson-Gough, Grey, & Robson, 2000; Hanlon, 1994). Audit procedures are designed to be ‘auditable’ by courts and regulators (Power, 1997, 2003b, 2004). Power (2004) argues that the firms’ concern for reputational risk management has led to a preoccupation with auditability, prioritising the documentation of an auditable trail of work at the expense of providing useful information.

Firms simultaneously employ strategies to reduce costs. These include resourcing audits predominantly with junior staff (Hanlon, 1994; Herrbach, 2005; Lee, 2002; Sheen, 2014; Turley et al., 2016) and operating a long hours culture (Anderson-Gough et al., 2001; Hanlon, 1994; Lupu & Empson,

2015). Firms also design new audit practices, for example through the use of data analytics, although this has so far been limited to some firms and its application is not without challenges (Al-Htaybat & Alberti-Alhtaybat, 2017; Brown-Liburd, Issa, & Lombardi, 2015; Earley, 2015; Financial Reporting Council, 2017).

2.7 Overview of Bourdieusian concepts and theories

This thesis employs Bourdieusian concepts and theories to help interpret the findings and substantive theory from this study. The relevant ideas are outlined here to complete the literature review. In the following discussion, I draw on significantly on Bourdieu's own explanation of his theories and concepts (Bourdieu & Wacquant, 1992) and link these to their use in accounting research.

2.7.1 Field, capital and habitus

A field is a social space, constituted of relations between positions anchored according to capital, or power. The focus on power is key, and differentiates a Bourdieusian understanding of field from that in organisation theory (Everett, 2002). Different fields have various forms of capital, for example, social, economic and cultural capital, with different amounts of relative power. Capital that is recognised and legitimated within a field becomes symbolic capital; which capitals are symbolic depends on the field. The field and the capitals cannot be defined except in relation to each other. Fields are dynamic. Agents struggle within the field to either preserve or change its form, according to their own interest. Wacquant uses the analogy of a battlefield (Bourdieu & Wacquant, 1992).

Audit firms can be regarded as subfields within a wider field of audit (Everett, 2002), and individual auditors as actors in the field. In the audit field, one of the most valued stakes is economic capital (Andon et al., 2015; Carter & Spence, 2014) in the form of revenue generated from clients. Other types of capital include social capital, such as contacts and networks within and between the firms and clients, and cultural capital, for example image and interpersonal skills (Carter & Spence, 2014). Examples of symbolic capital include the chartered accountancy qualification, which carries weight in the firms, and client portfolios (Carter & Spence, 2014).

Habitus is “a set of historical relations ‘deposited’ within individual bodies in the form of mental and corporeal schemata of perception, appreciation and action” (Bourdieu & Wacquant, 1992, p. 16). It links structures (fields) to behaviour. Habitus and field can only be understood in relation to each other. Habitus is at least partially unconscious; as in playing a game (Bourdieu & Wacquant, 1992; Crossley, 2005), players must *both* know how to play well enough to play instinctively *and* make conscious decisions about their play. The concept of habitus therefore occupies a position between rational choice and determinism (Crossley, 2005).

Bourdieu differentiates between the primary habitus, acquired in childhood through immersion in family culture, and secondary habitus, which can be ‘grafted on’ subsequently, usually via deliberate learning, for example at work. Therefore, although habitus is not strictly an individual characteristic, individuals can have multiple layers of different habitus scaffolded on top of each other (Wacquant, 2014), which compose a “substratum from which identity is formed” (Todd, 2005, p. 437).

2.7.2 Doxa, illusio and symbolic violence

Doxa is the 'common sense' or unwritten rules that operate within a field but may appear arbitrary or nonsensical from outside. Doxa can legitimise systems that produce an unequal distribution of capital (Stringfellow et al., 2015). Illusio is the acceptance of doxa. It is implied by participation in the field, and recognising the rules of the game – even if acceptance is in the form of resistance. The concept of illusio has been invoked in the accounting context to explain the culture of overwork in Big Four firms (Lupu & Empson, 2015).

Symbolic violence is the imposition of a system of rules regarding symbolic power on agents who may be disadvantaged by them, and who have little choice but to accept them (Bourdieu, 1977; Bourdieu & Wacquant, 1992). Both the dominating and the dominated parties are at least partially unconscious of symbolic violence; they collaborate together, playing by the (unfair) rules, misrecognising them as logical or natural. Domination through symbolic violence is a position that is “not so much undergone as chosen” (Bourdieu, 1977, p. 192). Bourdieu describes symbolic violence as “gentle” (Bourdieu, 1977, p. 192), but this is not to diminish its insidious effects. Indeed, Cooper and Coulson (2014, p. 240) describe symbolic violence as “more powerful than physical violence in that it is embedded in the very modes of action and structures of cognition of individuals”. Likewise, Oakes, Townley, and Cooper (1998, p. 271) comment “When the mechanisms of change are hidden or misrecognised, the impact on an organisation is sometimes more substantial than when the direction and impetus to change is completely recognised and consciously planned and directed”.

Symbolic violence theory has been invoked in accounting research to demonstrate the dominance of the Big Four over smaller firms (Stringfellow et al., 2015) and in securing a monopoly over effectiveness audit (Everett, 2003). It has also been applied in the context of public sector change (Oakes et al., 1998).

2.7.3 Autonomous and heteronomous subfields

Bourdieu draws a distinction between 'generalised' and 'restricted production' fields (Bourdieu, 1993; Everett, 2002). In a restricted production field, producers create and sell their goods within a restricted sphere of specialist consumers who understand the product. By contrast, in a generalised or widespread field, goods are intended for the public at large. Fields of restricted production, Bourdieu argues, are likely to value cultural capital, and evaluate production according to internal criteria. Generalised fields are less influenced by specialist criteria because they are oriented towards the general public. Bourdieu describes a tendency for the generalised field to influence the restricted fields. A heteronomous field is influenced to a significant degree, whereas an autonomous field retains its own values to a greater extent (Everett, 2002).

Bourdieu's context is that of intellectuals and artists, but these concepts have been applied to describe how the previously autonomous field of the Canadian museum sector has become gradually colonised by the wider economic field (Oakes et al., 1998).

2.7.4 Bourdieu, change and hysteresis

Bourdieu disputes criticism that his theories do not allow for change, emphasising that fields are arenas of continuous struggles for power (Bourdieu & Wacquant, 1992). Similarly, habitus is subject to continuous change through reinforcing and modifying experiences (Bourdieu & Wacquant, 1992; Everett, 2002). Often these may be micro changes, but Lupu, Spence, and Empson (2018) show that dispositions can sometimes also adapt to circumstances. Bourdieu concedes that his theories have been used to describe slow and gradual changes but argues that the reason for this is empirical rather than theoretical (Bourdieu & Wacquant, 1992).

Hysteresis is the term Bourdieu uses to describe the mismatch and time lag between changes in habitus and field (Bourdieu, 1977; Hardy, 2014; McDonough & Polzer, 2012; Yang, 2013). Habitus and field are both inextricably linked and constantly changing, therefore changes in habitus lead to changes in the field, and vice versa, but change does not necessarily happen at the same rate, or to the same extent, in each. The concept of hysteresis has only rarely been used in organisational change research (McDonough & Polzer, 2012) and is so absent from accounting literature that it is not even mentioned in recent reviews of the use of Bourdieu's concepts in accounting research (Everett, 2018; Malsch, Gendron, & Grazzini, 2011). However, McDonough and Polzer's (2012) deployment of the concept in their review of public sector organisational change resonates strongly with my own research.

2.7.5 Relating Bourdieu's concepts to this study

Following Everett (2002), I regard audit as a field and individual firms as sub-fields within the main field (Section 2.7.1). The Audit Commission's audit practice was similar to an audit firm and I also regard it as a sub-field. The status of different capitals varies between fields (Bourdieu & Wacquant, 1992). In audit firms, especially big firms, economic capital is very significant, and professionalism is an important type of cultural capital (Carter & Spence, 2014). I regard the Audit Commission's audit practice as a weakly autonomous subfield in which symbolic capitals were slightly different to those in the wider audit field (Bourdieu, 1993; Everett, 2002; Oakes et al., 1998).

Auditors' habitus is their general disposition towards the field (Section 2.7.1); this can be influenced by both their personal history and their more recent professional socialisation (Lupu et al., 2018). Habitus and field are in constant flux and in my study the subfield in which auditors work has changed significantly. Many auditors' habitus has changed only slowly, leading to a mismatch between habitus and field, which I regard as hysteresis (Bourdieu, 1977; Hardy, 2014; McDonough & Polzer, 2012; Yang, 2013) (Section 2.7.4).

Doxa is the received wisdom or common sense that operates within a field (Section 2.7.2). The concept of doxa has been applied to the consensus that working extremely long hours is normal and logical (Lupu & Empson, 2015) and to the view that small firms may be less capable than large firms of undertaking some audits (Stringfellow et al., 2015). It could also be applied to audit procedures themselves. The 'epistemological obscurity' of audit

(Pentland, 2000; Power, 1997) means that audit procedures can be considered to be acts of faith (Humphrey & Moizer, 1990) which make sense to auditors but not to an uninitiated observer. An accepted way of doing an audit can therefore be regarded as doxa. Illusio is the acceptance of the doxa, or worldview, of the firms (Lupu & Empson, 2015).

Symbolic violence (Section 2.7.2) is the imposition of a set of rules, or doxa, that results in the domination of some actors over others. In the field of audit, big firms have been shown to use symbolic violence to exert domination over smaller firms (Stringfellow et al., 2015) and to extend their remit (Andon et al., 2015; Everett, 2003). Actors misrecognise the doxa as natural and legitimate.

2.8 Chapter summary

In this chapter I reviewed five domains of literature, providing a foundation for my own research. Section 2.3 discussed the role of audit, finding that it is unclear what the role of audit in society is, especially in the public sector. Section 2.4 discussed social construction, and how the concept of audit is open to be constructed and shaped by society, and by interested sections of society. There is evidence of big firms taking advantage of this to define and redefine their role. Section 2.5 analysed the concept of audit quality, drawing out five key attributes: competence, conscientiousness, independence, moral courage and reputation. These attributes are contested and depend on what the role of audit is.

In Section 2.6 I addressed the wider context of my study: a neoliberalist government agenda intensified by austerity. Neoliberalist ideology continues

to inform political decisions and NPM reforms are ongoing despite popular resistance and strident academic criticism. There is a substantial amount of literature in this area but Humphrey and Miller (2012) stress the ongoing need to understand what is done in the name of NPM. There is also a significant volume of literature researching privatisation but its results are mixed, especially where researchers focus on issues other than cost. Similarly, studies of the private sector provision of public sector audit concentrate mostly on fees and yield mixed results. I also considered the ongoing commercialisation of audit. There is significant literature documenting the shift in auditors' priorities from professional values towards a more commercial logic. This literature focuses on the private sector.

Finally, Section 2.7 introduced key Bourdieusian concepts and their application in accounting research. In the audit sector, researchers have used Bourdieu's concepts of symbolic violence and *illusio* to show how big firms maintain their domination over smaller firms and over their own staff. Bourdieu's concept of hysteresis is not evident in accounting literature but has been used in the context of organisational change in the public sector to help explore the mismatch between *habitus* and *field*.

In summary, my review of the literature highlights a number of areas relevant to my study that are not already well understood: the role of audit, especially in the public sector; how audit is defined; detailed consequences of neoliberalist policies and NPM reforms, especially beyond considerations of costs; and the commercialisation of audit in relation to the public sector. Having established the context for my research within existing literature,

Chapter 3 goes on to discuss the methodology through which I addressed my research question.

3 Methodology

3.1 Introduction

This chapter sets out and justifies my choice of constructivist grounded theory (Charmaz, 2014) as a research methodology, and specifies how I have used it in my research. Grounded theory methodology is particularly appropriate for this study, because it allows research to begin with a broad and open research question, emphasises staying close to the data, and from early data analysis proceeds according to emerging theoretical direction (Charmaz, 2014; Glaser & Strauss, 1967). Thus the path through the research is influenced by those most closely involved in the audits (Corley, 2015), facilitating the construction of a grounded theory that is relevant to practice.

I start by setting out the evolving research question, before outlining the rest of the chapter.

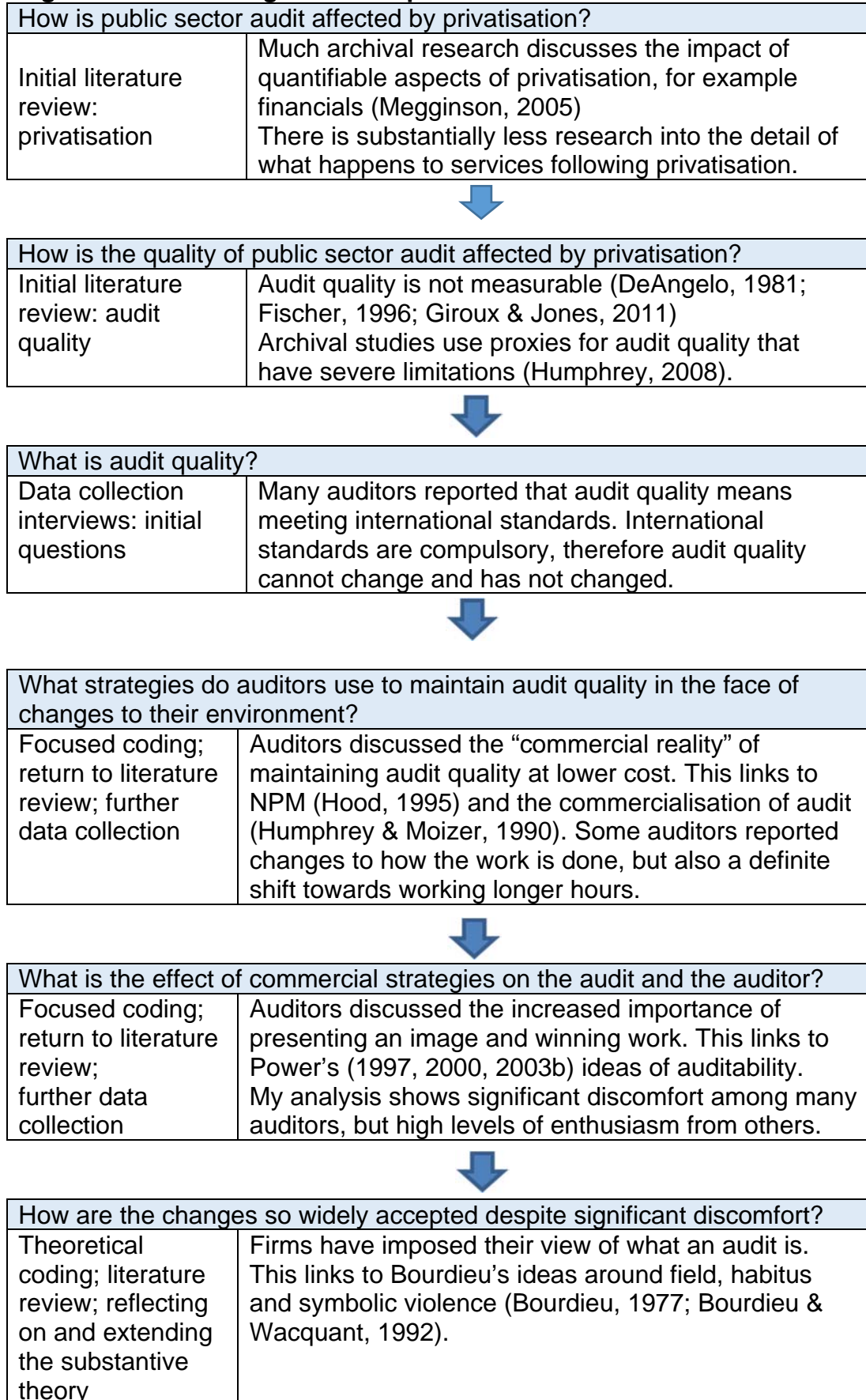
3.1.1 The evolving research question

The research began with a broad research question (Charmaz, 2014; Glaser & Strauss, 1967):

- How is public sector audit affected by privatisation?

Figure 5 shows how the research question evolved from this very broad question to more detailed and specific questions (in the blue boxes) about commercialisation, audit quality, and auditors' strategies. The white boxes highlight some of the key information and ideas that led to the next iteration of the question.

Figure 5 The evolving research question



3.1.2 Structure of this chapter

In Section 3.2, I set out my philosophical world view, that meanings are subjective and socially constructed, depth in research is important, and the researcher plays a role in constructing the research. Sections 3.3 and 3.4 respectively explain my choice of grounded theory methodology and interviews with auditors.

Section 3.5 details my pilot study, and how this led into the main project. In Section 3.6 I discuss intensive interviewing (Charmaz, 2014) to gather rich data. Section 3.7 explains the sample selection process, starting with open sampling, followed by theoretical sampling, as a tentative theory started to emerge. Section 3.8 discusses ethics.

Section 3.9 describes my data analysis process, including grounded theory techniques and my use of software. Section 3.10 addresses the iterative nature of grounded theory methodology, and I use Section 3.11 to reflect on my personal position in relation to the research.

The subsequent sections provide a detailed account of how I have used Charmaz's (2014) interpretation of grounded theory data analysis procedures to yield meaningful codes and categories from the raw data. Initial coding, focused coding and category construction procedures are set out in sections 3.12, 3.13 and 3.14 respectively, and supported by detailed examples.

I undertook a 'member reflections' exercise (Tracy, 2010) at the end of the data analysis stage, which is explained in Section 3.15. Section 3.16 describes the final stage of linking the grounded substantive theory to literature and extant formal theories.

Section 3.17 sets out quality criteria for good qualitative research (Malsch & Salterio, 2016; Tracy, 2010) and relates them to my work. Finally, Section 3.18 discusses limitations of this research and how I have mitigated these where possible, and Section 3.19 summarises this methodology chapter.

3.2 Philosophical approach

I approach my research from the viewpoint that meanings are subjective and socially constructed, depth in research is important, and the researcher plays a role in constructing the research. I use the label 'constructivism' for consistency with seminal researchers in the fields of audit (Power & Gendron, 2015) and grounded theory methodology (Charmaz, 2014), whose work I draw on.

3.2.1 Ontological position

Following Berger and Luckmann (1991), I view meanings as constructed by individuals through their engagement with the world and with each other. Ontologically, this viewpoint is both realist and relativist, both subjective and objective (Crotty, 1998; Howell, 2013). Audit exists independently of individuals' minds, but is given meaning by those who interpret it (auditors, clients and stakeholders), through their socialisation, direct and indirect experience of audit and through their interaction and negotiation with other individuals. These meanings can vary between individuals and are therefore multiple rather than uniform.

3.2.2 Epistemological position

My philosophical stance rejects the positivist epistemology that research methods can be mobilised by a neutral observer to find an objective truth. Rather, I adopt a constructivist paradigm, whereby research findings are co-constructed by the researcher and participants in order to reach understanding (Howell, 2013). From this perspective, it is important to seek out a complexity of different perspectives and to rely on the participants' views as much as possible (Creswell, 2009).

I have substantial professional experience as an Audit Commission auditor, a shared history with the auditors I researched, and personal or professional connections with some participants. Instead of trying to remove bias with the aim of achieving objectivity and neutrality, the constructivist perspective turns my familiarity and insights into an advantage to be exploited in interpreting and making sense of auditors' experiences (Charmaz, 2014). As Power and Gendron (2015 p. 156) put it, "subjectivity is a resource rather than an imperfection".

3.2.3 Audit research from a constructivist perspective

Researching audit from a constructivist perspective enables me to engage with the complexities arising from its inherently social nature. Audit is difficult to define precisely (Power, 1997). It can be regarded as an art (Mautz & Sharaf, 1961), a social concept (Flint, 1988), a ritual (Pentland, 1993; Power, 1997), a cultural issue, a product of communities and environment (Power, 1997). Its only objective is to fulfil a social purpose (Flint, 1988). At a more micro level, the activity of auditing is social, involving such abstract concepts as intuition (Humphrey & Moizer, 1990), comfort (Pentland, 1993) and

anxiety (Guénin-Paracini, Malsch, et al., 2014). Rather than being a predominantly technical process, audit work involves “a lot of talk” (Dirsmith et al., 2015, p. 169). Therefore research from a constructivist perspective, which can access the depth, complexities and variation in practices and viewpoints, is appropriate. Furthermore, Parker and Northcott (2016) argue that qualitative research and ‘naturalistic’ generalisation may have greater potential to impact on accounting practice and policy than traditional statements of prediction.

3.3 Choice of grounded theory methodology

Grounded theory methodology is an inductive methodology that aims to develop theory whilst simultaneously being grounded in empirical observations and practice (Bryant & Charmaz, 2007; Charmaz, 2014; Glaser & Strauss, 1967; Strauss & Corbin, 1990, 1998; Urquhart, 2013). This is well suited to my research scenario for several reasons, which I discuss in the following sections.

3.3.1 Justification of grounded theory methodology

The following sections set out four justifications for my choice of grounded theory methodology.

3.3.1.1 *Grounding the research in practice*

I selected a methodology that seeks to rely as much as possible on participants’ (auditors’) views, consistent with my philosophical approach (Creswell, 2007). Connecting directly with auditors helps the research to be truly grounded in practice (Charmaz, 2014; Corley, 2015; Glaser & Strauss, 1967) which is important in creating ‘trustworthy’ research that resonates

with practitioners (Hibbert, Sillince, Diefenbach, & Cunliffe, 2014; Malsch & Salterio, 2016; Power & Gendron, 2015; Tracy, 2010). Grounded theory methodology allows participants' (auditors') own views on concepts to emerge from the research, rather than imposing preconceived ideas on it (Glaser & Strauss, 1967; Urquhart, 2013). Indeed, Corley (2015) views this direct engagement with those involved in an area as one of its key strengths. Urquhart and Fernández (2013, p. 233) point out that the "built-in closeness to the data" in grounded theory methodology leads to theories that have relevance.

3.3.1.2 Exploring an area that is not already well understood

Grounded theory methodology is appropriate where concepts and relationships are not already well understood (Urquhart, 2013). Much existing literature on privatisation (e.g. Boycko, Schleifer, & Vishny, 1996; Megginson, 2005; O'Toole & Meier, 2004; Savas, 1987; Stolt, Blomqvist, & Winblad, 2011) and auditing (e.g. DeFond & Zhang, 2014; Francis, 2011b; Giroux & Jones, 2011; Krishnan & Schauer, 2000; Samelson et al., 2006) is quantitative archival research undertaken from a positivist perspective. At the more detailed level that can be accessed by qualitative research, there is therefore much detail still to be explored (Alonso & Andrews, 2015; Ellwood & Garcia-Lacalle, 2012; Francis, 2011b; Gong, Cullinane, & Firth, 2012; Humphrey, 2008).

3.3.1.3 A flexible methodology

Grounded theory is a suitable methodology where the research question is flexible and there is freedom to explore a phenomenon (Urquhart, 2013). In this research, the initial research question was relatively broad, and direction

evolved as the research progressed, “guided by an empowered researcher” (Howell, 2013, p. 131) and influenced by participants (Corley, 2015).

3.3.1.4 *An established methodology*

Grounded theory methodology is well established in accounting research, including that undertaken from an interpretivist perspective (Elharidy, Nicholson, & Scapens, 2008). Examples of researchers employing this approach in the broad field of accounting and corporate governance include Beattie, Fearnley, and Brandt (2004); Beattie, Fearnley, and Hines (2015); Bowyer and Davis (2012); Ezzamel, Robson, and Stapleton (2012); Fischer (1996); Goddard (2004, 2005); Goddard, Assad, Issa, Malagila, and Mkasiwa (2015); Howell and Sorour (2016); Hutaibat, Von Alberti-Alhtaybat, and Al-Htaybat (2011); Solomon and Solomon (2006); and Sorour and Howell (2013).

3.3.2 *Versions of grounded theory methodology*

There are multiple versions of grounded theory methodology (Bryant & Charmaz, 2007). These are frequently grouped into three schools: the classical or Glaserian school, advocating close adherence to the principles of the original *Discovery of Grounded Theory* (Glaser & Strauss, 1967), the Strauss and Corbin school, that follows a more rigid structure (especially Strauss & Corbin, 1990), and the constructivist school, championed by Charmaz (Charmaz, 2014). Significant variations exist within and beyond these three schools (Bryant & Charmaz, 2007). In addition, there are researchers who use grounded theory coding procedures within a more

general research design (Charmaz, 2014; Urquhart, 2013) although a partial approach can attract criticism (Goulding, 2002; Suddaby, 2006).

Fundamental tenets of grounded theory common to the different versions are: an iterative process of data collection and analysis, theoretical sampling, and constant comparison (Gurd, 2008; Suddaby, 2006). The following sections outline some of the key differences between the versions, before setting out my choice of constructivist grounded theory methodology.

3.3.2.1 Classical grounded theory

The original *Discovery of Grounded Theory* (Glaser & Strauss, 1967) seeks to explain and to legitimise how to generate theory from data. Grounded theory methodology is presented as a contrast to deductive methodologies. The researcher uses comparison to create categories from data, leading to a substantive theory generated as a result of empirical enquiry. Theoretical sampling adds variety to the data and detail to the categories. After the substantive theory has been 'discovered', the researcher can consider linking it to a formal (more conceptual) theory. Induction is paramount in classical grounded theory methodology; theory 'emerges' from the data. Glaser criticises other versions of grounded theory methodology, especially Strauss & Corbin's (1990) version, for 'forcing' the data (e.g. Glaser, 1992), which he views as contaminating the research with other theories and ideas, violating the inductive nature of the methodology (Howell, 2013; Suddaby, 2006).

Classical grounded theory has three coding stages: open coding, selective coding and theoretical coding (Glaser & Strauss, 1967; Urquhart, 2013).

Open coding aims to break down the data to generate many codes (Glaser &

Strauss, 1967), selective coding refines the analysis to areas of interest or relevance, and theoretical coding builds relationships between categories (Urquhart, 2013) to “weave the fractured story back together” (Glaser, 1978, p. 17). Glaser provides lists of suggested ‘coding families’ (Glaser, 1978, 1998) which can be used to facilitate the theoretical coding stage. Memo writing is practised alongside coding and is stressed as vitally important (Glaser, 1978, 1998; Glaser & Strauss, 1967); in fact, Glaser (1978, p. 83, italics in original) refers to it as “the *core stage* in the process of generating theory, the bedrock of theory generation”.

The title of the seminal work *Discovery* (Glaser & Strauss, 1967) suggests the methodology’s realist roots; there is an objective truth to be discovered. Glaser (1998) writes of processes that are free from time and place, a view of theory that sits uncomfortably in a more constructionist paradigm. An alternative stance is that classical grounded theory can accommodate a variety of philosophical positions (e.g. Breckenridge, Jones, Elliott, & Nicol, 2012; Urquhart & Fernández, 2013; Walsh et al., 2015).

Many classical grounded theorists advocate close adherence to the original texts (e.g. Glaser, 1998; Gurd, 2008; Suddaby, 2006; Walsh et al., 2015), in spite of an invitation in *Discovery* for researchers to develop the methodology in their own way (Glaser & Strauss, 1967). Glaser has recently emphasised the importance of following all the procedures: “every step is required, and every step follows on from the one before” (Walsh et al., 2015, p. 593). Other authors oppose this position; for example, Amsteus (2014) argues that setting out procedures in advance and following them rigidly contradicts the spirit of induction, and Locke (2015) calls for researchers to be more

pragmatic. Still others actively celebrate new developments, regarding them as strengthening rather than detracting from the methodology (e.g. Bryant & Charmaz, 2007; Corley, 2015; Fendt & Sachs, 2008).

3.3.2.2 Strauss and Corbin's grounded theory

Strauss & Corbin's (1990, 1998) version of grounded theory methodology is simplified (Howell, 2013) by being much more codified (Elharidy, Nicholson, & Scapens, 2008) and systematic (Creswell, 2007) than the classical version. It is well established and widely used, including in accounting research (Elharidy et al., 2008; Gurd, 2008).

Strauss and Corbin (1990) set out three coding stages slightly differently from *Discovery* (Glaser & Strauss, 1967). As in *Discovery*, the process starts with open coding, but researchers work to understand the properties of codes earlier in the process. A new intermediate stage, axial coding, precedes selective coding. Axial coding makes use of a 'paradigm model' to make connections between categories. Specific techniques such as flip-flop (Strauss & Corbin, 1990; Walker & Myrick, 2006) are recommended to help explore the data at all coding stages. In common with Glaser, Strauss & Corbin also regard memo writing as essential. Finally, the 'conditional matrix' is presented as a way to explore different levels of emerging theory, from incident level to international level.

Both the paradigm model and the conditional matrix prompt the researcher to consider the causal conditions, context, intervening conditions, action / interaction strategies and consequences in relation to a phenomenon. These proposed relationships reflect the first of Glaser's coding families, the 6 Cs

(causes, context, contingencies, consequences, covariances and conditions) (Glaser, 1978, p. 73). A key difference is that Strauss and Corbin's relationships are prescribed, whereas Glaser's are suggested. Indeed, Glaser emphasises that "the reader will think of other words for each family as well as discover new families" (Glaser, 1978, p. 73).

Strauss and Corbin's step-by-step procedures have been widely criticised for being too prescriptive, and for 'forcing' data into categories and theories (Bryant & Charmaz, 2007; Charmaz, 2014; Glaser, 1992, 1998; Walker & Myrick, 2006). Glaser (1998, p. 81) writes "If one strangles the data enough, it will give up". Others claim that excessive focus on procedures can lead to neglecting the overall substance of the research (Elharidy et al., 2008), and that the rigid procedures make the methodology more complex (Urquhart, 2013; Walker & Myrick, 2006).

Some of the criticisms of Strauss and Corbin's methodology can be attributed to differences in philosophical stance. For example, Walker and Myrick (2006) question whether working to understand the relationships between categories is paradoxical if these relationships should emerge or be discovered. This echoes Glaser's accusations of forcing the data (Glaser, 1992, 1998). By contrast, Mills, Bonner, and Francis (2006) regard strategies such as flip-flop as different ways of looking at the data; from a constructivist viewpoint, this is a valid and helpful way of constructing theories. Discussion of forcing in grounded theory remains unresolved (Charmaz, 2014).

Strauss and Corbin's grounded theory, more than the other versions, has changed over time (R. Jones & Noble, 2007). It arguably has constructivist

influences (Gurd, 2008; Mills et al., 2006) and allows the researcher to use their knowledge and experience to influence their research (R. Jones & Noble, 2007). From 2008, the methodology includes reflexivity (Gentles, Jack, Nicholas, & McKibbon, 2014). This can be regarded as problematic (bias, if the researcher is aiming for objectivity) or advantageous, from a more constructivist perspective (Gentles et al., 2014).

3.3.2.3 *Constructivist grounded theory*

Many of the differences between the various schools of grounded theory can be attributed to differences in ontology and epistemology (Charmaz, 2014; Fendt & Sachs, 2008; Mills et al., 2006). Whereas philosophical considerations are generally implicit in Glaser, Strauss and Corbin's texts (Mills et al., 2006), Charmaz (2014) endorses an explicitly constructivist version of the methodology. She emphasises diverse local worlds and multiple realities (Creswell, 2007) and conspicuously acknowledges the role of the researcher in the title of her book: *Constructing Grounded Theory* is a telling contrast to *Discovery*. Considerations of interpretation, judgement and reflexivity are paramount throughout, and the resulting theory is contextual and situated (Keane, 2015).

Stages of coding in constructivist grounded theory methodology are similar to those in the classical version. Charmaz's initial coding, like open coding, aims to break the data down to generate ideas. This is followed by focused coding, which corresponds to selective coding; the most promising codes are selected to move forward with. Unlike Glaser and Strauss and Corbin, coding beyond the focused coding stage is optional. Charmaz endorses theoretical coding, with or without Glaser's coding families, as a final stage, to construct

(rather than find) relationships between categories, but while theoretical coding is seen as very useful for building theory, theory building itself is optional; in a constructivist paradigm, it is possible to make a contribution without creating a theory (Charmaz, 2014). Charmaz also includes a somewhat unenthusiastic suggestion of axial coding (Strauss & Corbin, 1990): “Axial coding provides a frame for researchers to apply. The frame may extend or limit your vision” (Charmaz, 2014, p. 148).

Constructivist grounded theory is the most flexible of the three main strands of the methodology (Bryant & Charmaz, 2007; Creswell, 2007). Charmaz (2014) provides suggestions and guidance, rather than mandating specific steps. This allows the methodology to be tailored to each unique study and to be influenced by the participants’ concerns (Corley, 2015). However, this can be a source of criticism, especially for researchers in the classical tradition such as Walsh et al. (2015) who uphold the necessity of following all the steps.

A further contentious issue in constructivist grounded theory is the output of the research, which can be more modest than that envisaged by Glaser and Strauss (1967). For example, Breckenridge et al. (2012) regard the theoretical product as a significant divergence from classical grounded theory. Charmaz (2014) argues that constructivist grounded theory can indeed move beyond micro-analysis, but warns that premature decontextualisation can be a problem, and cautions researchers to attend closely to complexity at a contextual level and to explicate categories thoroughly before progressing to larger units of analysis.

3.3.2.4 My choice of constructivist grounded theory

I have chosen to follow Charmaz's (2014) constructivist version of grounded theory methodology. Its emphasis on contextualisation serves Parker, Guthrie and Linacre's (2011) call for accounting research to be socially, politically and institutionally contextualised, in order for it to be relevant to practice. Its flexibility encourages creativity, as advocated by Humphrey (2008, p. 195): "In qualitative research, it is vital that creative thinking is encouraged and that we do not emphasise the pursuit of process over the development of ideas". Flexibility allows me to respond to emerging data and theories, and to create and recreate the research strategy as the study progresses. This facilitates engagement with the research participants, a key strength of grounded theory methodology (Corley, 2015).

Constructivist grounded theory methodology also aligns most comfortably with my own philosophical stance and therefore contributes to the 'meaningful coherence' of my research (Tracy, 2010). Keane (2015) offers three examples of how to align grounded theory methodology with constructivist values. First, she emphasises critical self-reflection. Reflexivity is explicitly built into Charmaz's methodology (Charmaz, 2014) and is discussed in Section 3.11. Second, Keane advises actively involving participants. This is facilitated by Charmaz's 'intensive interview' strategy (Charmaz, 2014), which helps to ensure that data collection focuses on participants' concerns. I also sought member reflections towards the end of the project (Section 3.15). Third, Keane advocates incorporating thick contextual description in the final presentation of the research. Charmaz facilitates this by advising that the participants' voices are retained in memo

writing (Charmaz, 2014). While staying mindful of ethical and confidentiality issues, my findings chapters (Chapters 4, 5, and 6) use sufficiently long quotes, where appropriate, to convey a sense of the participants' world to the reader.

The rest of this chapter shows how I have employed constructivist grounded theory methodology (Charmaz, 2014) to approach my research.

3.3.3 Building theory

The explicit aim of grounded theory methodology is to build theory (Charmaz, 2014; Glaser & Strauss, 1967; Strauss & Corbin, 1990), but ideas about what theory is may differ. In *Discovery*, Glaser and Strauss (1967, footnote 22, p. 31) take the narrow view that theory “explains or predicts something”.

Interpretive or postmodern conceptions of theory tend to be broader and more inclusive (de Loo & Lowe, 2017; Locke, 2001) and “more concerned with frameworks for providing insight, understanding and validity in historical and specific circumstances” (Howell, 2013). A. Clarke (2005) eschews the word ‘theory’ altogether; a transcendent formal theory, she argues, makes no sense from postmodernist perspective, where society and social action are in constant flux. Charmaz (2014) takes an intermediate position: theorising is important, indeed the aim of the methodology, but researchers can take different positions on what theory is, and make a contribution without it.

I view theory as “an abstract theoretical understanding of the studied experience” (Charmaz, 2014, p. 4). Through data analysis, I construct a substantive theory of reconstructing public sector audit, which I then relate to extant formal theory (Chapter 7).

3.3.4 Overview of the application of grounded theory methodology

Figure 6 outlines my methodological approach. The process was iterative, involving much back and forth movement between stages. The chapter proceeds to discuss each stage in detail.

Figure 6 Overview of grounded theory methodology

Non-committal literature review (Urquhart, 2013; Urquhart & Fernández, 2013)	Chapter 2 Literature review	
↓		
Pilot study (Nunes, Martins, Zhou, Alajamy, & Al-Mamari, 2010)	Section 3.5 Pilot study	
↓		
Simultaneous data collection and analysis (Charmaz, 2014; Glaser & Strauss, 1967)	Chapter 3 Methodology	
↓		Category development via theoretical sampling and member reflections (Charmaz, 2014; Glaser & Strauss, 1967; Tracy, 2010)
Creation of a “field-based story” (Locke, 2001, p. 122)	Chapters 4, 5, 6	
↓		Revised “field-based story” (Locke, 2001, p. 122)
Revisited literature review (Charmaz, 2014; Urquhart, 2013)	Chapter 2 Literature review	
↓		
Grounded theory compared to formal theory and located within the literature (Locke, 2001)	Chapter 7	

3.4 Choice of interviews for initial data collection

I sought to choose research methods that fitted well with my constructivist philosophy (Howell, 2013; Suddaby, 2006) and facilitated answering the research question (Charmaz, 2014):

How is public sector audit affected by privatisation?

Rich data is the starting point for a strong grounded theory (Charmaz, 2014). Collecting detailed, locally situated data accords with Hopwood's (1983) call to researchers to seek to understand accounting in context, echoed more recently by de Loo and Lowe (2017), Humphrey (2008), Suddaby et al. (2009) and Sikka (2009a).

Table 8 shows the data sources I considered for "open sampling" (Strauss & Corbin, 1990, p. 181).

Table 8 Consideration of data sources			
Data collection method	Examples	Advantages	Disadvantages
Field observations	Goddard et al. (2015); Mohammad and Roszaini (2009)	Direct evidence of what auditors do without relying on them to recall and report this retrospectively	Client confidentiality Practically difficult to arrange Requires access during auditors' busiest period Cannot access past audits
File reviews	Curtis and Turley (2007)	Can access past audits Does not rely on auditors' disclosure Eliminates some of the practical obstacles of direct observation	Client confidentiality Not everything that takes place during an audit is recorded in the file
Review of published FRC regulatory reviews	Giroux and Jones (2011)	No practical or ethical issues Can access past audits	Not everything that takes place during an audit is recorded The FRC's worldview is an integral part of the data
Interviews	Gendron and Spira (2009, 2010)	Allows access to the full scope of the audit, including auditors' thoughts Can access past audits Facilitates co-construction of knowledge (Charmaz, 2014)	Limited to what the auditor remembers and chooses to disclose

I selected interviews with auditors to start my data collection, in order to access in-depth information from those directly involved, including their thoughts, feelings and reflections (Malsch, Tremblay, & Gendron, 2012), and “how they think about specific issues” (Power & Gendron, 2015 p. 156). This yielded a complexity of views (Creswell, 2009), leading to a deeper, more nuanced understanding than would be possible through other methods.

Interviews necessarily rely on what participants remember and wish to disclose. From my social constructivist perspective, this is less important than credibility and authenticity (Crotty, 1998; King & Horrocks, 2010; Power & Gendron, 2015; Tracy, 2010). Conversing with interviewees also facilitates co-construction of knowledge between the researcher and participants (Charmaz, 2014).

3.5 Pilot study

The following sections describe and justify my use of a pilot study.

3.5.1 Aims of the pilot interviews

The aims of the pilot interviews were as follows.

- (1) to familiarise myself with the practical and human aspects of the research (Carlson & McCaslin, 2003; Nunes et al., 2010).
- (2) to gauge the reactions of auditors to being interviewed, and anticipate any potential issues.
- (3) to decide whether to audio record interviews.
- (4) to practice my interview and data analysis skills (Arksey & Knight, 1999; Carlson & McCaslin, 2003).

(5) to start to develop insight into the research area, in order to refine research tools and facilitate efficient and effective research planning and design (Nunes et al., 2010).

The following sections describe how the pilot interviews proceeded and how I used them to achieve these aims.

3.5.2 Selecting participants for the pilot study

I undertook one pilot interview (P1) with a colleague, purely to practice research techniques. The next two participants (P2 and P3) were former Audit Commission auditors who had left instead of transferring to the private sector in 2012. They provided a good knowledge of the subject area to help me developing insight into the research area, and genuine reactions to being interviewed and possibly recorded.

3.5.3 Conducting the pilot interviews by telephone

I conducted pilot interviews P2 and P3 by telephone in order to save time. My pre-existing relationship with the interviewees mitigated the limited opportunity this gave to develop trust and credibility (Block & Erskine, 2012). The interviews ran smoothly and yielded a substantial amount of rich data.

3.5.4 Deciding whether to record interviews

Audio recording is normal in academia but not in auditing. I was concerned that recording might deter auditors, or cause them to temper their speech. Glaser recommends not recording interviews because it slows down the data collection and analysis process unnecessarily (Glaser, 1998; Glaser & Strauss, 1967). Charmaz (2014) subscribes to the more conventional view that recordings are valuable because of the detail that can be maintained

and reviewed in retrospect (Arksey & Knight, 1999). I decided to use the pilot interviews to compare the relative experiences of recording and not recording.

Interview P2 was not recorded. I took extensive notes during the conversation, which I considered a minor and manageable impediment to conducting the interview. I was conscious, however, of making decisions during the interview about what to document, as it was impossible to note everything. Writing up the notes took two days, and I found it more difficult to remember details the next day. I sent my finished notes to the interviewee, which led to a somewhat uncomfortable exchange as he had not expected me to reproduce the conversation in so much detail, wanted to amend some of the script, and qualified and provided additional explanations for some of his comments. I amended the document in a way that we both agreed.

Although this process resulted in a co-constructed, shared understanding, I felt that this had come at the detriment of our ongoing relationship, and some detail had perhaps been lost.

Interview P3 was audio recorded. I explained in advance of the telephone call that audio recording was optional but would help me. The interview proceeded very smoothly. I made scant notes, to help with my questioning, but relied on the recording for detail. The recording was very clear and enabled me to transcribe everything, including some things I had forgotten. The interview transcript was much longer than my notes from interview P2, emphasising the additional detail that had been retained. I decided to record all future interviews, where participants consented to this.

I noticed that transcribing helped me to become immersed in the data and encouraged deep thinking, which expedited the data analysis process.

Although not an explicit aim of the pilot study, this prompted my decision to transcribe my own interviews, in order to stay close to the data and facilitate analysis.

3.5.5 Reflecting on and analysing the pilot interviews

I reflected on the interviews and the themes that had arisen during the interviews, by writing notes immediately following the interviews. I found this helpful in crystallising my substantive and reflexive thoughts prior to more formal analysis.

I coded each interview on a line-by-line basis to produce initial codes (Charmaz, 2014), then reviewed and compared the codes with each other and with the underlying data (Charmaz, 2014; Glaser & Strauss, 1967) to give some tentative focused codes (Charmaz, 2014). I started theorising by documenting my ideas in memos (Charmaz, 2014; Glaser & Strauss, 1967). The findings from the pilot study are summarised in Table 20 in Appendix B, on p. 317. Table 20 shows the output from my pilot study in the form of tentative focused codes, my ideas relating to these tentative codes, and considerations arising that I took forward to the main study.

3.5.6 Deciding whether to use software for data analysis

Specialist software such as NVivo can be used to advantage in qualitative data analysis (Bazeley, 2013; Bringer, Johnston, & Brackenridge, 2004), including in grounded theory studies (Bringer, Johnston, & Brackenridge, 2006; Hutchison, Johnston, & Breckon, 2010). A key benefit of using

software for research is efficient organisation and analysis (Bringer et al., 2004), but some authors (e.g. Goulding, 2002; Suddaby, 2006; Urquhart, 2013) urge caution. Goulding (2002) fears that using software could be regarded as jeopardising the researcher's very close link to the data, a key advantage of grounded theory methodology. Suddaby (2006) and Bringer et al. (2006) warn that software makes it possible to generate findings without fully understanding the data. Suddaby (2006) emphasises the researcher's responsibility for making interpretations and decisions, regardless of whether software is used. For Urquhart (2013), the chief concern is the difficulty and distraction for the researcher in learning new software at the same time as learning to analyse data.

Mindful of these criticisms, I followed Urquhart's (2013) advice to start coding manually. I tried coding using pen and paper, and then using Word, but found both of these methods increasingly unwieldy and difficult to track as the number of codes grew. Using NVivo software helped enormously with organising my analysis, as well as allowing me to experiment with different coding structures and track my work. Furthermore, my confidence in the systematic storage of codes helped me to keep moving through the process.

3.5.7 Using the findings from the pilot interviews

I imported the findings from the pilot study (Appendix B) into a fresh NVivo file for the main study, where they were available for information and reference, but did not translate them directly into either codes or interview questions. This early analysis contributed towards my theoretical sensitivity (Glaser, 1978), foreshadowing some of the key themes in the main study, especially ideas about presenting an image, not being too perfect, and being

a specialist or a generalist. I also noted at this stage the importance of regulatory reviews and started to consider their meaning. Other ideas such as consistency of staffing and helpfulness of auditors did not earn their way in to the final theory (Charmaz, 2014).

3.5.8 Reviewing the pilot study

Table 9 shows how the pilot study helped to shape my research.

Table 9 Revisiting the aims of the pilot study		
Aim (Section 3.5.1)		How this helped to shape the research
(1)	to familiarise myself with the practical and human aspects of the research	I became more familiar with the participants' world, timetable and priorities. This helped with scheduling subsequent interviews and with being sensitive to some of the issues of importance to auditors that might arise in later interviews.
(2)	to gauge the reactions of auditors to being interviewed, and anticipate any potential issues	I had underestimated confidentiality concerns. I reassured participants that I did not need details of clients, and decided henceforth not to disclose the identities of other participants. However, participants were relaxed and forthcoming during the interviews, which gave me confidence to proceed with few interview questions, in order to elicit what participants thought was important.
(3)	to decide whether to audio record interviews	I decided to record all subsequent interviews, and to transcribe them myself.
(4)	to practice my interview and data analysis skills	The pilot study gave me confidence in my interview technique and practice at coding. I decided to use NVivo software to analyse the data.
(5)	to start to develop insight into the research area	The findings from the pilot study (Appendix B) provided helpful insight into the research area and helped me to develop theoretical sensitivity (Glaser, 1978; Strauss & Corbin, 1990).

In summary, the pilot study helped me to test, practise and refine the research techniques I then implemented in the main research phase. The codes from the pilot stage did not feed directly into the data collection or analysis of the main study, but contributed towards developing my theoretical sensitivity (Charmaz, 2014; Glaser, 1978; Glaser & Strauss, 1967; Nunes et al., 2010). This facilitates theory building by enhancing the researcher's ability to ascribe meaning to data and to identify theoretical possibilities (Charmaz, 2014; Strauss & Corbin, 1990).

The next section discusses the main data gathering phase.

3.6 Data collection

This section describes in more detail how I used interviews in the study. Following a grounded theory approach (Charmaz, 2014; Glaser & Strauss, 1967), the interviews evolved as the research progressed, and were used not only to gather data but also to refine the research questions and to explore theories as they developed, in an iterative process. I start with explaining the 'intensive interview' style (Charmaz, 2014), and how I applied theoretical sampling (Charmaz, 2014; Glaser & Strauss, 1967), and move on to practical considerations such as timing and location of interviews. I then discuss how I documented my reflections on the interviews, and the transcription process.

3.6.1 Interview style: intensive interviews

Focusing on the participants' concerns is crucial to generating a substantive theory that has relevance (Corley, 2015; Urquhart & Fernández, 2013). I used "intensive interviews", defined by Charmaz (2014 p. 56) as "a gently-guided, one-sided conversation that explores research participants' perspectives on their personal experience with the research topic", in order to "allow interviewees to express themselves according to their own interpretive schemes – with as little disruption as possible" (Power & Gendron, 2015 p. 156).

I created a semi-structured interview guide, derived partly from literature, although the literature was not used extensively in the early stages, or to generate hypotheses (Glaser & Strauss, 1967). Appendix C on p. 319 shows my original interview guide. It consists of a list of prompts of the information to share with interviewee at the start of the interview, followed by a table of original questions and the rationale for each question. The interview guide evolved as the research progressed, in accordance with theoretical sampling (Section 3.6.3 and Appendix D). Using an interview guide helped to remind me of key areas to cover, but I did not follow it rigidly, instead improvising in order to respond quickly to new ideas, and generate more data about new and emerging concepts (Charmaz, 2014). The question "What do you do now that is different to when you worked at the Audit Commission?" was the mainstay of the first few interviews, repeated several times in slightly different ways to encourage more information.

3.6.2 Constructing an understanding of public sector audit

I viewed the interviews as interactions during which the participants and I together constructed an understanding of their stories (Charmaz, 2014).

Table 10 provides an example of an exchange illustrating this co-construction.

Table 10 Interview extract showing co-construction of the participant's story		
Extract from interview with participant		Explanation of researcher input
Participant	we do much better focused work around management override as a significant risk. Which we didn't do anything on I think in the Commission, I don't think we even knew it was a risk. Even though...	Contrary to the participant's assertion, I remembered considering the risk of management override, especially in the context of journals, as an Audit Commission auditor.
Interviewer	Yes, you used to look at journals didn't you, and who'd signed them off ...	I decided to challenge this assertion to elicit more information.
Participant	Yeah, but not in a particularly controlled manner. And we didn't do anything to make sure the population was complete.	Again my memory contrasted with the participant's assertion. I remembered reviewing the sequencing of journals, to verify the audited entity's control over management overrides.
Interviewer	Look at the sequencing.	My interjection refers to what I did, as a Commission auditor, to gain assurance about the completeness of the population.
Participant	What, for the whole year?	The participant points out that reviewing sequencing by hand (at the Commission) would only provide assurance on a sample basis.
Interviewer	Maybe not. I definitely looked at some sequencing.	I concede the point in but reiterate that at the Audit Commission, I did some work in this area (rather than none, as the participant first suggested).
Participant	Yes, you'd look at some. But a tool that reconciles opening and closing, you know you've got the full - you've got all transactions and you know therefore you've got all journals within that population.	The participant agrees that there would have been some work in this area, and goes on to clarify exactly how he believes his firm's new procedures provide better assurance.

This part of the interview became an interactive discussion about how the auditor's work on management override controls had changed, leading to a fuller understanding of the change in practice.

3.6.3 Adjusting the interview questions

I used theoretical sampling to adjust the interview questions as the research progressed, in order to further the theoretical evolution of the research (Charmaz, 2014; Glaser & Strauss, 1967; Strauss & Corbin, 1990). As well as improvising during the interviews in order to pay attention to participants' concerns, I added questions that helped to explore my emerging categories in more detail, and to confirm and disconfirm the emerging theory (Charmaz, 2014; Glaser & Strauss, 1967). Appendix D on p. 322 shows my evolved interview guide. For each original questions and rationale, additional columns show my notes about whether to retain or remove the questions in future interviews, and my reasoning. Additional rows show further questions I added for later interviews, with their rationale.

3.6.4 Using interviews to elicit member reflections

As my analysis progressed, I used the interviews to invite participants' reflections on my emerging theory (Charmaz, 2014; Tracy, 2010), leading to collaboration and elaboration (Tracy, 2010). Table 11 shows extracts from two different interviews illustrating how I encouraged reflections.

Table 11 Interview extracts demonstrating member reflections		
Extract from interview relating to 'just enough'		Explanation
Participant	... it was much more about other skills than technical skills. So they were valued, but not to the same extent that they were in the Audit Commission.	Participant offers his view on the value of expertise in his firm
Interviewer	Would you say that there's a kind of minimum level of specialist knowledge, and then once you've got enough specialist knowledge to do the job, then they wouldn't really care if you had any more?	I share my idea of 'just enough' expertise and ask for his thoughts
Participant	Yes. I'd agree with that statement. And I wouldn't say that that level of technical knowledge is particularly high. The bigger issue is to be able to deal with - if a technical issue comes up, to be able to deal with the client, and, sort of, maybe not resolve it there on the spot - obviously it's good if you can - but to know how to resolve it rather than being the person who solves it.	The participant agrees and adds detail
Extract from interview relating to standardisation		Explanation
Interviewer	There's this idea audit quality is binary. It's either good enough, or it isn't. And there's no point in being any better than good enough.	I share my idea of standardised audit quality
Participant	I think that's right.	He agrees
Interviewer	Yeah. Would you ... because I was kind of - I didn't like that idea to begin with, but I'm coming round to it.	I volunteer my opinion to prompt further detail
Participant	I don't like that idea either. From a values point of view 'Good enough' is not something I'm very comfortable with. But I think that's exactly where the firms are, in terms of - audit to £5m, audit to your testing threshold, audit to your materiality threshold, and do not do a minute, or a figure more than that, because if you do you're wasting cost and eroding the profit margin.	The participant adds his own thoughts, emphasising his agreement

Member reflections lend trustworthiness (Malsch & Salterio, 2016) and sincerity (Tracy, 2010) to the research and the additional detail provided by the participants adds authenticity to their agreement with my ideas.

Further member reflections were elicited at the end of the data analysis phase (Section 3.15).

3.6.5 Timing of interviews

Interviews took place across two years, in the winter of 2015-16 and 2016-17, in order to avoid auditors' busy season. I allowed significant gaps in my schedule to give time for reflection and analysis between interviews, and to adjust the direction and content of subsequent interviews through theoretical sampling (Charmaz, 2014; Glaser & Strauss, 1967).

3.6.6 Face to face versus telephone interviews

The first interviews were conducted face to face, because this is widely accepted as giving the best chance of collecting rich data (Block & Erskine, 2012). Furthermore, I felt that this familiar format would feel comfortable to auditors, and facilitate interaction and conversation. Participants' comfort was important, both for ethical reasons and to encourage them to provide rich, reflective information (Malsch et al., 2012).

In the first year, I conducted all interviews face to face, visiting participants at a location of their choice, usually their office. For several reasons, later participants were mostly interviewed by telephone. The first two telephone interviews were requested by participants who requested the telephone as most convenient for them. I found the anticipated loss of interaction (Block &

Erskine, 2012) to be minimal; both interviews yielded a significant amount of rich data. Moreover, telephone interviews saved a lot of time. Then in February 2017 an accident hindered my ability to travel. From then, I conducted all but the most local interviews by telephone. I found little detrimental effect in not being able to see the interviewee face to face. My shared background with the participants and substantial experience in interviewing mitigated the potential awkwardness of the interactions, and these interviews yielded a similar volume of rich detail to my previous interviews.

3.6.7 Recording interviews

Following the pilot study, I recorded all interviews using a hand held recording device. I checked that participants were comfortable with this before commencing each interview. During the interviews, I made notes to help me keep track of the conversation and follow up interesting ideas, but I relied on the recording to retain the detail.

3.6.8 Personal reflections

I documented my reflections on each interview soon afterwards, often staying in the interview room after the participant had left. The reflection served two purposes. First, noting my impressions of the substantive content of the interview assisted my preliminary analysis (King & Horrocks, 2010). I noted whether anything had been omitted, key messages I thought the participant was trying to convey, and anything that I was surprised at or wanted to follow up. I added some tentative interpretations and notes forward

for the next interview. Second, I reflected on the process, and how I could maintain or improve this for future interviews

3.6.9 Interview transcription

One of my three pilot interviews and 22 of 23 subsequent interviews were transcribed in full. Transcribing data myself helped me to feel close to the data, to think about it deeply, and to remember details that I had forgotten. Five of my later interviews were transcribed by a professional transcription service. I revisited these interviews in great detail, listening to the recording and checking the transcription for accuracy. This contributed towards my deep engagement with the data.

The final interview was not transcribed because it yielded substantially less detailed information than the others. The participant did not have experience of audit prior to the 2012 transfer of auditors, and was therefore only able to discuss his experiences in relation to private sector firms. Nevertheless, I followed the same procedure of reflection and interpretation following this interview, and it did contribute towards my analysis.

3.7 Sample selection

This section explains how I selected my sample of participants for interviews, starting with open sampling (Section 3.7.1) and progressing to theoretical sampling (Charmaz, 2014; Glaser & Strauss, 1967) (Section 3.7.2).

3.7.1 Initial sample selection

At the beginning of the research, the researcher goes to “the most obvious places and the most likely informants” (Goulding, 2002, p. 67). Strauss and

Corbin (1990 p.181) refer to this as open sampling, the aim being “to uncover as many potentially relevant categories as possible along with their properties and dimensions.” My starting point was the four audit firms that took on Audit Commission contracts and staff in 2012, summarised in Table 2 in Section 1.2.3.1.

I started data collection with a small sample of experienced public sector auditors who had transferred from the Audit Commission to a firm in 2012, and therefore had experience working under both systems. I selected auditors from three firms of different sizes and in different geographical locations, in order to elicit a range of views.

I started to analyse the data soon after the first data collection. This gave the study theoretical direction and facilitated theoretical sampling.

3.7.2 Theoretical sampling

Theoretical sampling is an essential feature of grounded theory (Charmaz, 2014; Glaser & Strauss, 1967; Suddaby, 2006). In *Discovery*, it is defined as:

the process of data collection for generating theory whereby the analyst jointly collects, codes and analyses his data and decides what data to collect next and where to find them, in order to develop his theory as it emerges. (Glaser & Strauss, 1967 p.45)

This applies both to adjusting interview questions (Section 3.6.3) and to selecting subsequent participants. Therefore, sampling took place throughout the study rather than just at the beginning (Locke, 2001), and was determined by the ongoing analysis, with the specific aims of both confirming and contradicting emerging theory, and to fill in gaps in categories as I developed them (Charmaz, 2014).

Appendix E on p. 330 shows my interview schedule. Columns show which part of my study the interviews relate to (pilot study, initial sample or theoretical sampling), the mode of conducting the interview (face to face or telephone), some information about the participants' places of work at the time of the transfer and at the time of the interviews, and the participants' positions at the time of the interviews. This summary demonstrates the depth and breadth of the participants' experience. The 23 interviewees included 21 former Audit Commission auditors, as well as NHS and local government clients and non-executive directors. The auditors included those still working at the firm they had transferred to and those who had subsequently left. Obtaining views from these different perspectives contributed to 'crystallisation'; that is, making use of multiple data sources in order to be receptive to a more complex understanding of the issue, and therefore increase the credibility of the research (Tracy, 2010). I conducted most interviews with auditors because I found that these provided the most in-depth information that enabled me to fill in my categories and further the development of my substantive grounded theory (Charmaz, 2014).

3.7.3 Towards theoretical saturation

Grounded theory methodology requires sampling to continue until categories are saturated (Glaser & Strauss, 1967; Strauss & Corbin, 1990); that is, "when gathering fresh data no longer sparks new theoretical insights, nor reveals new properties of these core theoretical categories" (Charmaz, 2014 p. 213). Determining when theoretical saturation has been reached can be one of the key difficulties of the grounded theory approach (Creswell, 2009).

Recognising that I as the researcher construct the research, determining when saturation has been reached was dependent on my judgement.

3.8 Ethical considerations

This section demonstrates how I followed required ethical procedures (Section 3.8.1) as well as taking into account broader ethical considerations in my research activities (Section 3.8.2).

3.8.1 Following university procedures

I followed the University's ethics procedures (Tracy, 2010) by submitting my proposal to the University's ethics committee and receiving approval from the committee in advance of collecting data. Appendix F on p. 334 shows my Student Research Ethical Issues Form.

All participants were told that they were participating voluntarily, and could withdraw from the study at any time. I emphasised that they were responding to my questions as individuals, rather than as representatives of their organisations, and explained how data would be stored and kept confidential. Probably the most significant concern expressed by participants was confidentiality. To address this concern, I devised and explained to participants a system for referring to participants by number and firms by letter.

To start with, participants were required to sign a consent form (Appendix G on p. 336) to confirm their understanding and acceptance of their involvement in the study. In February 2017 I obtained ethical approval for two amendments to the original application. These allowed me to involve

participants other than auditors and to conduct interviews by telephone. Telephone participants were not required to sign a form, but I e-mailed the form to them, and explained the issues at the start of each interview, as with the face-to-face interviews. My ethics amendment request is shown in Appendix H on p. 338.

3.8.2 Continuing ethical considerations

Tracy (2010) advises that ethical issues should be considered throughout the research, rather than just at the beginning. Continuing reflection on ethical issues led me to make two changes during the research. First, following the pilot interviews, I noticed that interviewees were interested in my overarching perspective of the four firms, and asked me who else I had spoken to. If I spoke freely to participants about other interviewees, this might enable them to identify each other in my completed work, even if I had kept the content of the interviews confidential. From that point, in addition to maintaining confidentiality in my stored research data, I did not reveal to any participants who the other participants were. The only exceptions occurred when I interviewed multiple individuals in the same visit, and in these cases I sought the participants' permission.

The second reflection was that although I sent participants details of my visit in advance, they rarely read them in detail. At the start of the interviews, participants were not very interested in the ethical aspects of the interview and just wanted to proceed with the questions. They seemed to regard the process of reading and signing the ethics form as an extra burden on their time. I discerned, and one participant told me directly, that trust was a factor: I had a shared background with the participants and many of them knew me,

or knew of me, personally or professionally, prior to the interview. This created an existing level of trust between us, which meant that they inclined to trust my word rather than the ethics process. But ethical procedures require that participants understand ethical issues. After some consideration, I changed my approach to ethics in the interviews. Rather than introducing ethics procedures as a means of protecting participants, I explained that discussing ethical issues was a necessary step for me to go through in order to conduct my research properly. I found that interviewees were more patient with this approach and listened to my summary of the forms because it was something I needed them to do, rather than for their own benefit.

Ethical considerations continued through the writing up phase. I found that participants had generally been open and unguarded in what they said during their interviews. In some cases I had quotes or information that could be potentially inflammatory or that could undermine confidentiality. I considered all the quotations I used carefully and censored my writing to ensure that anonymity was preserved and the participants were protected.

3.9 Grounded theory techniques for data analysis

Following the initial data collection, data collection and analysis took place simultaneously (Charmaz, 2014; Glaser, 1978; Glaser & Strauss, 1967; Goulding, 2002; Urquhart, 2013) and followed Charmaz's (2014) interpretation of grounded theory coding. The following sections outline the coding process I followed, my use of data analysis software, and grounded theory techniques for data analysis.

3.9.1 Coding

Coding is the process of attaching concepts to data (Urquhart, 2013). The first step, initial coding (Section 3.12), involved working through interview transcripts at a very detailed level to generate a very large volume of codes. The second stage, focused coding (Section 3.13), involved selecting those codes with most analytical significance to move forward with. Next, I worked to develop these focused codes into a core category and sub-categories that summarised the main themes of the study in an abstract way (Section 3.14). Theorising continued through exploring the relationships between the codes to generate a substantive theory (Chapter 7). Chronologically, all of the coding stages overlapped with each other, with data collection and with constant comparison, as I moved towards building a substantive grounded theory.

After experimenting with my pilot data (Section 3.5.6), I used NVivo software to document and develop my initial and focused coding. At the theoretical coding stage, I broke off and returned to pen and paper (Section 3.9.4).

3.9.2 Constant comparison

Constant comparison is a key tenet of grounded theory (Charmaz, 2014; Glaser & Strauss, 1967; Gurd, 2008; Suddaby, 2006). From the focused coding stage, I used NVivo to repeatedly compare instances of codes within interviews and across different interviews. This led me to amend the coding, changing the names of codes, which ones were treated as focused codes, and the organisation of the coding hierarchy, as well as prompting analytical ideas and interpretations, which I wrote up in theoretical memos. Table 12 shows an example comparison of auditors' responses to the requirement to

work longer hours, which led me to create the new codes 'Being positive' and 'Feeling uncomfortable', which transcended the specific circumstances the auditors described.

Table 12 Memo extract: attitudes to long hours	
Memo extract	Function of this part of the memo
<p>Attitudes to long hours 12/19/2016 9:11 AM</p> <p>P7 "you think, oh, I've got a week to do this – and then you realise, you've got the set up meeting, you don't really start looking at the file till Monday lunch time. You've got a closing meeting by Thursday morning. So you suddenly realise actually you haven't got five days to do it, you've got two. "Two and a bit. "Yes, so some long evenings and some early mornings. But it was really good, and it's really useful having such a diverse team doing it. And I think that works really well. So you have obviously they could ask the GPS people some GPS specific questions – what's a collection fund and that kind of stuff– but they would also bring in their knowledge as to how the audit approach should work. And that was really good learning. I think it worked well as a team thing as well."</p> <p>Although P7 spells out the firm's unrealistic expectations in terms of budgets and timescales, his attitude, and the overriding message of his words, is one of privilege in being involved in this work, and pride in doing a job well. He seems to be thriving on the pressure.</p> <p>This is totally different from the messages from P 11 / P 12 / P13. E.g. P12: "And there was definitely an expectation of long hours. And so they had their resourcing tool and you would <u>receive</u> [participant's emphasis; suggests no choice or negotiation] the resourcing plan. And it would have someone who's contracted for 28 hours allocated for 50 hours. That's excluding – that's 50 chargeable hours. That's without admin and travel and all the rest of it. So you were being asked for the part time staff that you were line managing, to sell that to them somehow. Well, it was impossible. Well, I found it impossible. I wasn't prepared to do it myself, let alone make someone else do it."</p>	<p>Memo title Date / time</p> <p>Reference Extract from interview considered in this memo</p> <p>My thoughts and comments</p> <p>Comparison with other interviews</p> <p>Extract from second (contrasting) interview considered here</p>

3.9.3 Memo writing

Memo writing is “the pivotal intermediate step” between collecting data and generating theory (Charmaz, 2014, p. 162) and a core grounded theory technique (Charmaz, 2014; Glaser & Strauss, 1967; Strauss & Corbin, 1990; Urquhart, 2013). I composed numerous and varied theoretical memos throughout the data analysis process, creating new memos and adding to existing ones at frequent intervals. These documented my thoughts and interpretations as I worked through the data, and helped me to explore the emerging concepts and tentative relationships between them. Gradually the memos became more abstract, analytical and theoretical.

An example of a theoretical memo is provided in Table 12 in the previous section.

3.9.4 Using mind maps and diagrams

In the final stages of coding, I created many mind maps and diagrams relating the codes to each other, as advocated by Charmaz (2014) and Urquhart (2013). This was a creative process and I sometimes altered the codes I included, or gave them slightly different names, as well as experimenting with different relationships between them. I moved outside of NVivo for most of this stage, which helped me to experiment more freely with how the codes related to each other. Appendix I on p. 339 shows some of my numerous mind maps and diagrams.

3.9.5 Stages of data analysis

Analysis progressed from very detailed initial coding to more selective focused coding. I then worked with my codes to construct and develop

categories. The final stage was to elucidate the relationships between the categories, in order to build a substantive grounded theory. These stages and the output from each stage are set out in Table 13. The subsequent sections of this chapter provide detailed descriptions and supporting examples for each stage of the process.

Table 13 Stages of data analysis		
Data analysis stage	Output	Section reference
Initial coding Generating ideas by creating initial codes from interview data	983 initial codes	Section 3.12
Focused coding Focusing the initial codes into a manageable number of meaningful codes to work with	24 focused codes	Section 3.13
Constructing categories and sub-categories Developing abstract themes from the focused codes to create a core category and sub-categories that summarise the main themes of the study, and explicating their properties	<u>One core category:</u> Reconstructing public sector audit <u>Three sub-categories:</u> Commercialising the audit Reconstructing audit quality Embedding the reconstruction	Section 3.14
Creating a substantive theory Using theoretical coding and diagramming to explore the relationships between codes and categories to create a substantive theory	Substantive theory of reconstructing public sector audit	Chapter 7

3.10 The iterative nature of grounded theory methodology

Grounded theory methodology is iterative rather than linear; the researcher goes 'to and fro' between the different stages, and between the codes and the data (Charmaz, 2014; Glaser & Strauss, 1967). Charmaz (2014) advises an imaginative and playful approach. "Grounded theory coding is part work but it is also part play. We play with the ideas we gain from the data. ...

Theoretical playfulness allows us to try out ideas and to see where they may lead" (Charmaz, 2014 p. 137). In order to maximise the power and effectiveness of the method, playfulness, flexibility and responsiveness to the data take precedence over rigid adherence to procedures (Amsteus, 2014; Corley, 2015). Therefore, although I present a sequence of coding steps with a prescribed procedure for each, the distinctions between coding stages were very blurred and the movement between them not strictly chronological.

3.11 Reflexivity in the research process

Charmaz (2014) suggests that prior knowledge can help or hinder research. It is necessary to be aware of background assumptions and perspectives (Charmaz, 2014; Horrocks & King, 2010). Suddaby (2006, p. 635) advises researchers to "pay attention to extant theory but constantly remind yourself that you are only human and that what you observe is a function of both who you are and what you hope to see".

Reflexivity is the process of reflecting critically on the self as researcher (Lincoln, Lynham, & Guba, 2018). This is built in to grounded theory methodology through theoretical sensitivity (Gentles et al., 2014); even Glaser and Strauss (1967) comment that reflection is necessary to discover

what has been found, but Charmaz (2014) goes much further, requiring the researcher to explicitly take their own perspective into account throughout the research process, and especially through memo writing.

Here I set out my reflections on my relationship to my research, and how it has affected my approach.

I worked at the Audit Commission for a substantial part of my career, from 2001 until 2012. Starting as an audit team lead, I worked in a number of roles in four different geographical locations. As part of the Commission's technical unit, I helped and advised auditors nationally, represented the Audit Commission at client-facing events, and was instrumental in determining the Commission's stance on some controversial topics. I was conscious that my long association and public advocacy of the Audit Commission predisposed me to think well of the Commission and its approach to audit. During the initial interview phase, I became aware that some research participants were also conscious of my background, and might temper their disclosures to protect my feelings.

In 2012 when the audit practice and its auditors transferred to the private sector, I and my colleagues in the technical unit were made redundant. I therefore experienced the closure of the Audit Commission directly, personally, and alongside auditors who subsequently became my interview participants. The closure of the Audit Commission was unanticipated, and, many auditors felt, ill justified and poorly managed (Prospect, 2011). There was an extended period of uncertainty when many people, myself included, did not know whether they would be made redundant. The Audit

Commission was denigrated in the press (Tonkiss & Skelcher, 2015) (see for example Groves, 2010; Sparrow, 2010). This powerful shared experience impacted on my approach to the research, how I interpreted data and built theory. It also had the potential to impact on how participants viewed me and my research. Interviewees might see me as an insider to whom they could divulge information freely and feel understood. More problematically, they might try to anticipate my agenda as seeking to demonstrate that audit quality has suffered as a result of the transfer, and set out to corroborate or disprove this.

I took steps to mitigate the risk of auditors adapting their narratives to what they thought I wanted to hear. I included in my sample auditors I did not already know personally. I was very clear in explaining my research question to participants: that I was interested in exploring how the transfer of audit to the private sector had affected the audit. I explicitly stated that I was interested in both good and bad aspects of how the audit had changed. I also posed detailed questions and showed interest and enthusiasm for new strategies and processes recounted by auditors. These strategies helped give me the best chance of obtaining detailed and balanced information from my participants, but I acknowledge that any such information is always an interpretation.

I also took action to remind myself of my own potential preconceptions, and challenge my interpretations throughout the research. Writing up my reflections after every interview helped me to do this, and I maintained the process of reflection via my continual use of theoretical memos through the data analysis stage.

In writing up the research I have used the first person throughout, which is an appropriate style to reflect my attitude towards and engagement in the study (de Loo & Lowe, 2017; Wolcott, 2009).

3.12 Initial coding

Initial coding The early process of engaging with and defining data. (Charmaz, 2014, p. 343)

The aim of initial coding was to engage with the raw data, transcriptions of intensive interviews, at a very detailed level, in order to generate fruitful ideas that I could continue to work on (Charmaz, 2014). This process produced a very high volume of initial codes, only some of which formed part of the eventual substantive theory.

The following sections describe two elements of initial coding: line-by-line coding (Section 3.12.1), and working with the initial codes (Section 3.12.2).

3.12.1 Line-by-line coding

I assigned each line a code, in order to maximise the generation of ideas and to avoid making premature judgements about which sections of the text were significant (Charmaz, 2014; Glaser & Strauss, 1967; Strauss & Corbin, 1990). I used gerunds where possible in order to focus on actions (Charmaz, 2014; Glaser, 1998; Glaser & Strauss, 1967). Appendix J on p. 342 provides a detailed illustration of my initial coding for an excerpt from one interview.

Initial coding generated 983 codes, all of which I recorded in NVivo. Some codes were concise, analytic and action-based; others were more descriptive or clumsy. At this stage, I prioritised volume of ideas over elegance or

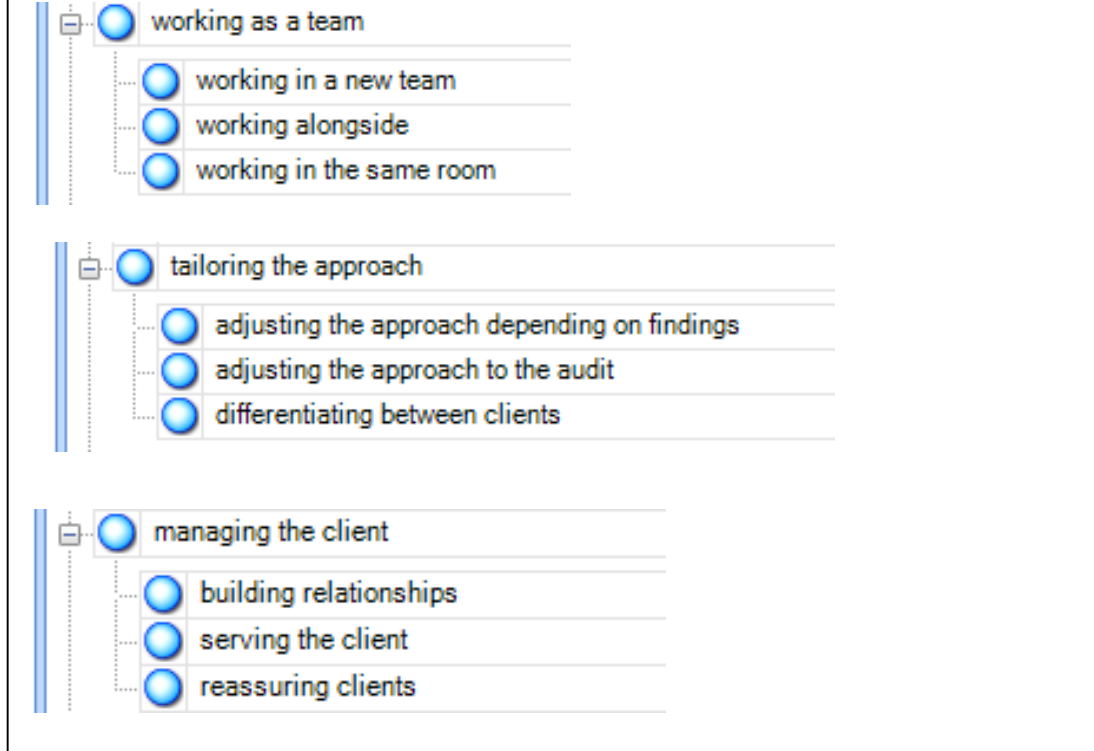
insightfulness, reserving judgement on which codes were useful to take forward to the next stage, focused coding (Section 3.13).

I used the line-by-line coding technique throughout the first interviews, and later revisited sections of the transcriptions and coding multiple times at this very detailed level. As the research progressed and the direction of the research became clearer, I moved straight to focused coding for some parts of interviews where the focused codes I had already developed seemed to fit the data.

3.12.2 Working with the initial codes

I used the constant comparison method (Section 3.9.2) to compare instances of the same code appearing in different places, to attain a greater understanding of the codes. With this insight, I began to arrange the codes in a provisional hierarchy, by grouping similar codes together. Figure 7 shows some examples of my early groupings of codes.

Figure 7 Screen shots from NVivo showing extracts from the early coding hierarchy, after coding four interviews (created by the author, 2018)



As I worked, I wrote memos (Section 3.9.3) which logged my thoughts and helped me to think about the data on a more analytical level, and create more analytical codes.

3.13 Focused coding

Focused coding A sequel to initial coding in which researchers concentrate on the most frequent and / or significant codes among their initial codes and test these codes against large batches of data. (Charmaz, 2014, p. 343)

The aim of focused coding was to select codes to move forward with for further analysis and theorising. To do this, I considered which of the initial codes occurred most frequently or appeared more significant than others

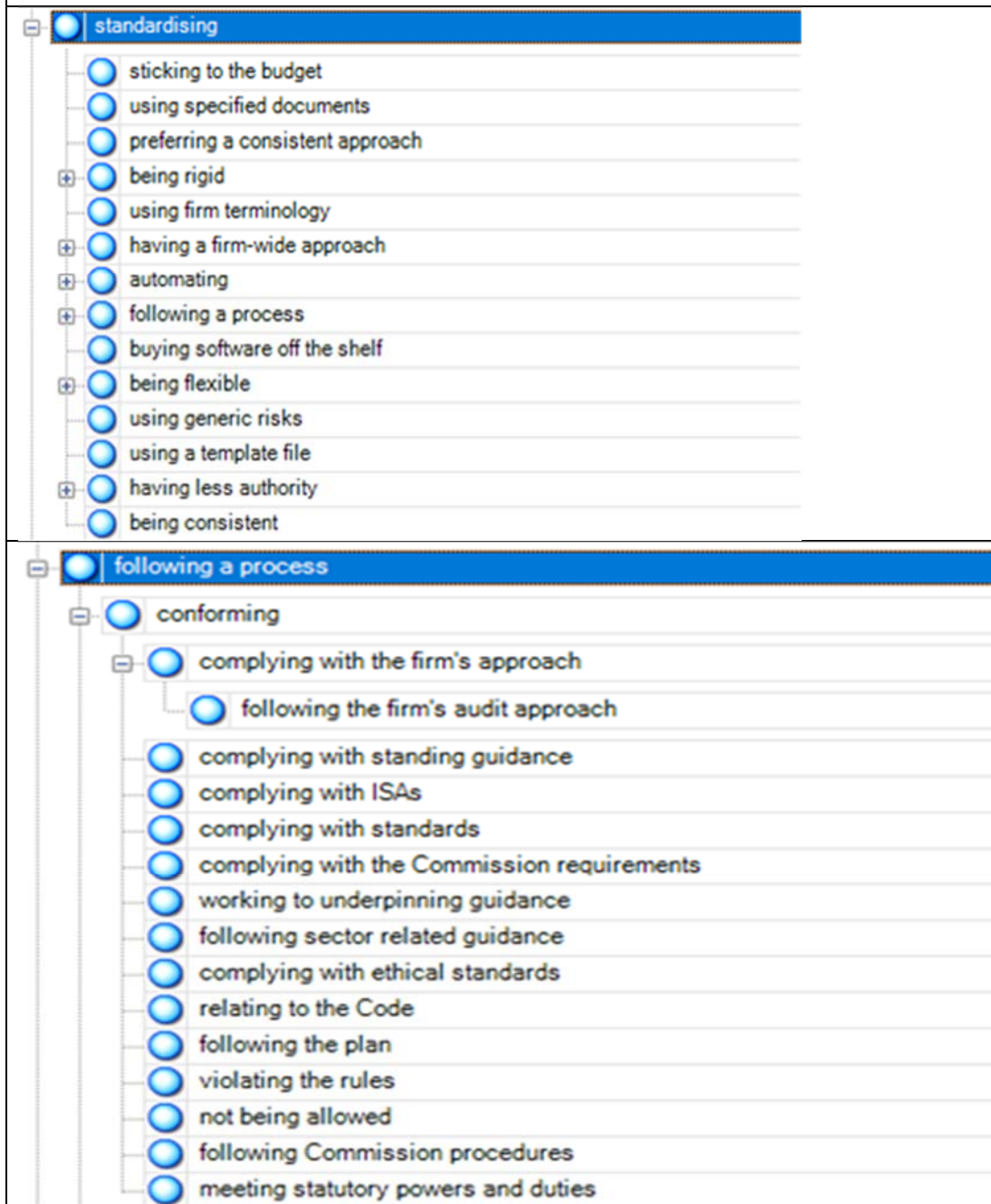
(Charmaz, 2014) by “concentrating on what [the] initial codes say and the comparisons [I made] with and between them” (p. 140) and by reflecting on Glaser’s question “*What is actually happening in the data?*” (Glaser, 1978, p. 57).

3.13.1 Creating focused codes

I created provisional focused codes either as new, more analytical codes, or simply by using initial codes that seemed to work well. Table 25 in Appendix K on p. 345 provides an illustration of focused coding. It uses the same interview excerpt as the example of initial coding in Table 24 in Appendix J, but there are two extra columns to illustrate the coding. After the initial codes, which are the same as in Table 24, the second coding column shows the focused codes arising from working with the initial codes. The final column presents my reasoning for the selection of the focused codes.

Some initial codes were elevated directly to focused codes, some were grouped together into new focused codes, and others culled. I denoted focused codes by changing their colour in NVivo. ‘Supporting audit staff’ (Table 25, Appendix K) is an example of an initial code elevated to a focused code without changing its wording. Its recurrence in multiple different circumstances led to interesting contrasts surrounding situations when staff felt as though they were or were not supported. ‘Standardising’ (Table 25, Appendix K) is an example of a new focused code created from many initial codes, one of which was ‘Following a process’. As I collected more data and created more codes, I explored how following a process related to the audit becoming more standardised. Figure 8 shows how these two codes were constituted of many other codes.

Figure 8 NVivo screen shots showing coding hierarchies of the codes 'Standardising' and 'Following a process' (created by the author, 2018)



3.13.2 Working with the focused codes

I used the techniques of constant comparison (Section 3.9.2) and memo writing (Section 3.9.3) as I continually revisited codes, compared them with data and with each other, renamed them, merged them, reconsidered which

ones I considered to be focused codes, and restructured the hierarchy in ways that made sense to me analytically. Restructuring the coding hierarchy helped me to view the different data in different ways, and provided fresh analytical insights, which I noted in theoretical memos. Some groupings appeared more obvious than others. For example, the code 'Not being clear' helped me to understand the code 'Being clear', so I merged these two opposite codes together.

It was not always possible to find a definitive best place in the structure for each code. Sometimes I moved a code around several times but still felt uneasy with its location in relation to other codes. Charmaz (2014) and Suddaby (2006) both advise that grounded theorists need to be able to tolerate ambiguity, and Charmaz emphasises the provisional nature of research. Therefore, I accepted and proceeded with imperfect coding. As I continued to compare data and write memos, I gained further insights into my codes, and it became possible to arrange them into provisional categories and sub-categories (Section 3.14).

My designation of which were focused codes, and how they were organised, changed frequently as I progressed through the research. For example, the code 'Supporting audit staff' derived from the excerpt in Table 25 was useful in comparing different ways in which auditors did or did not feel supported. This comparison contributed towards developing the more analytical codes 'Doing just enough' and 'Feeling uncomfortable', which eventually superseded it in my final theory.

3.14 Constructing categories and sub-categories

Categorizing The analytic step ... of selecting certain codes as having overriding significance or abstracting common themes and patterns in several codes into an analytic concept. (Charmaz, 2014, p. 341)

Core category A concept that is sufficiently broad and abstract that summarizes in a few words the main ideas expressed in the study (Corbin & Strauss, 2015, p. 187)

I arranged the focused codes into tentative categories that expressed the main ideas in my research. The aim was to reach a single core category that encompassed the ideas of a small number of sub-categories. I achieved this by selecting promising focused codes, and exploring them through continued and repeated use of the core grounded theory techniques of constant comparison (Section 3.9.2) and memo writing (Section 3.9.3).

3.14.1 Theoretical coding

Theoretical codes inspire us to think about different relationships between categories. (Urquhart, 2013, p. 110)

Considering relationships between codes is an essential stage in building theory, and theoretical coding is a technique designed to facilitate this (Charmaz, 2014; Glaser & Strauss, 1967; Urquhart, 2013). Embarking on this stage, I ensured that I was familiar with Glaser's coding families (Glaser, 1978) and allowed them to inform my exploration of the interrelationships between codes, but I neither limited myself to these codes (Charmaz, 2014; Glaser, 1978, 1998; Urquhart, 2013) nor applied them in any systematic way (Charmaz, 2014). Rather, I prioritised ideas emerging from the data (Charmaz, 2014; Glaser, 1998).

Charmaz (2014 p. 245) uses the term “theoretical playfulness” to emphasise that building theory is imaginative rather than mechanical. I ‘played’ with my codes by experimenting with different coding hierarchies within NVivo and by making extensive use of mind maps and diagrams (Section 3.9.4), both within NVivo and using large paper and coloured pens (Appendix I). I also persevered with the grounded theory techniques of constant comparison (Section 3.9.2) and memo writing (Section 3.9.3).

The process of theorising continued in an iterative way for a period of several months. I was influenced at this stage by member reflections (Section 3.15), by comparisons with existing literature (Section 3.16) and by writing, presenting and receiving feedback on conference papers.

3.15 Member reflections

Section 3.6.4 showed how I used some of the later interviews to elicit member reflections on my emerging analysis and theory. This was invaluable in checking emerging ideas as they arose, but there was a long time gap between completing my data collection interviews and completing my analysis. In order to obtain participants’ reflections on my overall theory, I added an additional step: I created a very short summary of my substantive theory and e-mailed it to some participants, requesting their comments. My e-mail message is shown in Appendix L on p. 351. I limited the sample to those participants I had contacted directly and whose contact details I still had, both for convenience and because I wanted to minimise disruption to participants at what was for them a very busy time of year. I e-mailed 13 participants and received four responses. Although this is a small number of

responses, they represented auditors from two different firms (B and C), one who had left and two still working as auditors, and one client, therefore provided a good representation of my overall sample.

In constructing the e-mail I was mindful of how busy the participants were. During the data collection phase, which I had planned to coincide with the auditors' least busy period, participants had generally been willing to meet me but less enthusiastic about spending any more time on my project, for example, not having time to read either the ethics forms or my transcriptions. I therefore worked on making the summary of my theory as concise and easy to read as possible, avoiding any academic language or references. The finished version was four paragraphs in length, which fitted into the text of an e-mail, so that recipients did not need to open an attachment.

The four respondents indicated broad agreement with my theory, providing effective additional corroboration to the member checking undertaken during the interviews. Two provided detailed additional comments, which I used to consider and challenge my interpretation of my findings. One auditor commented that PSAA has a significant role in audit quality, that PSAA ratings are treated just as seriously as FRC and that the FRC is employed on behalf of the PSAA. This suggests that the public sector, in the form of the PSAA, might have more influence than I have suggested in my e-mail 5.3summary. I have addressed this in Section 5.7.6. The second respondent, a former auditor, commented that in their view the client service is poor (though they agreed that there is more client focus) and that it is unclear what risks are being addressed. Client service is discussed at Section 4.3.1 and focuses on the auditor's viewpoint, therefore this opinion is not

inconsistent. Risk and secondary risk management (Power, 2004) are discussed in Section 5.5, and the participant's comments corroborate my theory that risk has been recalibrated, so that it now has a different meaning.

3.16 Linking to literature

From the start of the study and initial non-committal literature review (Urquhart, 2013; Urquhart & Fernández, 2013) I had an awareness of academic research in the areas of audit and public sector, and then, later, in New Public Management, but I had no pre-ordained theoretical orientation or conceptual framework (Charmaz, 2014). As the theoretical categories and framework developed and began to stabilise, I read more academic literature, and started to integrate ideas from existing literature with my own grounded theory (Locke, 2001). This was an iterative process and involved rewriting the literature review (Chapter 2) alongside the final development of the theory. The findings chapters of the thesis (Chapters 4, 5 and 6) refer to literature where it is helpful in explicating the findings.

During the later phase of developing the grounded theory by working on the relationships between codes and comparing with existing literature, I decided that Bourdieu's concepts of field, capital, habitus, hysteresis, doxa, illusio and especially symbolic violence (Bourdieu & Wacquant, 1992; Grenfell, 2014) would help in understanding and interpreting the changes in public sector audit. These concepts are discussed in the literature review (Section 2.7) and they compose the formal theory I use to reflect on and interpret my substantive theory (Chapter 7).

Thus the Bourdieusian concepts discussed in this thesis are not part of a Bourdieusian field analysis of the research. Rather, they are used to help interpret and understand a story that has been developed through a grounded theory methodology (Charmaz, 2014), and to translate it into a theoretically informed theory that links to existing literature.

3.17 Quality criteria

Standard criteria for judging the quality of traditional, positivist research are not appropriate to research undertaken from a constructivist perspective (Malsch & Salterio, 2016; Power & Gendron, 2015; Tracy, 2010). Tracy (2010) sets out eight helpful criteria that can be applied across paradigms. Malsch and Salterio (2016) suggest five questions specifically for assessing qualitative audit research from an interpretivist perspective. Table 26 in Appendix M on p. 353 interprets Malsch and Salterio's questions with the help of Tracy's criteria, and links to specific parts of the thesis to demonstrate how quality is evidenced in my research.

3.18 Limitations of the research

This section sets out the limitations of the research and how I have sought to mitigate them.

As with most research, time constraints limited the number of participants that could be interviewed. This was mitigated by several factors. First, the participants were very experienced in the research area and represented a broad range of perspectives (Section 3.7 and Appendix E). Second, participants were willing to spend time discussing and reflecting on their

experience. Most of my interviews were around an hour long, therefore yielded a very substantial volume of relevant data. Third, the research methodology, grounded theory, mobilises the data in such a way as to ensure that research continues until robust and complete theoretical categories are created. Fourth, from a constructivist perspective, achieving resonance is more important than using a representative sample. By following grounded theory procedures to stay close to the data (Charmaz, 2014; Corley, 2015) and incorporating 'member reflections' (Tracy, 2010) into later interviews, I have been able to increase the resonance of my analysis. (Section 3.17 discusses quality criteria in relation to constructivist / interpretivist research.)

Nevertheless, gathering additional data from slightly different perspectives could have achieved further 'crystallisation' (Tracy's (2010) alternative to the more positivist word 'triangulation'). My research concentrated mostly on the perspectives of auditors, with some consideration of the views of clients. This was a deliberate strategy to maximise my understanding of the detail of the auditors' actions in relation to the change in their work environment. Further research could use more varied data sources to explore perspectives of other stakeholders, for example, audit committees, the Financial Reporting Council, the Chartered Institute of Public Finance Accountants (CIPFA), and the National Audit Office. It would also be interesting to compare to systems in other countries, especially Scotland, Wales and Northern Ireland.

The findings of the research were dependent on which individuals participated in the study, and I recognise that involving different individual participants could have yielded different results. This is an inherent feature of

qualitative research. The selection of participants was dependent both on me selecting and making contact with individuals, and on those individuals consenting to take part. My sample includes more participants from two of the four audit firms that took on public sector contracts than on the other two. However, I used the grounded theory strategy of theoretical sampling (Section 3.7.2) to ensure that I reached a sufficient level of theoretical robustness, and member reflections (Section 3.15) to invite collaboration and enhance resonance.

A further limitation was the time lag of between three and four years between auditors transferring to the private firms and my interviews with them. Some interviewees claimed to have forgotten the Audit Commission way of doing things and this did hinder some of the detailed comparisons between audit techniques. This was mitigated by my own Audit Commission knowledge, which, although also four years in the past, was not muddled by having subsequently learnt a different audit methodology. (Section 3.6.2 provides an example of how I used my own knowledge to construct a better understanding of the contrast between Audit Commission and firm methodologies.) It also allowed chance for auditors to have fully experienced, understood and reflected on the changes (Gendron & Spira, 2010).

3.19 Chapter summary

In this chapter I have set out my constructivist (Charmaz, 2014; Power & Gendron, 2015) philosophical approach to the research: meanings are subjective and socially constructed, depth in research is important, and the researcher plays a role in constructing the research. I have defined my

research question and explained how it evolved over time, and explained how I have employed constructivist grounded theory methodology and intensive interviews (Charmaz, 2014) to gather and analyse rich data in order to create a substantive grounded theory that addresses the research question. I have also reflected on my own position in relation to the research.

This chapter has set out how I have analysed the data arising from my research interviews, using Charmaz's (2014) interpretation of grounded theory procedures and techniques. I provided detailed examples of how I used initial coding to generate codes, and more analytical focused coding to refine them. I then described how I theorised from this point, using theoretical coding, constant comparison, memo writing and diagramming to construct a single core category with concepts related to other concepts and codes.

Section 3.17 addressed the quality of the research, and demonstrated how my research meets qualitative quality criteria. Some limitations remain and these were discussed in Section 3.18.

The thesis now goes on to present the detailed findings of the research. Chapters 4, 5 and 6 each present one of the sub-categories developed, which are brought together in Chapter 7 as a substantive grounded theory.

4 Commercialising public sector audit

4.1 Introduction

This is the first of three chapters setting out the detailed findings of my research which together form the substantive theory discussed in Chapter 7. It addresses the commercialisation of public sector audit, and how the audit has changed as a result.

This chapter is arranged as follows. Section 4.2 starts by showing how I created the sub-category *Commercialising public sector audit* from my data, and introducing the main concepts within this sub-category. The subsequent sections discuss each of these concepts in more detail. *Presenting an image* (Section 4.3) and *Doing just enough* (Section 4.4) emerged as major strategies firms employ to achieve their commercial aims of winning work, managing risk and being efficient, in order to make a profit. *Subordinating public sector concerns* (Section 4.6) is a consequence of prioritising commercial considerations. The chapter proceeds by discussing the codes identified through data analysis that contribute to the *Commercialising* sub-category, and which help to describe and explain what auditors do in their everyday jobs when they are auditing.

The phenomenon of working longer hours is discussed in Section 4.5. I regard this as an efficiency strategy and a way to achieve 'just enough' audit work, but it could also be considered as a consequence of prioritising commercial concerns over the principle of fairness.

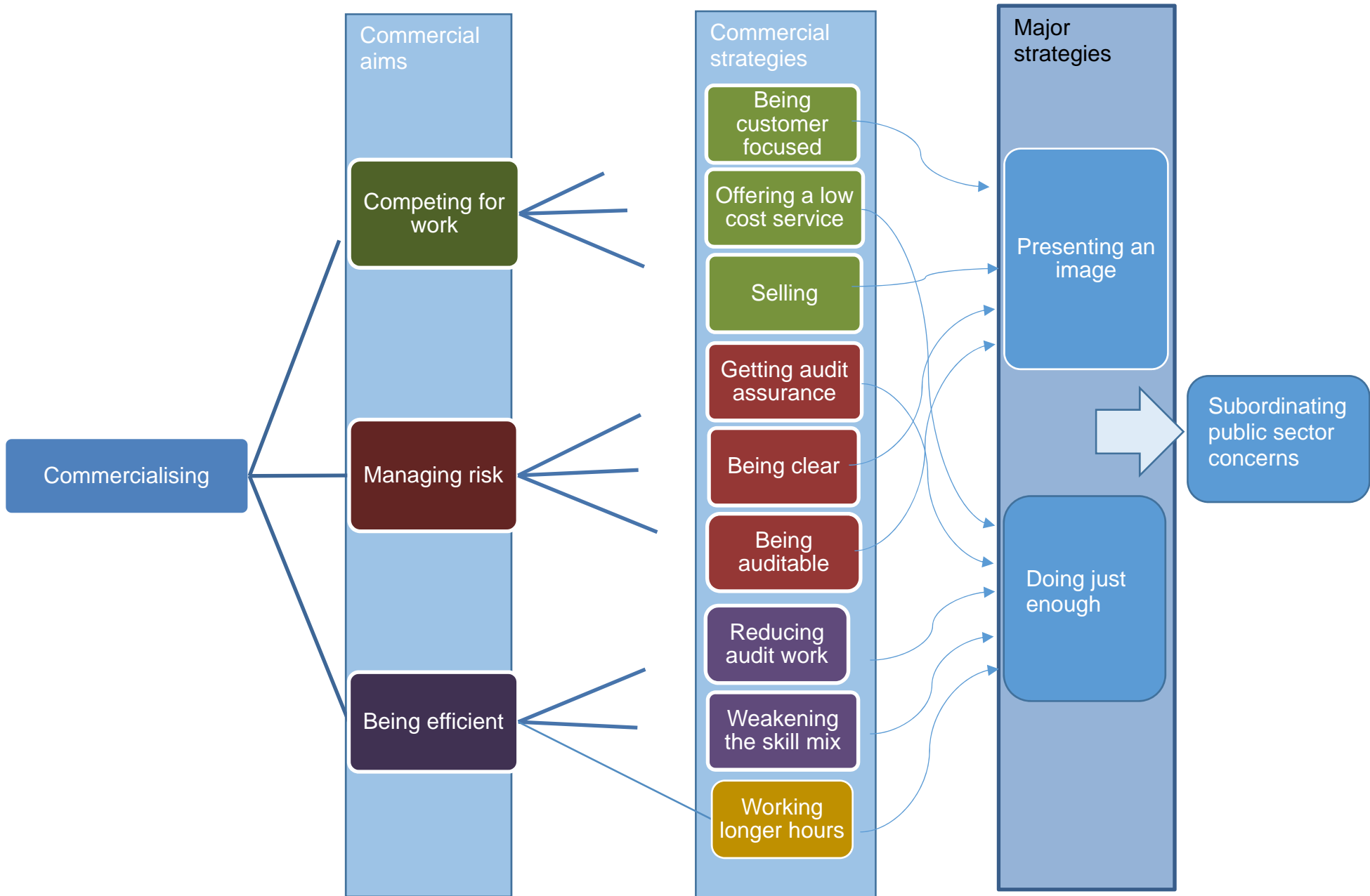
4.2 Constructing the sub-category

'*Commercialising*' is a sub-category of the main category '*Reconstructing public sector audit*' (Chapter 7). By '*Commercialising*', I mean prioritising commercial concerns such as making a profit, managing risk, and winning work, over other concerns such as protecting the public interest and serving the taxpayer.

I created the code '*Being commercial*' (which I later altered to '*Commercialising*') from my interview with Guy at Firm A, who used the phrase 'commercial reality' repeatedly; for example, when discussing the firm's advisory offering: "that's a commercial reality". This phraseology was echoed by Paul at Firm D with reference to the expectation of winning new work: "that's just the commercial reality of what you're doing". Dean at Firm B also uses the word 'commercial' when he talks about the pressure to work more efficiently, for example by using more junior staff: "the firm are trying to obviously move us in a bit more of a commercial direction".

I organised the codes relating to *Commercialising* into **commercial aims**, identified through data analysis as the driving forces behind what auditors do, and **commercial strategies** to achieve those aims. These are summarised in Figure 9 overleaf. I identified the focused codes *Presenting an image* and *Doing just enough* as the **major strategies** the firms use to achieve their commercial aims. These occur frequently in the data, and help to describe and explain what auditors do in their everyday jobs when they are auditing. I regarded the focused code *Subordinating public sector concerns* as a consequence of *Doing just enough*, rather than as a strategy.

Figure 9 Aspects of Commercialising



I explored these ideas through theoretical sampling. I added questions to my interviews (Appendix D) to probe into areas such as whether and how staffing profiles had changed through recruitment, leavers and promotions, whether auditors felt there was a focus on efficiency and how this manifested, how they regarded audit quality reviews, and whether they felt that public sector expertise was valued. This enabled me to develop my emerging codes and categories further by adding detail to them.

4.3 Presenting an image

Auditors aim to present an image of quality and competence, in order to retain existing audits, win new audits, and sell non-audit services to clients and non-clients. Image has particular significance for an audit firm, because of the opacity of audit quality (Section 2.5.2). It is difficult for an external observer to assess whether auditors have delivered a good service. Auditors therefore invest time and effort in proxies, like branding, that could be interpreted as indicators of high quality (Herrbach, 2005). Issues around networking, showcasing services and general brand promotion arose during my interviews, and would provide interesting material for further study. In this thesis, I focus on the ways in which individual auditors present an image to their clients (Section 4.3.1) and to reviewers (Section 4.3.2) as they do their audit work.

4.3.1 Presenting an image to the client

This section discusses four aspects of how auditors present an image to their clients: by focusing on client service rather than public service (Section 4.3.1.1); being seen to add value (Section 4.3.1.2); targeting the decision

makers (Section 4.3.1.3); and maintaining appearances through careful censoring of messages (Section 4.3.1.4).

4.3.1.1 Client service versus public service

The Audit Commission regarded the public in general as its customer, as advertised very publically through its tag line ‘Protecting the Public Purse’.



(Audit Commission, 2014)

Since the removal of the Audit Commission as an appointing body, firms now have a more direct relationship with their audit clients, and customer care has become more important, in order to preserve a firm’s image, to retain clients and to win new clients and consultancy work.

it’s not like you can - just do your basic audit work ... I’ve got to come in here and make this work ... make sure we keep our current clients happy rather than serving the audit just itself (Christina, Firm B)

Christina links her efforts to “keep our current clients happy” with the commercial success of the business. This underlines the relationship between presenting an image to the client and meeting the firms’ commercial objectives (Figure 9). The words “make this work” show that Christina views client satisfaction as essential. She contrasts this commercial perspective with the alternative of “serving the audit just itself”, a narrower view of the auditor’s job, which focuses more on technical aspects of the audit. This resonates with literature documenting the increasing weight granted to social skills over technical skills in audit firms (Carter & Spence, 2014; Hanlon, 1994; Robson, Humphrey, Khalifa, & Jones, 2007; Spence & Carter, 2014).

The quotes in Table 14 illustrate the importance of customer service across all four firms.

Table 14 Auditor and client views on customer service

Firm A	<p>the client's view is really important to us and we do a lot of client satisfaction reviews, we do client care panels as well for our – what we would see as our key account clients, our big clients. So for example [county council], because of the size of the audit fee, is one of our top 50 audit fee earners ... So to give you an example, I had a managing partner down here with a team of people interviewing the chief exec and [Finance Director] here. (Guy)</p>
Firm B	<p>I know that [council] audit committee for example, there's a few councillors on there that are very funny about glossy reports, so they don't like anything that looks too private sector, so we send very plain reports to [that council] because, you know, [they think] it's a waste of money if you send glossy reports. (Natalie)</p> <p>I think it's recognising what they need, you know, they don't want necessarily an auditor sitting in their room in their building. If they do, we still try to give them that, but if they don't then we'll leave them alone for most of the year and come round for, you know, four weeks and get in and out. I think we're a lot more flexible about that now. Being responsive to what they want. (Christina)</p>
Firm C	<p>I think the actual client relationships are one of the key parts of the whole process (Tracey)</p> <p>now you've got a slightly – another focus – that you want to do a good piece of work, you want to meet the deadlines, but you actually want to keep the client happy as well. (Derek)</p> <p>I suppose you are more aware of the kind of client satisfaction surveys and obviously retendering, so that is always at the back of your mind. (Matilda)</p>
Firm D	<p>the client is king (Alison)</p> <p>The Audit Commission was: we're here to do a job. We're a public-sector auditor. We are a regulator. We are doing this to you. Whereas what Firm D does is: we do this to you and it's a process that you've got to go through but we'll try and make it as pleasant as possible for you. (Paul)</p> <p>I think I was probably more helpful to the client, in fairness, at Firm D, because you have your eye on getting extra work from them (Jerry)</p>
Client	<p>last year, when [exceptional circumstances interfered with the accounts production process], they were incredibly accommodating ... if the Audit Commission said jump, really you ought to be jumping, whereas I think with [firms] it's more – we want to keep you happy. ... I do think they're better at customer service, I do. (Lucy)</p>

These quotes demonstrate an increased client focus at all four firms. The quotes from Natalie, Christina, Alison, Paul and Derek show auditors consciously being responsive to the client, flexible to their wishes, and “making it as pleasant as possible” for them. Lucy’s quote demonstrates that this responsiveness and improved “customer service” is evident from the client’s perspective. Guy, Matilda and Jerry’s quotes illustrate the increased pressure on auditors to deliver a high level of client service, through client satisfaction monitoring (Guy and Matilda) and the drive to win work (Matilda and Jerry).

The view of the client as a customer has become more prevalent and more pervasive as the profession has become more commercialised, as noted by several researchers (Anderson-Gough et al., 2001; Carcello, 2005; Carter & Spence, 2014; Hanlon, 1994; Herrbach, 2005) and especially Anderson-Gough et al. (2000). This pervasive importance of the customer is entirely consistent with neoliberal ideology (Sikka, 2008a).

Striving for good client relationships is not a purely private sector phenomenon. A number of auditors were keen to stress that they had always worked hard to maintain good client relationships. For example, Gary (Firm A) said “the Audit Commission auditors weren’t immune from wanting to please their clients and I don’t think there is an ethical difference between the two.” However, Table 14 demonstrates a clear and conscious shift in the extent of auditors’ customer focus. There is also some evidence of a more

strategic attitude towards customer service in Guy's description of "client care panels" and in the following quote from Firm C.

We've started to look maybe more formally looking at client relationship management. In the past it just happened and it worked, whereas now it's – ok, are we really speaking to the right people, got the right relationships? - Which obviously in a more business type environment, where you're going to be tendering for work, it becomes more important to monitor that side and make sure you've got the right strategy in place. (Derek, Firm C)

Even with most councils taking up the option of having their auditor appointed for them by Public Sector Audit Appointments (PSAA), auditors are very mindful of keeping their clients happy. PSAA collect customer satisfaction information and compile scores for each firm, which auditors believe are likely to be taken into account in their appointment process. One client and former auditor explained:

rather than being worried about - what does Des think about me? - they'll be worried about - what does PSAA think about me? And, you know, if my client satisfaction questionnaires have a lower score than everybody else's when they go back to PSAA, will that mean that my firm gets ranked bottom, and does that mean that we'll get kicked out of the contracts or get less work next time around? (Des, client)

Thus, even where an auditor is independently appointed, client satisfaction is more important than it was under the Audit Commission regime.

4.3.1.2 Adding value

Auditors sometimes undertake additional work beyond what is necessary to arrive the audit opinion, with the aim of presenting an image to the client of an enhanced service, or 'added value'. Client workshops and high profile 'thought piece' publications (e.g. Audit Commission, 2009; Ernst & Young, 2016; Grant Thornton, 2017) are examples of work that was undertaken by the Audit Commission and the firms continue to offer, even though they are

not necessary to support the audit opinion. These types of activities are much more visible than the routine audit work, where clients are unlikely to be able to assess the level of audit quality (Section 2.5.2).

The following quote shows that audit firms invest significant effort into this type of 'added value' activity in order to promote their image.

we want to be auditor of choice and ... we drive that agenda through our thought leadership stuff, and this is where we're giving collateral back for free, and workshops that we do, free workshops, all sorts of stuff that we still do for free, and we see that as our – you know – way of giving back to clients (Guy, Firm A)

Although Guy talks about "giving back", and there may be an altruistic element to his motivation, he also mentions wanting to be the "auditor of choice". In providing free workshops and generating research reports, Firm A is presenting itself both as an expert in the sector and as an organisation that has a broader interest than in just making a profit.

Clients certainly have an awareness of the extra services provided by auditors.

they all [audit firms] deliver services above and beyond - it is part of the tender, admittedly, but they all deliver services above and beyond what you might call the routine audit work (John, client)

in the context of what is a very small audit fee, for a foundation trust - they are still keen to try and make sure that they are perceived to have added value (Des, client)

Here, the clients' perception is that the provision of extra services is the norm – provided by all the firms (John) and even in relation to small audits (Des).

The following quote from an audit manager shows that the perception of adding value is exactly what the auditors are trying to achieve, as suggested by Des.

It's the perception of added value, so it's promoting what we do. So - partner involvement, attendance at audit committees, the workshops are free – so, those sorts of things. It's being aware of what we can say is added value, rather than giving services for free. (Natalie, Firm B)

Natalie is clear that there is an intention that clients should notice the “added value” they are getting from their auditors. She also shows how the auditors consciously consider their activities as either contributing to the audit opinion or added value. Clearly some attendance at audit committees and partner involvement would be expected as part of the core audit service, but these are both examples of activities that could be reduced in order to cut costs, for example, by attending only some audit committees, and by a manager or senior manager (rather than a partner) being responsible for most of the audit review work. Furthermore, Natalie’s examples include relatively low investment activities (attending an audit committee) as well as those that require significant input of resources (workshops). The common factor is that all “added value” is noticeable by the client.

A further example of generating ‘added value’ from a limited amount of additional resource comes from Firm C.

We’ve started to look at ways in which we can report back interesting things coming from the analytics. (Derek, Firm C)

Derek’s comment on reporting “interesting things” indicates a motivation for pleasing the client by creating reports that they would like to read. It also suggests a contrast to the statutory audit reports, which, by implication, are less interesting. That the “interesting things” are “coming from the analytics” attests to Firm C strategising to maximise the impact of what they already do, rather than (or possibly as well as) making significant additional investments.

4.3.1.3 Keeping up appearances

There is some evidence of auditors being advised to be more careful in what they say, in order to protect the firm's image. For example, Dean (Firm B) reported being asked not to mention that he lives a significant distance from his client, and Matilda (Firm C) spoke of an instance where the firm was reluctant to take the blame for delayed audit work:

they obviously knew that we had staffing issues. And I did say to them that we have had staffing issues. But from the directors' point of view, and the partner's point of view, they weren't happy with us saying it's resourcing. (Matilda, Firm C)

In both instances, the auditor has inclined towards an open and honest dialogue with the client, but been checked by the firm. Firms are aiming to maintain a favourable image with their clients, and too much transparency might jeopardise that image.

4.3.1.4 Targeting the decision makers

Firms are particularly keen to present an image of quality and competence to the decision makers at their clients and potential clients. The primary decision makers, i.e. those who are influential in appointing auditors and commissioning extra work, are the audit committee and executive board. The examples of 'added value' provided by firms (Section 4.3.1.2) provide evidence of this targeting; for example, partner attendance at audit committees is most likely to be noticed by members of the audit committee, rather than finance officers contributing to the accounts preparation. Lower down the hierarchy, finance officers often have more contact with the auditors but less power in influencing the choice of auditors, and are

therefore a less important target in terms of making a good impression. This point is illustrated by Dean.

It doesn't matter how well you get on with the accounts team and the people who are producing the accounts. The decision makers, in terms of appointing auditors, are not those people. (Dean, Firm B)

Dean expresses frustration that providing what he sees as a good client service at officer level does not necessarily help towards winning contracts. This also works conversely; a relatively poor service at officer level does not necessarily deter clients from reappointing an auditor.

The increased use of trainees to resource audits, higher staff turnover and use of more generalist staff (Section 4.4.5), has led some auditors to worry about inexperienced auditors giving a poor impression of their firm. For example, Lucy (Firm C) talked about the difficulty of maintaining a good impression whilst using generalist staff, sometimes from different countries.

there were undoubtedly some embarrassing conversations between them and the client, where you hadn't anticipated a question like – what is the HRA³ then? ... Or, I don't know, what is council housing then? You know, or something like that. Because you haven't anticipated the question ... And it's quite a worry, as an audit manager, because you don't want to send someone off to deal with the director of finance who's going to give that impression. (Lucy, Firm C)

But inexperienced auditors do not often come into contact with the staff that make decisions about which auditor to appoint. Similarly, if auditors undertake less testing than previously, this is more likely to be noticed by

³ The Housing Revenue Account (HRA) is a ring-fenced account for income and expenditure relating to council (public) housing.

officers than audit committees. It is more effective for audit firms to concentrate their efforts at board and audit committee level.

4.3.1.5 Summary: presenting an image to clients

This section has shown how auditors have aimed to present a favourable image to their clients, by prioritising customer service aspects of their work and the visibility of their activities, especially to board level decision makers.

4.3.2 Presenting an image to reviewers and regulators

Perceived audit quality has been shown to be a major factor in client satisfaction (Cameran, Moizer, & Pettinicchio, 2010) and in defending audit work against disciplinary action (Carrington, 2010). Since clients are not able to assess audit quality directly (Section 2.5.2), they must use other means to present themselves as high quality audit suppliers. This section discusses the import auditors place on the FRC's regulatory reviews, and the efforts they make to present an image of quality and competence to reviewers and regulators.

4.3.2.1 The importance of Audit Quality Reviews

PSAA commissions the FRC's Audit Quality Review Team (AQRT) to review a sample of audit files of public sector organisations annually for each firm, and uses these to compile a published report on the audit quality of each firm. These reviews take on a particular importance in the absence of a direct measure of audit quality (Section 2.5.2). Passing an AQR (Audit Quality Review) is a good indication that an audit opinion would be defensible in the event of legal challenge. Furthermore, it is independent and publically available evidence of the quality of a firm's work.

The quotes in Table 15 illustrate the perceived importance of AQR.

Table 15 Example comments about the importance of AQR	
Firm A	It's extremely important, because those scores factor in to you know nationally produced reports to say – this is how Firm A are on quality. (Ashleigh) we're benchmarked as you know against our peers, as other audit suppliers, so yeah, it's important to us (Guy)
Firm B	I think it's massively important (Mark) the quality monitoring with the green and the amber, it's a very big thing for us (Christina) [the partner]'s very fixated on us being green all across the board (Dean)
Firm C	the AQRT scores are published, aren't they, and I think all the firms kind of see where they are against each other – so that's something that is very strongly stressed to us in our quality training. (Tracey) AQRT is very important (Patrick)
Firm D	It's the only tangible thing that you can actually point to that you can use a differentiator between yourselves and other firms. (Paul)

These quotes demonstrate a consensus that AQRs have a very high profile across all four firms, consistent with research in relation to the AQRT's predecessor, the Audit Inspection Unit (AIU) (Beattie, Fearnley, & Hines, 2011).

A common reason given for why AQR is so important is that the scores are published, and can be used as a comparison against their peers. Therefore these scores form an essential part of the firm's image (Tracey, Paul and Guy in Table 15 above). Some auditors feel that the competition between the firms has intensified the importance of AQR.

It's probably more serious because we're judged against other firms ... they're going to be looking at scores for Firm A nationally in terms of how they're going to choose their auditor. (Ashleigh, Firm A)

In Ashleigh's view, AQR scores are more important in the new regime because they contribute towards a client's decision making, which therefore affects how much work each firm can sell. This view is not universal. Some auditors view the AQRs as being of the same level of significance in the firms as they were in the Audit Commission.

I don't see any difference of the import of the FRC ... I think they're taken seriously. (Alison, Firm D)

Alison is an example of a number of auditors whose view was that quality reviews were very important both under the Audit Commission regime and at the firms, and who did not describe a change related to competition. My data provides two significant insights into this viewpoint.

I can still remember those awkward conversations, you know, when our sort of geographical based teams - and you know if we didn't perform we were still getting a bit of heat. (Guy, Firm A)

First, Guy mentions the former Audit Commission practice of talking openly about how the different regions had performed in quality reviews. This policy of openness within the Audit Commission acted as a surrogate for publishing data and comparing the regions against each other simulated competition. Guy's statement indicates that, for him, this practice was sufficient for the reviews to seem high profile; the conversations felt "awkward" and poor performance resulted in "getting a bit of heat".

A second, alternative stance is that audit quality reviews are an important reflection on an individual's work, irrespective of how this is reported.

I don't want anyone coming along and saying – not even an internal review – coming along and saying – you didn't do this properly – because that, to me, is evidence that I'm not doing my job very well. (Graham, Firm B)

From this viewpoint, the auditor is concerned about the judgement on whether he is doing a good job, irrespective of the reporting or publishing mechanism.

In summary, there is a consensus that AQR scores are extremely important, and some auditors regard them as having higher significance than under the previous regime.

4.3.2.2 Incentivising good performance in quality reviews

There is further evidence of the weight audit firms attach to AQR scores in the links firms have created between audit quality scores and progression and reward.

Your quality scores are going to ... form part of any assessment that you have if you look to progress. Quality scores are clearly coming more into annual appraisals. And therefore into bonus considerations. (Patrick, Firm C)

Consequently, individuals as well as firms have strong incentives to succeed in the reviews. The quality element of performance appraisal applies to all grades, including trainees.

The quality metric that you've got in terms of quality goes right down to all trainees so it is right through the whole grade. (Paul, Firm D)

Thus the importance of quality pervades the whole of the firms' staff, and trainees are taught that this is important. A number of auditors linked AQR performance with career progression.

If you get a very good quality rating, that will obviously support your business case for promotion (Tracey, Firm C)

I've never had it confirmed but if you fail an AQR review, then you'll never be a partner of the firm. (Paul, Firm D)

if you failed, internally, it might have an enormous impact on your career (Mark, Firm B)

Beattie et al. (2015) similarly find adverse regulatory reports to be considered career damaging.

Many auditors agreed that they are conscious of a potential regulator review when they are documenting their work.

every time you do something now, you think about - but how is an external reviewer going to view this? (Dean, Firm B)

when you're completing your assignments, you know that it might get picked for AQR. (Mark, Firm B)

This ongoing consciousness of possible quality reviews pervades the auditors' work and leads to auditors expending effort in making their audit files auditable, constructing audit quality around what they believe the FRC is looking for (Power, 1997, 2003, 2004).

4.3.2.3 Clarity, documentation and making audits auditable

Clarity is a recurring theme in interviews with auditors. There are two reasons for clarity in documentation: first, the auditors themselves need to be clear that what they have done is enough to support their audit opinion, and second, the audit file needs to demonstrate to an external reviewer such as AQR or a court that sufficient work has been done. Thus, documentation is very important.

most of it, although you look at it in different ways, boils down to documentation. If it's not written down, it hasn't been done. (Patrick, Firm C)

Patrick's stance is defensive; clear documentation is required in order to substantiate that the work has been done. Increased clarity in documenting what work has been done and why, and how this links to the identified risks, is an important factor in being auditable, which is a strategy firms use in managing risk (Power, 1997, 2003, 2004).

Other auditors emphasised that clear documentation helps the auditor to glean more comfort from the work done.

I think I'm happier that what we do gives the right assurance over the right areas. Because I think you can follow it a lot more clearly on the files as to what you've done and why. (Christina, Firm B)

Christina's statement that she feels "happier" indicates that clarity helps her to take comfort from the work done. Increasing comfort (Pentland, 1993) and decreasing anxiety (Guénin-Paracini, Malsch, et al., 2014) have been shown to be significant factors for auditors in determining when they have done enough work. (See also section 4.4.2.2) The link between clarity and comfort is evident across multiple interviews.

Clarity also helps reviewers to be able to follow an audit file more easily, and, crucially, to give it a good quality score. Derek (Firm C) sees this as a key difference between the old and new audit files.

I think it's a lot easier to demonstrate the quality we've put into the files. (Derek, Firm C)

Derek's statement does not make any claims or judgements about the quality of work undertaken, but suggests that audit quality is better demonstrated under the new system. Christina (Firm B) contrasts this with what she perceives as the previous practice of keeping auditing until there is a sufficient volume of work on file.

If I were a partner ... I'd feel a lot more comfortable that I could follow through what we've done on a file and why and that it then led to me being able to sign that piece of paper to say it's a true and fair opinion. Rather than saying - there's an awful lot of work there, it must be okay. (Christina, Firm B)

Christina's depiction of the change: the current practice, where less work is done with more clarity, contrasting starkly with to the Audit Commission's custom of producing more work with less clarity, may be a caricature.

However it provides a helpful illustration of the link between clarity and comfort in the audit opinion, and suggests that this is more important than the link between volume of work and comfort. The reduced volume of audit work is discussed further in Section 4.4.4 and Chapter 5.

Some auditors expressed concern that the increased demand for documentation reduces the time they have for auditing.

A lot of what we do on an audit file is to demonstrate we've been through ... a thought process, and to cover ourselves if we're challenged - rather than doing what we probably should be doing. Because we know we're going to get an external review that says - you haven't applied this line of IAS 16 ... and so it is a lot more about covering your back, and justifying why you've not done something or you have done something. (Dean, Firm B)

The allegation here is that the increasing focus on auditors demonstrating what they have done, and justifying their work, detracts from the time available to do "what we probably should be doing". Using Downer's (2011) analogy of the 'front stage' and 'back stage' of the audit, auditors have less time for the 'back stage' work to make themselves comfortable with the financial statements (Downer, 2011; Pentland, 1993) because of the increased time they must spend on the 'front stage' work to satisfy regulators. The increased emphasis on auditability links to Power's (2004) idea of secondary risk management. Turley et al. (2016, p. 7) make the

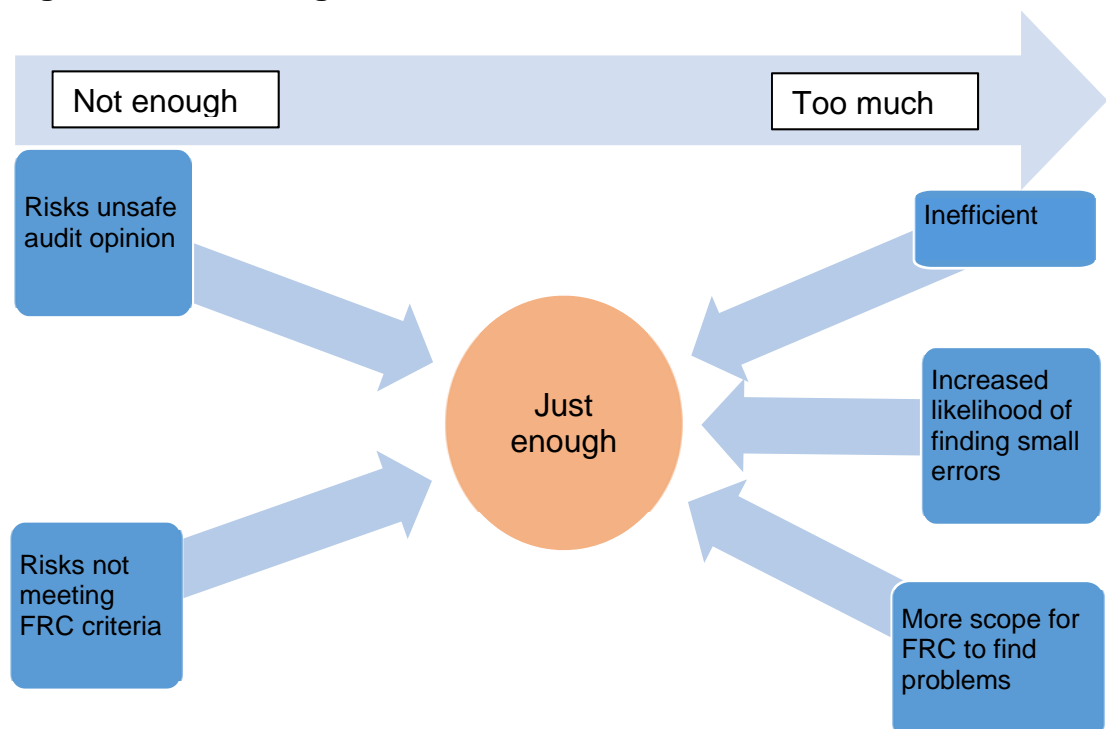
related point that “the dominance of a mind-set focused on regulatory compliance is detracting from the development of other important judgemental skills”, exacerbating the problem.

4.4 Doing just enough

This section discusses how auditors balance their commercial objectives of presenting an image, managing risk and being efficient through the strategy of doing just enough work (Figure 9).

Section 4.4.1 discusses the pressures, especially on fees, which have led to reduced audit budgets, and the various strategies firms have employed to cope with the reduced budgets. Section 4.4.2 considers the opposing pressure to do enough work to manage the risk of issuing an unsafe audit opinion, and to satisfy the regulator. The tensions between these factors are shown in Figure 10.

Figure 10 Just enough audit work



Sections 4.4.3 discusses auditors' strategies for meeting the challenge of doing enough work within the reduced budget: reducing the amount of audit work done to 'just enough' (Section 4.4.4), and reducing the skill mix employed on audits to 'just enough' (Section 4.4.5).

Working longer hours is a further strategy auditors use to do enough work within the shorter time provided. This is addressed in Section 4.5.

4.4.1 Pressures to do less work

The most obvious pressure to do less work is the reduced audit budgets (Section 4.4.1.1), arising from the commercial aim to make a profit by bidding low enough to win work and by performing that work efficiently (Figure 9 in Section 4.2). However, my data also highlights risk management reasons for doing less work (Figure 10 above). Section 4.4.1.2 explains how minimising audit working papers can reduce the risk of the regulator finding problems.

4.4.1.1 Working to reduced audit budgets

There has been a substantial decrease in UK public sector audit fees since 2010 (Baylis & Greenwood, 2016). This is partly due to the abolition of the Audit Commission and some of its central functions and projects, and partly because the auditor's remit has changed significantly to focus much more narrowly on the core financial statements (Section 1.2.3.3). A further reason is the introduction of competition. Auditors consider price to be an important factor in winning work, leading to pressure on audit budgets in order to offer a low cost service.

Most auditors agree that the time available for auditors to do their work has significantly reduced (Table 16).

Table 16 Example comments about reduced audit budgets	
Firm A	the budgets for the audit are half what they used to be
Firm B	We spend less time on the audits. Budgets have tended to come down it used to be something like a 400 day audit. We did it this year for about 200 days.
Firm C	We needed to make a 20% saving in hours. there's no slack, with such significant cuts in audit fee budgets it has to be more streamlined because the fee is significantly reduced I had something like 800-odd hours on one of my audits ... and they've done this analysis to say that your typical audit, you should be like 700 hours. So now they're saying you've got to go away, revisit your profile of staffing to get down to 700 hours. the year before I think we'd had four weeks of three of us doing it, and that year ... it was just me and the team leader ... and I think we had three weeks.
Firm D	overall the number of days expected for the audit to take was much lower. I reckon we probably do the audits in probably 40% of what we previously did at the Audit Commission. it was done on such a shoestring budget

While the figures and the viewpoints vary between auditors and across firms, these quotes show a common perception that the time available to do audit work has significantly reduced. The following sections discuss the auditors' responses to the reducing budgets.

4.4.1.2 Minimising risk by minimising working papers

Going beyond the minimum requirements can be perceived as more risky than adhering closely to the necessary steps, as one former auditor explains.

The more you write, the more [the reviewer] can read and go – well, how did we conclude on that? Or, that looks to be unfinished. ... You're giving more ammunition to ... a [quality control] reviewer, to say – hold on a minute, there's an issue here that you've missed. ... If all you put on the file is all you need to demonstrate that you've

covered off the risks that you identified in your initial planning memorandum, as long as you've done that right, you're safe. Because no ... reviewer can come in and see what isn't there. They can only criticise and comment on what is there. And as long as what's there meets your initial risk assessment, job done – you're safe. (Client and former auditor)

From this perspective, doing the minimum required to meet the standard is not only the most efficient but also the least risky way to complete the audit.

This view is endorsed by an audit manager.

Firm D was very much - and I think Firm B are the same as Firm D really - don't put anything on the file that isn't needed. But I think that's right. You don't need - you know, if something's not adding to the work you've done, as long as you can say and somebody can reperform the work, that's fine. (Auditor who has worked at both Firm B and Firm D)

Thus, the combined imperatives of efficiency and risk management lead to the audit being pared back to a minimum. This practice of only doing what can be seen to be done, in this case by the FRC's reviewers, links to Power's (1997, 2000, 2003a) idea of auditable performance measures shaping organisational activity.

4.4.2 Pressures to do enough work

In considering the pressure on auditors to do enough work, it is necessary to consider the question: enough for what, or for whom? I consider here three aspects of enough: enough to reach a safe audit opinion (Section 4.4.2.1), enough to feel comfortable (Section 4.4.2.2) and enough to satisfy the regulator (Section 4.4.2.3).

4.4.2.1 *Enough to reach a safe audit opinion*

Auditors need to do enough work to support the audit opinion, even within the reduced time available.

risk in the corporate sense for [Firm A] would be (a) they get the accounts wrong and (b) it's in the press and (c) they get sued. And that would affect their reputation so they would lose work. Maybe that comes back to what I was earlier saying about the perception of risk being greater at [Firm A], the worry about getting things wrong at [Firm A] because there's a real potential for real commercial impact if you were seen as being a poor performer. (Gary, Firm A)

For Gary, not doing enough work leads to the primary risk of “getting the accounts wrong” but also the secondary risks of reputation and financial loss (Power, 2004). Litigation risks to auditors have decreased in recent decades (Sikka, 2008a) but, as Gary indicates, “there's a real potential for real commercial impact” if the firm's reputation is impaired. Power (2004) points out that even a minor adverse event or financial loss could be amplified by social processes and the media, leading to wider repercussions. Gary goes on to articulate the consequent attitude towards giving a correct opinion.

there would in the firm be a far greater degree of horror if you found that the accounts were wrong than was the case in the Audit Commission. Sometimes I felt with the Audit Commission if the accounts were signed off and subsequently you found that they were wrong there was a sort of 'oh well, never mind' attitude - it wasn't quite that bad but I think in Firm A if we'd signed off something which subsequently got found to be wrong there would be a great gnashing of teeth (Gary, Firm A)

From Gary's viewpoint, it is critical for firms to do enough work to manage the risk of issuing an unsafe opinion.

Other auditors' discussion of doing enough work relates less to their firm's reputation and more to achieving a level of personal comfort (Section 4.4.2.2) or to scoring well in quality reviews (Section 4.4.2.3).

4.4.2.2 Enough to feel comfortable

Some auditors mentioned the need to do enough work to feel personally comfortable about it.

I suppose - internal QCRs we do quite well at, and also AQR we're getting reasonable scores in that - so that's the external assurance that you're doing a good quality audit, but I think when you look at a set of accounts and you look at the work we've done on each of the numbers, you feel comfortable with what you've done. (Natalie, Firm B)

I wouldn't be signing something off if I didn't think it was materially accurate and safe to be signing off. (Dean, Firm B)

Both of these comments refer to personal feelings about the audit work.

Dean is clear that he relies on his personal opinion to decide whether work is “safe” to sign off. Natalie’s comment shows that, for her, scoring well in quality reviews is not enough on its own – it is also relevant to “feel comfortable with what you’ve done”. In addition, in Christina’s quote in Section 4.3.2.3 she professes herself to be “happier” with the assurance she is collecting. These quotes demonstrate that, at least for some auditors, achieving a personal level of comfort in the audit work (Herrbach, 2005; Pentland, 1993) is still important.

4.4.2.3 Enough to satisfy the regulator

Most auditors also commented that they need to do enough work to satisfy the regulator, as discussed in Section 4.3.2.1; regulatory reviews are regarded as extremely important. Enough to satisfy the regulator is not necessarily the same as enough to feel comfortable, as is evident from Natalie’s quote in Section 4.4.2.2 above.

4.4.3 Strategies for being efficient

Auditors mentioned a number of efficiency strategies they use.

4.4.3.1 *Not wasting time*

That auditors should not waste time is uncontentious and a consistent theme across all four firms. A few auditors mentioned specific non-work activities that had been eliminated, for example, travelling to meetings or training that could be held electronically. However, it is clear that such savings are not sufficient to meet the new budgets.

4.4.3.2 *Avoiding repetition*

Some auditors mentioned restructuring and sharing audit files to avoid repetition. Again these are uncontentious but provide only limited scope for efficiency savings.

4.4.3.3 *New audit practices*

Some auditors reported using new audit practices, especially data analytics, in an attempt to make the audit more efficient. Tracey (Firm C) is very enthusiastic about the scope for working differently using data analytics.

that's a huge, huge support for your audit as well. We've got so much information to draw on (Tracey, Firm C)

The use of data analytics and auditors' enthusiasm towards it is inconsistent across my sample. Some auditors are candid that new audit practices do not (so far) provide the required savings.

There still seems to be this idea of IT audit will be the golden bullet that will make it more efficient and give us more assurance but that's not been borne out by practice (Christina, Firm B)

Literature agrees that the use of data analytics has so far been limited to some firms, and its application is not without challenges (Al-Htaybat & Alberti-Alhtaybat, 2017; Brown-Liburd et al., 2015; Earley, 2015; Financial Reporting Council, 2017).

Three other major strategies are much more evident in my interview data than the use of new techniques: auditors also reduce the amount of testing they do to 'just enough' (Section 4.4.4), less expertise is applied to the audit (Section 4.4.5) and auditors work longer hours (Section 4.5).

4.4.4 Just enough audit work

you're looking at a situation whereby the same things are being done by the same people, really. ... It's not really the same things, because it's a lot less now. (Mark, Firm B)

the big issue was we did less, basically (Jerry, Firm D)

Auditors at all four firms were clear that they were doing less audit work than before the transfer. This section discusses how auditors reduce the amount of work they do in a way that is compatible with the pressures to do enough work discussed in Section 4.4.2.

4.4.4.1 *Reducing the number of risks*

Auditors reported their work to be risk based, as at the Audit Commission, in that audit procedures are directed towards the risks identified by the auditor. Consideration of risk in planning is a longstanding practice (Humphrey & Moizer, 1990; Power, 2004) and the use of identified risks to drive the audit process and determine testing is widely accepted practice described in auditing text books (e.g. Millichamp & Taylor, 2012).

My data shows that one way auditors reduce the amount of audit work done is to reduce the number of risks identified at the planning stage. This is explained concisely by a former audit manager at Firm C, but is also evident at other firms.

There was quite a push - you had to justify something being a significant risk, because there was cost attached to that. ... so, as a result, things that we would have done previously, are not being considered necessary. (Lucy, Firm C)

The “push” Lucy mentions is towards reducing the number of risks identified on each audit. Lucy explicitly links risks to costs; because significant risks lead to more costs, they need to be justified. She also links the change in what is considered a risk to the change in what is considered necessary work.

Some auditors mentioned strategies to reduce the number of risks at the planning stage.

we challenged ourselves - is this really a risk, and if this is, what is the best and quickest way of dealing with it? (Alison, Firm D)

We're supposed to be working off these template audits that say – here are the standard risks. And you shouldn't be going above that without director approval. (Matilda, Firm C)

The head of public sector audit basically dictated what the significant risks were, and you had to get ... approval to have anything other than those significant risks. (Natalie, Firm D)

These quotes demonstrate how audit firms control the amount of work their auditors do by limiting the number of risks identified at the planning stage through the use of challenge and authorisation procedures.

4.4.4.2 Reducing testing in less risky areas

When asked about how they achieve efficiency savings, auditors frequently mentioned focus, and consciously avoiding unnecessary work ('over-auditing').

One of the key things really is that focus on efficiency, thinking - are we doing what we need to, and not wasting time on things that we don't need to do? (Tracey, Firm C)

you definitely have to stand back and say, well, what is the risk? What are, what's the nature of the account balances? What do we need to do to get those assurances and do no more (Christina, Firm, B)

These statements are representative of other auditors and illustrate how they question and challenge themselves about the work they need to do, in order to eliminate any work that is deemed unnecessary.

Determining that an items in the financial statements is not risky provides a justification for reduced testing of that item.

for instance, a lot of stuff is what we call material non-significant and therefore the procedures that are done around material non-significant [are] a lot less (Paul, Firm D)

By labelling items as "non-significant", Paul intimates that it is logical that these items should not be tested in much detail. This resonates with Herrbach's (2005) researching showing that auditors justify reduced or no testing in certain areas by invoking the concept of risk.

Where items are deemed immaterial, audit work is reduced even further.

At the Audit Commission, as we do at Firm B, you do something on every note in the accounts – so, agree it to workings or the [trial balance]. Firm D only looked at material - nothing that wasn't material, it wasn't even looked at. So that's quite a big difference (auditor who had moved from Firm D to Firm B; auditor's emphasis)

There is also evidence of a stricter application of materiality, in a bid to meet audit budgets.

I guess now you're very conscious of the time that things are taking, and the budgets. So whereas you might have looked a bit more at something that didn't look quite right, now you're very much ... it's not material, I'm going to move on. Whereas in the old way, even if it wasn't material, if you thought that something didn't look right, you'd still want to do something about it. (Rose, Firm B)

Rose's comment demonstrates that immaterial items could be ignored even where the auditor notices that "something didn't look right".

4.4.4.3 Reducing less visible audit work

There is evidence that auditors reduce work in areas that are less visible.

Systems work is an example of an area that has reduced substantially.

No one said 'Oh thank you you've documented our systems fantastically well' ... At the end of the day, no one really cares - particularly not now, when no-one has any money. (Christina, Firm B)

Detailed systems work would previously have contributed to an auditor's in-depth knowledge of a client. Now, it is judged not necessary to forming an opinion on the accounts, and is not valued by the client. Regular attendance at some client meetings is another example of audit work that has reduced. By curtailing such activities, auditors have sacrificed some of their rich, detailed knowledge of their clients in a bid to keep their audits focused and efficient, in a way that clients are unlikely to object or even notice. This is an interesting tension, because Turley et al. (2016) shows that detailed client knowledge and regular communication with the client are important factors in audit quality.

4.4.5 Just enough expertise

All four firms exhibit much more dynamism in their staffing structures than the Audit Commission, where structures were very static and individuals stayed in the same post for many years.

I think within the Commission - 'coast' might be the wrong word, but you could – obviously, before, you could sit in that role, and you could probably do that role for 30 years. I don't think it's quite so easy to do that in a firm like Firm C, because things are constantly changing, and they basically see one of the key aspects of our learning development is learning experiences. There's a big play on that. So, doing things you haven't done before. Because that's going to make you a better employee, better at your work. So I think there's more of a push on that. Which is good if you buy into the firm and you want to progress. (Derek, Firm C)

There are substantial variations between the four firms. However, common features reported unanimously by participants are a higher rate of staff leaving, a higher rate of staff promotions, and more graduate trainees. This facilitates a change in the staff profile and allows the firms to make efficiency savings by using a weaker skill mix to resource audits. The weaker skill mix and reduction in specialisation challenge the competence aspect of audit quality (Section 2.5.5).

4.4.5.1 *More promotions*

Promotions are now more rapid and more widespread at all four firms.

I think there was nine of us [in this area] team that transferred across, and I think six still remain ... And of that team, every one of that team has progressed in the last three years by way of – well, all by way of promotion (Guy, Firm A)

in the course of the year that I was at Firm B there were three or four people promoted up to manager grades from senior grade (Lisa, Firm B)

in the first year there were six ... promoted to senior manager (Patrick, Firm C)

the people that came across with me, other than [three individuals], everyone other one has been promoted, including going from trainee to assistant manager, to manager, and senior manager for some of the trainees that joined across. Promotion, particularly in [city] is more rapid. (Paul, Firm D)

Especially at firms A and D, it seems that *most* auditors who have stayed with their new employer have been promoted. My participants included several auditors at all four firms who had been promoted and two (at Firms A and C) who had been promoted more than once. This is consistent with an observation from Kornberger et al. (2011, p. 521): “one had to be continuously promoted, or exit the firm”.

Auditors see the opportunities both as an incentive and a reward for hard work.

I have grafted harder than I ever have in my life. For no extra reward. Now that's just on a financial basis, but I suppose for those of us that are - you know - have seen it as an opportunity, we've thought – well, you know, it'll come. And to be fair, it has come, this year, for a number of us. (Guy, Firm A)

Thus auditors are encouraged to work (very) hard in order to succeed (Anderson-Gough et al., 2001; Lupu & Empson, 2015). Section 4.5 discusses the increased number of hours worked at all four firms.

As well as encouraging auditors to work longer hours, an increased promotion rate alongside an increased staff turnover (Section 6.6.2) moves more experienced staff away from everyday audit work, allowing more opportunities for trainees to take on greater responsibility, and weakening the skill mix on the audit.

4.4.5.2 *Weakening the skill mix*

Auditors at all four firms reported that audit work was being undertaken by more junior staff.

... we've taken on quite a lot of trainees each year. So the skill mix has come down, and we're using lower grade staff from other offices as well, so I guess that brings the skill mix down but it brings the cost down. (Rose, Firm B)

the team leader would do the audit, and you would just come in now and again and would do a high level review of the file, so you would be very much hands off. (Jerry, Firm D)

we've got trainees who've got, say, 2 years' experience, and we put them in a team leading environment (Colin, Firm C)

The increased delegation of audit work to trainees is seen in other research, which finds that audits are resourced predominantly with junior staff (Hanlon, 1994; Lee, 2002; Turley et al., 2016).

Some auditors were concerned about the level of delegation.

you're just fighting over the same experienced staff, because there's hardly anybody, really, that knows what they're doing (Matilda, Firm C)

you're asking a lot of the trainees to know what the ins and outs of the HRA³ are. (Colin, Firm C)

Matilda's worry is that there are fewer experienced auditors in team leading positions, and that less experienced staff may not "know what they're doing". Colin provides an example of complex work that he views as difficult for inexperienced staff to tackle effectively. The increased use of more inexperienced staff could be detrimental to the audit work because the standard of audit work is dependent on the performance of individuals (Flint, 1988; Herrbach, 2005). However, lack of experience is mitigated by a

number of factors. The most significant mitigating factors mentioned by participants are: first, the aptitude and enthusiasm of trainees, second, the firms' structured training programmes, and third, the increased structure of audit files. In the following paragraphs I consider each of these in turn. Some auditors also mentioned managerial supervision as being important in managing the inexperience of trainees; however, opinions were varied and this did not emerge as significantly different from the Audit Commission, other than the general point of less time being available, which is discussed elsewhere (e.g. Section 4.4.1).

Inexperienced trainees apply their aptitude and enthusiasm to compensate for their lack of experience.

... they're generally extremely keen, extremely enthusiastic, and they'll work really hard to get that knowledge. (Tracey, Firm C)

The aptitude and especially the enthusiasm of graduate trainees was noted by several participants. The following quotes are illustrative.

We needed someone to go out and do a stock count on a Sunday. She came and said: 'I'm so pleased that you've selected me for doing this.' I'm thinking: crikey, I've just destroyed your Sunday ... it's just a different attitude. (Paul, Firm D)

They're all so terribly keen (Christina, Firm B)

They have to be really keen and committed even to get through the recruitment process (Tracey, Firm C)

The status of the big firms in particular gives them access to a large pool of eligible candidates to choose from, and those who succeed have therefore already proved themselves to be committed and determined. This type of

candidate is susceptible to be socialised into the ways of the firm and to work hard (Anderson-Gough, Grey, & Robson, 1998).

The second factor mitigating trainee inexperience is robust training. Large firms in particular operate very structured training programmes for all staff and especially for trainees.

They get core skills training – all the core skills training – so introduction to audit, so two or three courses they get the first three years (Derek, Firm C)

I think the whole level of training that's available, and the variety of training, is far superior (Tracey, Firm C)

I feel that the investment in training is more significant (Ashleigh, Firm A)

As well as disseminating key knowledge, Anderson-Gough et al. (1998) point out that training also contributes towards socialisation, influencing the trainees' willingness and propensity to work hard.

The third significant factor allowing the firms to use more junior staff is the more rigid structure of the files, which helps firms to control the work done. This is discussed further in Section 5.7.1.1.

4.4.5.3 Less specialisation

Auditors' remit has broadened compared to the Audit Commission, where their work was restricted primarily to the NHS and local government sectors (Audit Commission, 2014a).

The public sector team itself was doing charities, education, health, local government, central government - it was doing every area of the public sector. ... you wouldn't be as familiar, for example, with

changes to the SORP⁴ or the Code of Practice, because you just hadn't had time to focus on the particular sector (Jerry, Firm D)

Jerry suggests that the inclusion of other areas such as education and central government has led to less expertise in specific areas, such as the detail of local government accounting practices, because "you just hadn't the time" to keep up-to-date with detailed changes in multiple sectors. Thus, even experienced, specialist staff are unable to maintain the same level of expertise as under the previous regime.

There is some evidence of client dissatisfaction from the use of less specialised staff.

clients have always valued - even when we had contractors, they've always valued having people that understand public sector and the differences - and I think it does frustrate them when they get new people and they're having to explain the nuances of how things work and you know – 'what's NNDR⁵?' - things like that. The clients do benefit from having people who understand what they do (Rose, Firm B)

Rose's comments accord with the conclusions of Turley et al. (2016), that the value in an audit to the client lies in the auditor understanding their business. However, as noted in Section 4.2.1.4, it is more important for auditors to make a good impression with the decision makers at board level than with the officers they encounter more regularly.

⁴ Statement of Recommended Practice

This refers to the Code of Practice on Local Authority Accounting issued annually as a joint publication by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) (CIPFA, 2018)

⁵ National Non-Domestic Rates (business rates) collected by local councils

Lisa (Firm B) argues that specialist knowledge is necessary in order to do an effective job in a complex area.

even relatively small district councils spend a hell of a lot of money and the accounts are very complicated - there are lot of statutory overrides and complicated accounting transactions in there. I think you need staff of a certain level of experience to deal with that competently really. I don't think it's something that you can do without a degree of experience and a certain amount of training on top of just being a qualified accountant (Lisa, Firm B)

This accords with experimental research showing specialisation to be linked to audit quality (Hammersley, 2006; Lowensohn, Johnson, Elder, & Davies, 2007). However, Christina (Firm B) challenges the view that audits should be staffed primarily by specialists, asserting that experienced staff are not needed for every audit job.

It doesn't give you, necessarily, a better audit, if you've got more senior people involved. It just means you probably do more stuff you don't need to and doesn't necessarily benefit the client, or us. (Christina, Firm B)

From this viewpoint, using trainees appropriately is not only cheaper but also more effective in reducing the amount of audit work to just what is necessary (Section 4.4.4).

There is evidence that the firms regard specialisation as important. All four firms recruit trainees to work in a particular sector. Although trainees do some work across different sectors, their specialisation is embedded from the start and they are provided with sector-relevant experience and training, and opportunities to share the team's knowledge.

I don't think that [specialist knowledge] has been lost to a large extent in that most teams will still be managed by a manager / senior manager / even assistant manager, who has brought that wealth of experience across with them. I think what's had to become more

focused is the use of that experience in driving the rest of the team who may not be as experienced (Tracey, Firm C)

From this perspective, there is no need to retain specific individual auditors in order to maintain the quality of the work; rather, expertise is something that can be shared and developed within the team. Staffing an audit with experienced, specialist auditors might provide an unnecessarily in-depth audit, if a trainee with some relevant experience and training could do a good enough job.

4.4.6 Just enough support

4.4.6.1 Ample support for the audit opinion

Auditors report that support is available to help them in relation to their audit opinion work.

I think the quality of the technical support at Firm C is hugely superior ... You know there's probably enormous teams of people at Firm C who just focus on quality all day, ... they also have things like ... valuation experts, PFI⁶ experts ... there's enormous resources to draw on, and you can bring that into your audit. (Tracey, Firm C)

Tracey compares Firm C favourably to her previous experience at the Audit Commission. She links the size of the firm with the idea of being supported by abundant background resources, stating the support available “almost feels like infinite”. Being aware of these resources that can contribute towards completing a quality audit and arriving at a safe opinion is a source of comfort for her.

⁶ Private Finance Initiative

4.4.6.2 Less support in less risky areas

Less support is available in areas that are less crucial to the audit opinion.

Matilda (Firm C) provides an example relating to a local authority return to the Department for Communities and Local Government (DCLG).

I don't know where to find the information. And you've got to have, you know, a letter to the client, this, that and the other form ... but I don't know where that information is to tell me what I'm supposed to be doing. (Matilda, Firm C)

Matilda expresses frustration in finding out practical details of a procedure she is unfamiliar with. Although an essential part of the local government auditor's work, this return to DCLG is not part of the statutory audit and could therefore be viewed by the firm as less important and less risky than the financial statements work.

A further example of reduced support relates to everyday decisions and activities. Belinda reports finding it more difficult to access peer support.

I think the people that were close to [office locations] were still getting that sort of support, because they could go into the office. But unless you went into those offices, you were out at the client completely on your own. Totally cut off. (Belinda, Firm C)

A change in auditors' office locations has created barriers in communication with other audit managers, leading Belinda to feel less supported after the transfer.

Audit managers are expected to take responsibility for these less crucial aspects of their work with minimal support. This might create discomfort for auditors but it does not impinge on the most crucial decisions and is therefore unlikely to affect the audit opinion. Discomfort leads to higher turnover of staff, and therefore serves the firms' objectives by making way for

more graduate trainees, an inexpensive resource (Section 4.4.5.3) who can be socialised into the firm's way of working (Anderson-Gough et al., 1998). (See also Section 5.7.)

4.5 Working longer hours

Although auditors often refer to being more efficient, my data provides relatively few specific examples of how efficiencies are achieved. At the same time, very many auditors mention their increased workload and longer hours. Table 17 shows illustrative quotes, each from a different participant.

Table 17 Example comments about working longer hours

Firm A	<p>Longer hours. No question.</p> <p>I saw the impact on the managers, the audit managers at Firm A and I particularly looked at my friends in Firm C and I think they're absolutely running themselves absolutely ragged and I've had opportunities to join the Firm C and I just wouldn't.</p>
Firm B	<p>It's not a direct expectation, it's something that quite a few of us, probably half will now just do.</p> <p>in the two or three months that - the real sort of crunch time leading up to September I was working seven days a week and I was often working until midnight.</p> <p>part time people tend to work more full time hours in the peaks.</p> <p>most people, at final accounts, are doing lots of hours, which I don't think in the Commission days anybody did.</p>
Firm C	<p>some long evenings and some early mornings</p> <p>team leaders, managers would do more but I don't think trainees would do particularly more than 42. But then a lot of the time they're doing a lot more travelling. So they'll be doing 42 plus an hour and a half's travel each way. So there's no way they could do that much more anyway.</p> <p>there was definitely an expectation of long hours</p> <p>It didn't matter what your contracted hours were, everybody was resourced to work 50 hours a week. And if there was a clash and two audit managers wanted the same member of staff for the same weeks, they'd quite happily put people in to work 100 hours a week.</p> <p>you need to work at weekends.</p>
Firm D	<p>It's not as prevalent in public sector. But public sector you can clock up easily 70 hour working weeks.</p> <p>I don't think it's a good audit if you have to kill people doing it but then that's maybe why I'm not there</p> <p>pretty much throughout my time at Firm D I worked most weekends, pretty much, Saturday and Sunday. And I was rarely leaving the office before 6 or 7 at night, and I was getting in at 8.00. And so basically my life, at Firm D, was Firm D. ... the whole culture there was like that. So a lot of trainees would work through the night and things like that.</p>

Table 17 demonstrates clearly that auditors across all four firms are working longer hours. The extent of this varies between firms and individuals, but there are multiple indications that working longer hours is widespread and can be extreme. The tendency towards longer hours appears less marked at Firm B than the other three firms; there are quotes that refer to “most people” and “quite a few of us”, which seem to qualify the expectation; not everyone in Firm B works long hours. The statements relating to the other firms are not qualified in this way. The practice of auditors working long hours in their own time is well documented in literature (e.g. Anderson-Gough et al., 2001; Hanlon, 1994; Lee, 2002; Lupu & Empson, 2015; Pentland, 1993).

Working longer hours contributes to the ‘just enough’ agenda; auditors are less likely to do unnecessary extra work that would lead to unnecessary extra risk, if this is in their own time. It also contributes indirectly towards a more dynamic staffing structure, in which individuals either accept the longer hours and are promoted, or reject the longer hours and leave (Section 4.4.5). Longer hours are therefore a significant enabling factor that allows audits to be completed with fewer of the firms’ resources. This is both a manifestation of the prioritisation of efficiency over fairness as theorised by Hood (1991) and a contributor to the firms’ ‘just enough’ agenda (Section 4.4).

The phenomenon of working longer hours as a response to the change is discussed further in Section 6.4.

4.6 Subordinating public sector concerns

In the new audit regime, commercial concerns such as efficiency and image are valued more highly than they were at the Audit Commission, as

discussed in previous sections of this chapter. This section discusses the subordination of public sector concerns to commercial concerns.

4.6.1 Subordinating public sector departments

Within a firm, public sector is just one specialism alongside other specialisms such as retail, mining or banks. This is illustrated in the following extract from EY's website.

We are a diverse team of consultants and industry professionals with a global mindset and a collaborative culture. We work hard to understand our clients' issues and are driven to ask better questions in the pursuit of making their businesses work better.		Automotive & Transportation	Consumer Products & Retail
		Financial Services	Government & Public Sector
Health	Life Sciences		Media & Entertainment
Mining & Metals	Oil & Gas	Power & Utilities	Private Equity
Real Estate, Hospitality & Construction	Technology	Telecommunications	

(EY, n.d.)

The concerns of one section of a firm are necessarily subordinate to the (commercial) concerns of the firm as a whole. The public sector department is one department of many, and it is unlikely to be the most significant.

the public-sector business, particularly the audit business may not be the biggest part of, certainly wouldn't be the biggest part of their revenue stream or profit. So, in terms of balancing that against what's important in the firm ... it's really quite miniscule actually. ... whilst ... everybody recognises the benefits of specialisation, actually if you need bums on seats to get your corporate done and it's millions of pounds clients, you move your staff. I think it's just simple priorities at the end of the day that take over. (Alison, Firm D)

Although Alison asserts that “everybody recognises the benefits of specialisation”, she states that these benefits have to be regarded in the context of “what’s important in the firm” as a whole. She contrasts the corporate side of the business, with its “millions of pounds clients”, with the public sector, which is “really quite miniscule”. As a result, she argues, corporate clients are likely to take precedence over public sector clients in resourcing decisions.

Thus, although all four firms retain public sector departments with specialist auditors who have chosen to work there, there is a shift in priorities arising from these departments being part of a larger firm with commercial objectives. This can lead to public sector specialisation being subordinated to commercial factors.

4.6.2 Subordinating public sector expertise

All four firms have public sector departments of specialist auditors who have chosen to work in that sector, and a number of auditors report feeling that this specialism is valued by their firm.

The head of Firm A audit turned up on the induction day for all the public sector, Firm A public sector audit, and said this was one of the proudest days of his life greeting everybody from the Audit Commission, so it had a mega high status (Gary, Firm A)

The impression that I got was that Firm B were really pleased to get this contract and ... really keen to develop their sort of profile and the work that they did in the public sector (Lisa, Firm B)

Both of these quotes provide evidence that the firms were pleased to take on public sector specialist work. In spite of this, specialist public sector work is now only one part of what each firm does, and this makes a difference to

individual auditors' priorities. For example, auditors' training now covers both the public and private sectors, even with the specialist public sector department.

Now, everybody does a chartered accountant qualification first of all. So they are able to move across, both into the corporate audit work of the private sector, as well as the public sector. (Colin, Firm C)

For trainees, their public sector specialism is located within their overall accountancy training. This applies to the trainees' practical experience as well as their exam-based learning.

the trainees will be doing a mixture of public sector and private sector (Lucy, Firm C)

Across all firms, trainees gain experience in the private sector as well as the public sector. Therefore accountants who train in the public sector departments of firms have a much broader commercial experience than those who trained at the Audit Commission. Being a public sector auditor is only one part of what they do.

Sector expertise is subordinated not only to general commercial experience, but also to commercial skills such as selling and client management.

I certainly don't feel as if years of experience and specialism is a - it's not particularly valued and it's probably not necessary. I think the younger ones, the trainees, and new people, can pretty much do the work without an in depth knowledge ... I don't think the in depth knowledge is valued particularly now. I think what's more valued for people coming through the firm is bidding for work and preparing for bids and contracts. I don't think they want people to spend a long time auditing the HRA³ and things like that (Rose, Firm B)

In the Audit Commission, technically being good was quite a key factor in progressing up the ranks - not the only one, but it was useful. At Firm D I'd say it was all about your persona, your professional

skills, your ability to talk articulately - those sort of things were much more highly valued than technical knowledge (Jerry, Firm D)

This prioritisation of soft skills over technical skills resonates with research into the commercialisation of audit and the shift from the professional logic towards the commercial logic (Section 2.6.6) and the higher status afforded to the commercial logic in accounting firms (Carter & Spence, 2014; Sikka, 2009a; Spence & Carter, 2014).

4.6.3 Subordinating the public interest

Some auditors noted a difference between the overall aims, culture and ethos between the Audit Commission and the firms.

from the Audit Commission, I've got a very strong ... I feel passionately about the importance of not wasting taxpayers' money. ... you know, about the ethical side about having integrity and about how taxpayers' money is used. Whereas you know Firm D would be very much about whether it's material to the client. So maybe something that's not - if it's not material to the client then it probably doesn't concern Firm D. Whereas at the Audit Commission you might think - is this material to the taxpayer or to someone else, or is it against Nolan's principles of public life⁷? You might think there was an issue there. (Jerry, Firm D)

Jerry describes a shift in attitude away from working for the public and the tax payer (Audit Commission, 2014a), towards the idea of working for the client (Anderson-Gough et al., 2000). As Jerry points out, these two objectives are not always congruent.

There is also evidence of a shift in accountability.

when we were with the Commission there was a feeling that yes, you were accountable to the DA [District Auditor], and the DA was

⁷ Nolan's principles of public life are: selflessness, integrity, objectivity, accountability, openness, honesty and leadership (Committee on Standards in Public Life, 1995).

accountable to the regional director, and they were accountable to the Audit Commission central and the audit commissioners. But it also felt as if you were accountable to the general public - yeah? - because you felt that what you were doing was being funded by the general taxpayer. Whereas Firm C certainly don't have that feel themselves ... it felt as if your accountability was to the partner ... I think you're accountable for delivering ... what they were interested in was delivering the profit margin, and delivering the return. (Belinda, Firm C)

Belinda's statement "Firm C certainly don't have that feel" echoes the shift in attitude described by Jerry at Firm D. The move to the private sector has required auditors to adopt a more commercial, market-based mind set. The inescapable primary objective is to make a profit for the firm. Helping a public sector organisation to achieve its aims, or become more efficient, or save money, is certainly desirable, but as a means for making a profit. This is a subtle but important difference, and one that could potentially impact on the auditor's independence. This is consistent with the widely documented shift from the professional logic towards commercial values in private sector audit (e.g. Carcello, 2005; Carter & Spence, 2014; Hanlon, 1994; Humphrey & Moizer, 1990; Imhoff, 2003; Shore & Wright, 2018; Spence & Carter, 2014; Wyatt & Gaa, 2004; Zeff, 2003b).

This is not to say that the public interest has been abandoned altogether, merely that it is less important than the primary concerns of reaching a safe opinion and doing so efficiently, in order to make a profit.

you get the image of the firms just in it to make the money but I think there was a great amount of public concern. There was clearly client focus but the concern was actually on what is right and what's appropriate for the public sector. So, that public sector ethos was actually, and that's one of the things that... actually a little bit surprised me how strong the public-sector ethos was within [Firm A]. (Gary, Firm A)

The professional logic continues to exist alongside the commercial logic, rather than being supplanted by it (Spence & Carter, 2014; Suddaby et al., 2009).

4.6.4 Sidelining CIPFA

Trainees are increasingly studying for a private sector qualification rather than the specialist public sector qualification (CIPFA⁸). There is evidence that the private sector qualification is perceived as more valuable.

the chartered qualification, it's obviously a good qualification to have, but it means that you get a good standard of people applying (Tracey, Firm C)

Tracey's words, "it's obviously a good qualification to have", suggest that both she and the graduates regard the qualification as having a high status. Anderson-Gough et al. (1998, p. 133) agree that the qualification is "valuable and valued" (p. 133). In this example, Tracey suggests that the qualification is one of the reasons why firms are likely to attract the best graduates. By implication, the CIPFA qualification is less attractive.

The different status of the public and private sector qualifications is illustrated by the rules setting out the qualifications required for signing audit opinions.

we're getting a lot more involved in academies [schools] but with you having to ... have the audit qualification to sign off academies rather than the CIPFA, so not all [ex-Audit Commission staff] can sign off. (Christina, Firm B)

This rule excludes some public sector auditors from being able to sign audit opinions for a segment of the public sector, academy schools, and therefore

⁸ Chartered Institute of Public Finance Accountants

requires some very senior auditors to defer to colleagues at the most symbolic stage of the audit.

More trainees studying for the chartered qualification leads directly to less public sector specialisation within the firm, because they are required to have a certain amount of private sector experience. This requirement is imposed by private sector accountants who set the rules for their training contracts.

[trainee] has to have commercial experience because she's doing [private sector] exams. She has to have so many days experience. (Guy, Firm A)

there's still that kind of view from the centre in the Institutes and stuff, that we're not proper accounting here, proper auditing. And I suspect we're probably much more technically accounting and auditing than a lot of people, but it doesn't count. ... because it comes under the CIPFA ... Code, it doesn't count towards their training contracts, which is crazy, because we're doing exactly the same ... the same auditing standards, we're doing technical accounting stuff - public sector accounts are very complex things. But ... it doesn't count towards the training contracts, as I understand. Which is utterly barmy. (Dean, Firm B)

Therefore, if firms choose to offer a private sector qualification, it follows that trainees, even in the specialist public sector department, are trained in the public sector only as one part of a broader programme.

The subordination of the public sector accountancy qualification follows the broader neoliberalist principle of favouring the private sector and the logic of the market (Section 2.6.1). It can even be extended to academic research; Goddard (2010) comments that public sector accounting research is marginalised in mainstream journals.

4.7 Commercialising audit over time

Flint (1988) reasons that the social function of audit requires a commitment by the auditor to the public interest, but the decline of the public interest element of the audit and the rise of commercialisation has been noted by several authors since at least 1990 (Section 2.6.6), when Humphrey and Moizer (1990) wrote of their concerns about the commercialisation of (private sector) audit. They reported auditors regarding the client as the customer rather than working in the public interest, selling as an important part of their work, and cutting corners to ensure that profit targets were met. They argued that growing commercial pressures on audit firms hindered auditors' ability to operate as effective watchdogs. This chapter has shown that these same commercial pressures, and similar effects, are now evident in the public sector as well as the private sector.

Commercialising can be seen as a long term trend, the changes triggered by the transfer of auditors to the private sector a step change in the same direction as the pre-existing and ongoing trend. The step change in 2012 was precipitated by the transfer of audits to firms and by public sector entities gaining the right to appoint their own auditors, but an earlier step change occurred in 2004 when foundation trusts were first created, with the power to appoint their own auditors (Ellwood & Garcia-Lacalle, 2012).

since 2007 ... I've worked in audits that have operated in a market. So even when I was at the Commission, if we had a review by QAD⁹ for Monitor¹⁰ that was poor, that could have just closed us down. In

⁹ The Quality Assurance Department of ICAEW reviews

¹⁰ Monitor was the independent regulator of NHS foundation trusts. It is now part of NHS Improvement.

terms of market presence and damage to our reputation. So it goes back to then. It's not a result of being outsourced. (Graham, Firm B)

Graham's quote demonstrates that the commercialisation of public sector audit was not triggered by the abolition of the Audit Commission, but started much earlier. Thus the commercialisation of public sector audit discussed in this chapter can be considered as a condensed version of the commercialisation that has been observed in the private sector over a long period of time.

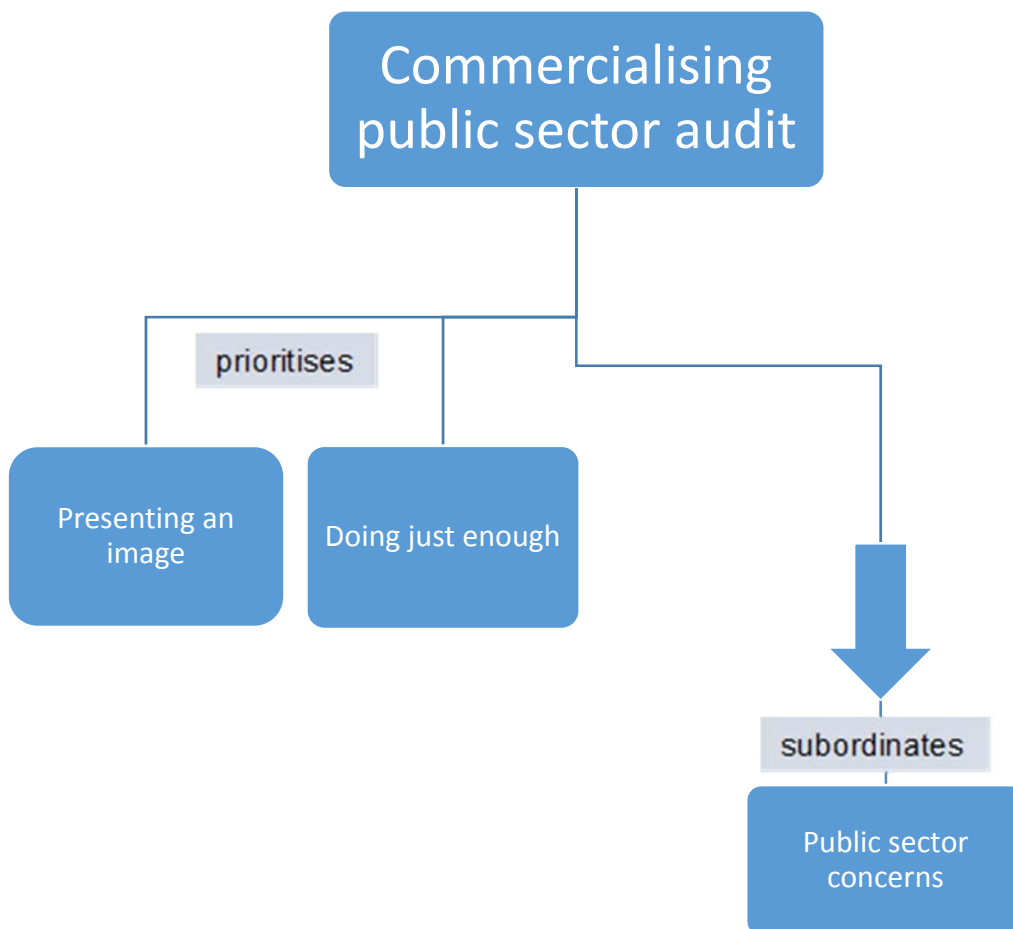
4.8 Chapter summary

This chapter has demonstrated that the firms' commercial concerns have become dominant in the field of public sector audit. I have discussed strategies employed by the firms to achieve their commercial aims. One major strategy is presenting a favourable image both to the client, in the form of good customer service, and to reviewers and regulators, in the form of auditability. Another key strategy is reducing the amount of work done to 'just enough', in order to maximise efficiency. Auditors do this by identifying fewer risks, and by doing less work in areas that are deemed to be less risky. The concept of 'just enough' also applies to the level of specialist expertise applied to each audit, and the amount of support provided to auditors. The primacy of presenting an image and the reduction in expertise and work done translate to strengthening the ritualised 'front stage' of the audit at the expense of the comfort provided by the 'back stage' work (Downer, 2011; Power, 2011).

I find that public sector concerns are subordinated to commercial considerations, as predicted by Hood (1991). This is partly because public sector audits are regarded as just one of a number of specialisms within each firm, and partly as a result of audits being staffed by more junior staff, with less time to do their work. There is therefore less specialist capacity applied to each audit.

The key concepts of presenting an image, doing just enough and subordinating public sector concerns are summarised in Figure 11.

Figure 11 Commercialising public sector audit



Finally, I note that the commercialisation of audit has been ongoing for a period of years in the public sector, and reflects an existing trend in the private sector. The transfer of Audit Commission auditors to the private sector hastened rather than starting that trend. I discuss this further in Chapter 7, where I consider the Audit Commission as a weakly autonomous Bourdieusian subfield of the widespread field of audit.

Chapter 5 goes on to explore in detail how these changes have been effected in an environment where audit is defined and performed by highly skilled professionals who make individual decisions about their work.

5 Reconstructing audit quality

5.1 Introduction

This chapter explores the second element of the substantive theory: Reconstructing audit quality (Chapter 7).

Chapter 4 established that auditors like to spend enough time and effort on their audit work to feel comfortable with their audit opinion (Section 4.4.2.2) but the amount of audit work firms require, and allow for, has reduced (Section 4.4.4). In this chapter, I argue that auditors can reconcile the dual objectives of doing a good quality audit and meeting reduced budgets by adjusting, or reconstructing, their view of what a good quality audit is.

This chapter starts by showing how I created the sub-category *Reconstructing* from my data (Section 5.2). It then proceeds to consider each stage of the process in detail. I begin with a review of auditors' perceptions of audit quality in Section 5.3 and then consider how audit quality has been reinterpreted to align more with the firms' commercial objectives in Section 5.4. In Section 5.5, I discuss how risk is reinterpreted to align more to the risk to the firm, rather than the risk of a material misstatement, and how this affects the work auditors do. Section 5.6 shows how the reinterpretations are imposed on and adopted by auditors, assisted and legitimised by the FRC's audit quality inspection regime. This leads to a standardisation of audit quality (Section 5.7), both within firms and across different firms. Section 5.8 discusses the implications of standardisation with reference to the attributes of audit quality discussed in Section 2.5.

5.2 Constructing the sub-category

'Reconstructing audit quality' helps to explain how firms, and individuals working within the firms, reconstruct the meaning of audit quality to fit in with commercial priorities.

The concept of reconstructing audit quality helped to resolve an apparent paradox in my interview data: auditors reported fairly consistently that they were doing a good quality audit, and meeting the same standards, as under the previous regime (Section 5.3), but with significantly fewer resources (Section 4.4.1). I used theoretical sampling to explore this puzzle, by adding questions to my interview guide to probe into what auditors understood by audit quality, and how this might have changed (Appendix D).

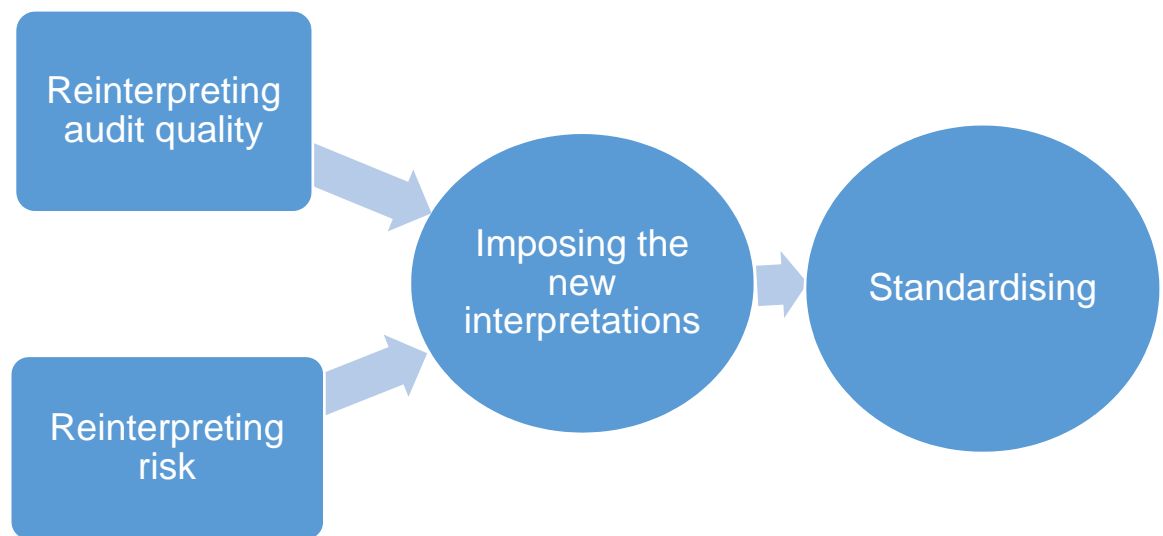
One of my interviews provided a clue as to how it was possible for auditors to continue to consider themselves to be doing a good job although they were doing less: "it was a different level of audit" (Alison, Firm D). The codes 'Changing perspective' and 'Rationalising' helped me to investigate this further. I realised that the firms' interpretations of what it meant to do a good quality audit were different from the Audit Commission's, even within the same framework of professional standards. This reinterpretation made it possible for auditors to do their work differently, but still consider themselves to have done a good job.

A focused code 'Standardising' recognised elements of specification, rigidity and sameness in some auditors' work. I explored this further by theoretical sampling, adding questions to my interviews to gather more information about whether and how audits were becoming more standardised in different

firms (Appendix D). I found standardisation to be present in varying degrees at the four firms, in different guises, and that this helped to establish the reinterpretations in the firms' interests.

Figure 12 shows four key elements of reconstructing audit quality that emerged through the analysis: reinterpreting audit quality, reinterpreting risk, imposing the new standards (reinterpretations) and standardising.

Figure 12 Reinterpreting and standardising audit quality



Reinterpreting audit quality (Section 5.4) represents the change from the Audit Commission view to the firms' view of what a good quality audit is, in line with the firms' commercial priorities. Notably, efficiency contributes towards rather than challenges audit quality.

Reinterpreting risk (Section 5.5) reflects the way firms "saw risk differently" (Lucy, Firm C), calibrating it against their corporate clients.

Imposing the new standards (Section 5.6.1) explains *how* auditors are induced to adopt the new interpretations. A significant factor is the

pervasiveness of the regulatory regime. In Chapter 7 I interpret this imposition as symbolic violence (Bourdieu, 1977).

The imposition of these interpretations across the regime leads to a **standardisation** of audits (Section 5.7).

5.3 Auditors' interpretations of audit quality

5.3.1 Auditing standards as the basis for audit quality

My data shows that auditors relate doing a good quality audit to complying with professional standards. The following interview extract summarises concisely a commonly expressed view.

Interviewer	Can I ask what you would understand by audit quality?
Respondent	Audit quality? I would say that the auditing standards have been met. No more, no less, really.

The following participant quote provides a more comprehensive view of what it means to do a good quality audit.

that the audit trail, the audit story, the audit support, is clear to an informed user looking at the file. That the risk identification is clear at the start, and you can track the risks through, it's focused on the risk areas, and you get the conclusions on the risks reported clearly to those charged with governance. I also – obviously it goes wider than that –, audit quality involves good client management, working closely with the client – and just really – obviously compliance with ISAs, which for everybody is compliance with their methodology (Patrick, Firm C)

Patrick's description is more inclusive than the previous example, but both emphasise the auditing standards. Some auditors stressed the importance of arriving at a safe audit opinion, and some added considerations of clarity,

efficiency and customer service, but fulfilling the ISA requirements was the primary criterion for most. This accords with Watkins et al. (2004), who comment that practitioner literature defines audit quality as conforming to standards. PSAA's audit quality review (Public Sector Audit Appointments, 2018b) is one such example. Similarly, Beattie et al. (2015) find that auditors increasingly invoke auditing standards in defining what they do.

The continuing requirement to comply with auditing standards underlies the many similarities between audit work in the old and new environments.

5.3.2 Continuing to do a good quality audit

Auditors generally reported that they were doing a good quality audit and were confident in their audit opinions. When asked about confidence in their audit opinion, auditors mostly professed themselves to be very confident.

I'm very confident (Patrick, Firm C)

I'm absolutely 100% (Mark, Firm B)

Many stated that the level of confidence was unchanged from the Audit Commission to the firms.

I don't think there's any change in that (Ashleigh, Firm A)

Yeah, that's pretty much the same (Matilda, Firm C)

I think that was equally rigorous as the Audit Commission's methodology (Gary, Firm A)

Only a minority of auditors stated that they were either more confident or less confident in the audit opinion than at the Audit Commission.

I think I'm happier that what we do gives the right assurance over the right areas. Because I think you can follow it a lot more clearly on the files. (Christina, Firm B)

I've got far more confidence in the process than at the Audit Commission (Patrick, Firm C)

Christina and Patrick are representative of a minority who felt increased confidence in the firms' processes compared to the Audit Commission's. A contrasting minority felt less confident.

I think there's probably slightly less confidence in that audit opinion, just 'cause - higher materiality and a lot less work. (Jerry, Firm D)

It is notable that this view, of reduced confidence in the audit opinion, was only held by auditors who had left the employment of the firm they transferred to. Therefore, all auditors still working for the firm they had transferred to, and who talked about confidence in their audit opinion, professed themselves to be at least as confident in their opinion as they had been working for the Audit Commission. Furthermore, it is noteworthy that Jerry is only "slightly" less confident despite "a lot less work".

The overall picture is that auditors remain confident in their opinions. This is consistent with findings from Pentland (1993), Herrbach (2005) and Guénin-Paracini, Malsch, et al. (2014), who note that auditors do enough work to feel comfortable or to allay their anxiety, and with Humphrey and Moizer (1990) who report that auditors have an ongoing faith in their own professional competence and integrity.

Similarly, when asked about audit quality, auditors unanimously stated that they thought were doing a good quality audit using their own definition.

I think what we do is probably a really good quality audit (Christina, Firm B)

This resonates with Suddaby et al. (2009) who find the majority of accounting professionals (declare themselves) to be committed to their profession, though Sikka (2009a) points out that such self-affirmation can be highly problematic and does not necessarily correspond to actual behaviour. Humphrey and Moizer (1990) suggest that the participants' answers to specific questions should be considered in the context of their overall statements.

It would be naive, though, to consider such assertions and confirmations of independence in isolation of the context in which they were provided. Clearly, if audit managers are asked directly whether they are independent, it is only to be expected that they reply in the affirmative. However, when coupled with the managers' descriptions of the way that audit practices were responding to the demands of client management, such affirmations serve to illustrate the very strength of the managers' belief in their professional integrity. (Humphrey & Moizer, 1990, p. 233)

In this respect, my findings correspond with those of Humphrey and Moizer: auditors' confident assertions are entirely in keeping with their descriptions of the way they do their work and how they feel about it. For example, auditors' descriptions of their attitudes to regulatory reviews (e.g. Graham, Section 4.3.2.1), the importance of a safe audit opinion (Gary, Section 4.4.2.1), and firms' support for the audit opinion (Tracey, Section 4.4.6) all lend authenticity to the auditors' assertions that they have confidence in their work.

In summary, my data shows that auditors remain confident in their audit opinion, and feel that they are doing a good quality audit, even while they are doing less audit work (Section 4.4.4).

5.4 Reinterpreting audit quality

This section shows how firms have reinterpreted the meaning of audit quality to align more closely to their commercial objectives and reduce the amount of work done.

5.4.1 Incorporating efficiency into the definition of quality

For some auditors, being efficient has become incorporated into the criteria for a good quality audit. The following view of a good quality audit was fairly representative in my interviews

I think it's making sure you meet all the accounting standards and auditing standards, and doing enough to get the assurance that there's no material misstatement ... but not doing too much - because I think that is just a waste of people's time - clients' time as well, and the fee. It's - I guess it's just doing a good job, to the required standards (Rose, Firm B)

Rose is very clear that it is important to do enough work and to meet standards, but the emphasis on “not doing too much” work is also integral to her definition of a good quality audit. Thus, cost and quality are no longer seen as conflicting goals (McNair, 1991); instead, efficiency is a component of audit quality. Therefore, reducing audit testing (Section 4.4.4) becomes a laudable aim, and one that can improve rather than challenge the quality of the audit.

We are far better – as a firm, compared to the Audit Commission – we are far better at risk assessment. Far better. We used to turn up and do an audit because the number was there, basically. Now we're far better and more focused on risks. And that literally makes it – it does make it more efficient. Because we don't audit everything that we used to do. (Patrick, Firm C)

Patrick views the practice of doing less audit work as a virtue, because the audit is “more focused” and “more efficient”. This contrasts with the academic

view of audit quality (Section 2.5), where efficiency is notably absent from consideration. Moreover, conscientiousness (Section 2.5.6) requires sufficient time and is directly challenged by the drive towards efficiency.

Some auditors present efficiency as a way of providing a better client service, which has become more important (Section 4.3.1.1).

probably actually that level of focus is a good thing, I mean obviously for the clients because you're in for a shorter time, which is always popular with them (Tracey, Firm C)

Tracey asserts that clients "obviously" prefer the more focused audit, because auditors are there "for a shorter time". This reasoning resonates with Anderson-Gough et al. (2000), who find a strong client service rhetoric in professional service firms to be a powerful mechanism for justifying work practices that might otherwise appear unreasonable.

5.4.2 Incorporating customer service into the definition of quality

For some auditors, client service (Section 4.3.1.1) has been written in to the definition of audit quality.

one is the actual quality of work that you're doing – so, does the work meet the auditing standards? ... so I think firstly it's demonstrating on the file that you've complied with standards and your firm's practice, in a clear way. I think the other side of it is actually the quality of the service to the client. (Derek, Firm C)

For Derek, client service now has such a high status that it is part of his interpretation of whether he is doing a good quality audit. As with efficiency (Section 5.4.1), client service is notably absent from academic definitions of audit quality (Section 2.5). As with efficiency, good customer service is potentially in conflict with one of the traditional components of audit quality: in this case, independence (Section 2.5.7). Although no specific instances of

impaired independence were evident in my data, increasing the emphasis on client service has the potential to challenge the auditor's traditional stance in this respect.

5.4.3 Summary: reinterpreting audit quality

This section has shown how the concept of audit quality has been reinterpreted, such that efficiency and customer service are now regarded as being commensurate with the idea of a good quality audit, rather than challenges to it.

The methodology I have employed does not permit me to show definitively either that auditors' definition of audit quality has changed, or that any such change is a result of the transfer to the private sector. It is not possible to retrospectively access auditors' understandings of audit quality before the transfer. In fact, some auditors explicitly argue that changes to the audit do not derive from the transfer but have evolved over a much longer period (Section 4.7). However, I have shown clearly that efficiency has increased in importance (Section 4.4) and that a number of auditors consider it to be at least consistent with their aim to do a good quality audit (Section 5.4.1).

Similarly, it is clear that the emphasis on client service has increased (Section 4.3.1) and that, for some auditors, providing a good client service is part of the criteria for doing a good quality audit (Section 5.4.2).

5.5 Reinterpreting risk

As discussed in Section 4.4.4.1, auditors consider risk as part of their planning, and use their risk assessment to drive and justify the procedures

they undertake. This section shows how firms interpret risk in a different way from the Audit Commission, and links this to reduced audit testing.

5.5.1 The comparative risk of the public sector versus the private sector

Some auditors suggest that the audit firms have a different view of risk to that prevalent in the Audit Commission, regarding public sector entities as low risk in comparison to their corporate clients.

They knew that [council] was very unlikely to go bankrupt, so the risk to the audit therefore was kind of lower ... whereas a district auditor might be worried about the risk of – you know – a material misstatement ... the kind of Firm C mindset seemed to be more about, well, how wrong can it go? (Lucy, Firm C)

Lucy suggests that the firm's main concern is the "risk to the audit" and that this is linked to whether a client is likely to go bankrupt. The risk of a material misstatement (that does not lead to bankruptcy) is much less consequential than the risk of bankruptcy, and does not concern firms as much as it did at the Audit Commission. This aligns with Power's (2004, p. 58) view of audit as an exercise in "secondary risk management", whereby firms concentrate on managing the risk to themselves of getting their opinion wrong. Lucy's question "How wrong can it go?" illustrates the short step from here to the corollary that public sector entities, which might be supposed to derive some government protection to prevent public services from being shut down altogether, can be regarded as lower risk than private sector clients, where no such contingency exists. By contrast, at the Audit Commission, there were no corporate clients to compare with.

Adopting this view of risk to the audit, or to themselves, facilitates their justification of expending fewer resources on public sector audits, where this type of risk is lower, compared to corporate audits.

5.5.2 Different perspectives in identifying risks

The different perception of overall risk translates to a difference in identification of risks during the audit.

I think actually the firms, certainly Firm D, are pretty good at identifying big risks. It is big risks, and I really mean big risks, you know, not the risks that we would have identified which I think were much smaller risks. I think it was just a different level of focus and a different level of audit and I think it brought it much more aligned to a private sector, plc kind of approach. And because, within that, the public sector is generally much lower risk, that's how the audit approach was applied. (Alison, Firm D)

Alison emphasises that the firms use their own perspective of what risks should be considered – “I mean really big risks”. The “much smaller risks” that might have been identified by the Audit Commission would be unlikely to pose a problem in terms of reputational or financial risk to the firms, and are therefore no longer regarded as risks. Again, this aligns with Power's concept of secondary risk management (Power, 2004). Alison's statement also makes the point that this change in focus has led to the audit approach becoming “much more aligned to a private sector, plc kind of approach”. This is, after all, one of the aims of the NPM project: “to improve public services by making public sector organizations much more ‘business-like’” (Diefenbach, 2009, p. 892).

The changed perception of risk can be linked to the efficiency savings targeted by the firms.

in terms of the 20% cut, for instance, you were only going to do that if you think something is less risky (Lucy, Firm C)

Lucy refers to the efficiency target (20%) she had been working towards at one of her clients. From the 'old' perspective of risk, the firms' volume of testing might seem inadequate, but by "thinking something is less risky", it becomes reasonable to do less work and the savings are more achievable.

The firms' perspective in identifying risks ultimately results in less audit testing (Section 4.4.4) which is advantageous to the firms as they are able to expend less effort in arriving at their audit opinion.

5.6 Adopting the reconstruction

This section discusses how the firms' reconstruction of audit quality, including their view of risk, is adopted by auditors, both by being imposed (Section 5.6.1) and by being accepted by auditors (Section 5.6.2).

Auditor responses to the change are also discussed in more detail in Chapter 6.

5.6.1 Imposing the reconstruction

There are two principal ways in which the reconstructed view of audit quality is imposed: by requiring auditors to meet the firm's audit quality standards (Section 5.6.1.1) and by preventing them from doing more (Section 5.6.1.2), especially through time pressure.

5.6.1.1 Requiring auditors to meet the firm's standards

Section 4.3.2 discussed the immense weight that auditors place on regulatory reviews and how they are incentivised to design and construct

their files in order to perform well in inspections. Auditors were clear that a good performance in a quality review would support a case for promotion, whereas poor performance was regarded as career limiting. Thus it is extremely important for individuals to produce an audit file that meets the firm's and the regulator's interpretation of audit quality. This is effectively imposed because of how seriously the quality criteria are reinforced and embedded through appraisals and training.

Interviewees across all four firms perceived reviewers to be powerful.

Auditors afford legitimacy to both managers and quality reviewers, especially those from the Financial Reporting Council (FRC) and its Audit Quality Review Team (AQRT).

You can't argue with AQRT. (Patrick, Firm C)

The AQRT's view is definitive and cannot (generally) be challenged; furthermore, it carries so much weight that it informs how firms train their staff, and therefore how audits are conducted.

The power and legitimacy of the regulator extends even to circumstances where the auditor has more expertise than the reviewer.

They ask a lot of silly questions. Like - how does this work? ...you'll try and explain to them how it works, because they haven't done it before, and that is half the frustration of the reviews, that they'll clearly raise an issue at the end of it that is not an issue, because of their lack of understanding of how the public sector operates. (Dean, Firm B)

Despite his frustration, the same auditor acknowledges that the quality scores are very important both to him individually and, from the partners' perspective, to the firm as a whole.

5.6.1.2 Preventing auditors from doing more than the minimum

A lack of resources effectively prevents auditors from doing more work than firms specify is needed (Section 4.4.4).

Some auditors display a positive attitude towards the requirement to reach an audit opinion based on reduced audit testing, for example viewing the increased efficiency as good for the client (Section 5.4.1). A further example highlights the professionalism of auditors in achieving this balance.

... being brave enough or professional enough to say - this is what we need to do to get that assurance, to sign that off ... we're being forced to do that by having fewer people to do all that work (Christina, Firm B)

Christina describes making a decision about how much work is necessary, and stopping at that point, as "brave" and "professional". Nevertheless, auditors are "forced" into compliance by "having fewer people". Her positive attitude notwithstanding, Christina does not have a choice; there are not enough staff on her team to be able to do the level of audit testing that was customary under the old approach.

The necessity of doing less audit testing because there is less time available, is set out more starkly in the following quote.

you're under such pressure to deliver the audits that you had to do a lot less ... you had to make some decisions that you weren't going to do some stuff because you didn't have the time. (Jerry, Firm D)

In the same way as Christina, Jerry describes making a decision about when enough work had been done, and choosing to do less work than under the old approach. Jerry's words are much more negative than Christina's; "you're under such pressure" is his starting point for explaining why he has done less

work, and he uses the phrase “you had to” twice, implying a lack of real choice. The new way of working is being imposed upon him, through pressure and lack of time.

Reduced expertise on the audit team, arising from the increased use of trainees and the broader remits of more senior staff (Section 4.4.5.3) is an additional factor in auditors’ submission to the new approach.

it felt to me in terms of the audits that we did less, and there was less expertise on the team, so we didn't - we couldn't go into detail anyway because we didn't have that knowledge necessarily. (Jerry, Firm D)

Jerry suggests that auditors are now less capable of some of the very detailed testing that might have been conducted at the Audit Commission. Even if there was time available to do the testing, this would not have been possible with the staff available, reduced both in number and in terms of skill mix. Again, Jerry’s words “we couldn’t” demonstrate that this is a change that has been imposed. He is prevented from doing the detailed testing, rather than choosing not to do it.

5.6.2 Adopting the reconstruction

Some auditors indicate through their language that they have adopted the firms’ reconstruction of audit. The following quotes both indicate that the auditors fully subscribe to the firm’s views regarding risks and planning.

Going through proper processes at planning to identify proper risks, not risks that you think might be interesting, or, you know, you don’t know enough about and therefore you say it’s a risk. So doing proper planning processes to just identify the risks that are just that (Graham, Firm B)

Graham repeatedly uses the word “proper”, indicating that he endorses the view he describes regarding risk identification at the planning stage.

The issue on planning is that we know the risks, therefore we don't need to go into immense amounts of detail and put loads of stuff on the file to demonstrate that we know our audit. ... So we've been encouraged to write less, document less, this year, and that's had an effect, so that's taken our time down, basically - which is just common sense really. (Colin, Firm C)

Colin's comparison here is with previous years at Firm C rather than with the Audit Commission. Nevertheless, his use of the term "common sense" indicates that he fully accepts the firm's view that it is better to document less in the file to demonstrate his risk assessment.

In a similar way, Alison talks about "real risks", indicating that she has adopted the firm's meaning of the word 'risk'.

some of it was really considering whether the risks you're identifying really are real risks for that particular organisation. ... I think generally the risk profile was lower than we would have done it in the Audit Commission. I think that came from as I say being a bigger organisation actually balancing the risk within a multinational organisation that deals with Plcs as well as public sector. ...

... the facts are if you compare it to private or public limited companies it is lower risk and if you think that the public sector should be grouped in with that, which was the whole point, then it did its job. My personal views are that I don't necessarily think that it should have been because I think there should be a higher standard or a different standard for public money (Alison, Firm D)

In contrast with Graham, Alison is very clear that she personally disagrees with the recalibration of public sector risk in line with the private sector. Yet her words show her making sense of the change. She talks about the firm "balancing the risk" as a logical process and "facts" about the comparative risks. Thus she accepts the firm's logic, even if it does not correspond with her personal view.

Similarly, Patrick discusses the slightly different view of independence at Firm C compared to the Audit Commission.

We have a hugely robust independence process ... This is proper independence, not what the Audit Commission thought was independence. If you read an advert for a client's job, then according to the Audit Commission you couldn't work on that audit again, even if you considered applying but didn't apply. ... There are many examples you could come up with but the Audit Commission's view on independence was far more restrictive than was required under ethical standards. (Patrick, Firm C)

Patrick views the Audit Commission's view of independence as unnecessarily strict with regard to some circumstances. His words "this is proper independence" indicate that he fully endorses the firm's different (less restrictive) view of independence.

Auditors from all firms demonstrate through their language that they accept the logic and meanings adopted by the firms, including sometimes in cases where they disagree with it.

5.7 Standardisation

'*Standardising*' occurs in my data in two different guises. As well as being a strategy firms can implement to do just enough work and manage their risk, it is also a consequence of the reconstruction of the meaning of audit quality. This section explains how the imposition of the reconstruction of audit quality in alignment with commercial objectives leads to the standardisation of audits, both within firms and across different firms.

Section 5.7.1 discusses standardisation strategies within firms. These strategies are used to differencing extents within different firms to help firms to present an image (Section 5.7.2) and to expedite the 'just enough' agenda

(Section 5.7.3). Section 5.7.4 argues that there is a consequent subordination of public sector concerns.

Section 5.7.5 addresses standardisation across firms, arising as a consequence of all firms reinterpreting audit quality in similar ways to meet their common commercial objectives, and Section 5.7.6 discusses how the standard towards which audits are converging is determined within the private sector.

5.7.1 Standardisation strategies

Overt standardisation strategies to increase standardisation within firms include the use of structure (Section 5.7.1.1), and generic risks (Section 5.7.1.2). Generic risks are risks specified by the audit firm that can be considered at all clients without assessing the clients specifically. Other strategies can lead towards standardisation even if that is not their specific aim: the increased consistency in the way audit approaches are applied (Section 5.7.1.3), the practice of reusing audit working papers (Section 5.7.1.4) and responses to the 'just enough' agenda (Section 5.7.1.5).

There is evidence of increased use of standardisation from a number of auditors at different firms. Although extent of standardisation is variable, all firms are experiencing similar pressures towards increased standardisation, and there is some evidence of standardisation being likely to increase in the future (Section 5.7.1.6).

5.7.1.1 Standardisation through structure

Standardisation can be achieved through increasing the structuring of audit files.

it's very structured in terms of how the file is set out and exactly how you do things. There's lots of mandated forms, for example, you know – significant risks, there'll be a specific form that we fill in (Tracey, Firm C)

According to Tracey, the Firm C audit file is “very structured”, with “lots of mandated forms” and the structure sets out “exactly how you do things”. This indicates a fairly high level of standardisation; files set out in a structured way, with mandatory forms and prescriptive guides are likely to encourage auditors to perform the audit in a similar way. Auditors at other firms also comment on an increased use of structure and standardised forms.

I think we've got quite a lot more standard documents now. So we've built an efficiency into the process, so we don't have to reinvent the wheel (Dean, Firm B)

I think the template was much more populated (Natalie, Firm D)

Both Natalie's and Dean's comments show that more generic information is provided to auditors, and are suggestive of a more prescribed audit approach. The increase in standardised structures resonates with academic criticisms of “a rise in checklists and tick-box approaches to auditing which place less emphasis on processes of professional judgement and more emphasis on a compliance with rules and procedures mentality” (Humphrey et al., 2011, p. 447) and echoes Hopwood's much earlier observation: “Rules, procedures, standardised processes and manuals are now more characteristic of the activities of audit firms rather than the widespread diffusion of discretion and judgement” (Hopwood, 1998, p. 515).

These statements suggest a fairly broad, if not universal, increase in standardisation, through the increased use of structure, standard forms and generic procedures in audit files.

5.7.1.2 Standardisation through use of generic risks

Some auditors mention being provided with generic risks for their audit clients.

you would sort of get told what the big risks were to put in your - the audit plan, so that would really be sort of standardised across the public sector team, so you'd really be told what they are. (Jerry, Firm D)

we're supposed to be working off these template audits that say: here are the standard risks. And you shouldn't be going above that without director approval. (Matilda, Firm C)

This leads to standardisation by a different route. Risk identification drives the audit (Section 4.4.4.1) and therefore starting with the same generic risks at different audits will direct the auditors towards the same testing procedures at those audits.

5.7.1.3 Standardisation through increased consistency

Standardisation of files can also be brought about through greater consistency in application of the approach.

actually I don't think the approach was more standardised, I think the application of the approach was better applied ... So, the Audit Commission had a standard approach but it was just applied in very many different ways. I actually think that there was a greater consistency within the firm of how the approach was applied. (Alison, Firm D)

This quote is a reminder that standardisation is not new, but was practised to some extent at the Audit Commission as well. Alison differentiates between standardisation and consistency; in her view, the standardisation of the two approaches is similar, but there is a "greater consistency" in how the approach is applied at Firm D compared to at the Audit Commission, where it could be "applied in many different ways". Following this logic, a greater

consistency in application of the approach at Firm D will ultimately lead to audit files that are likely to be more uniform than the final audit files of the Audit Commission.

Dean (Firm B) corroborates Alison's statement in relation to the Audit Commission, and juxtaposes this against the "more standardised" approach at Firm B.

We're more standardised now, I think. In the Commission days, I think every audit manager had the way they - despite the fact the Commission would say there's a standard approach to everything, I think you'd find that most managers in the Audit Commission days did what they'd always done on their audits (Dean, Firm B)

Thus, promoting consistency in how a firm's audit approach is applied is a further mechanism for standardising the audit.

5.7.1.4 Standardisation through reusing working papers

Some auditors talked about reusing working papers from different clients in order to save time.

there's definitely efficiencies if you can reuse working papers and stuff from different clients, because at the end of the day a district council, wherever it is, is the same. As are CCGs¹¹. (Natalie, Firm B)

This can be seen as a slightly different version of standardisation, driven by the individual rather than the firm. In the absence of a generic form, the auditor is using the same working papers across different clients in order to save time. Natalie regards this as appropriate because of the similarities between some types of clients.

¹¹ Clinical Commissioning Groups are NHS organisations responsible for purchasing healthcare for their local population.

5.7.1.5 Standardisation through 'just enough'

Section 4.4 discussed the reduced time budgets available to auditors and the pressure on them to do 'just enough' work. As all auditors aim to only do the minimum required, there is less and less scope for variation.

everyone's been forced to do the same thing, as in cut tests out
(Christina, Firm B)

Even without a corporate drive towards standardised procedures, and even if auditors want to do more, time pressure and a focus on doing just enough work mean that it is less likely that staff have time in their budgets to be creative, and more likely that they stick to the same core procedures.

there are areas that you'd probably - you'd want to look at in more
depth ... but you can't really because the budget's not there (Rose,
Firm B)

Rose suggests that the tighter budgets constrain her from doing more work in some areas. (See also Section 5.6.1.2.) Thus, even without a strategic increase in the use of template files and generic risks, there is a trend towards standardisation, because of the increased pressure to meet specific standards within a reduced time budget.

5.7.1.6 The ongoing trend towards standardisation

The previous sections have demonstrated a clear, if not universal, tendency towards a standardisation of audit procedures, through a number of different mechanisms. These findings resonate with those of Curtis, Humphrey, and Turley (2016) who comment that firms' approaches are more prescriptive than international standards require.

Some participants' comments indicate that standardisation might continue to increase as auditors continue to seek efficiency savings.

there was certainly hope that the standardisation would increase
(Gary, Firm A)

we don't make as much of standardising the audit as much as we can,
I think, to gain efficiencies from it (Natalie, Firm B)

Gary speaks of standardisation as an aim; he hopes that standardisation will increase; and Natalie regards it as an opportunity to be more efficient. As well as increasing the intentional use of standardisation strategies, the long term trend towards commercialisation (Section 4.7) means that the pressures towards standardisation are ongoing.

5.7.2 Standardisation facilitates presenting an image

This section discusses the links between the increased standardisation of audits (Section 5.7.1) and presenting an image (Section 4.3).

Section 4.3 established that presenting an image was important to audit firms in selling their services and in managing risk. Producing auditable working papers emerged as an important strategy in relation to both objectives; clear and auditable files help managers have confidence in their team's work, to help the regulators to give the file a good quality score, and, hypothetically, to improve the file's defensibility in court. This section discusses how using standard files and formats can help auditors to make their files auditable.

Structure can be seen as a form of standardisation (Section 5.7.1.1).

Increased structure can be linked to confidence in the audit opinion.

the greater structure at Firm C maybe enhances that confidence, in that you're perhaps driven to do things and to specify things more than you were at the Audit Commission (Tracey, Firm C)

Tracey feels that the structured format of the Firm C audit files leads auditors “to do things and to specify things more” and that this increases her confidence in the file. Increased clarity of audit files helps auditors to have confidence in the audit opinion (Section 4.3.2.3), and it helps reviewers both internally and externally to be able to follow the audit file, to understand the work done and to give it a good quality score. Thus it is not just Tracey’s confidence that is increased, but also the reviewers’.

Standard structures and procedures help firms to demonstrate that they are following procedures and therefore complying with requirements for a safe audit. This contributes to presenting an image of a good quality audit to regulators and courts (Section 4.3.2.2) and therefore contributes to legitimacy (Curtis & Turley, 2007; Hatherly, 1999; Power, 2003a). Thus the ‘front stage’ ritual of audit (Downer, 2011; Power, 2003a) is strengthened.

5.7.3 Standardisation facilitates ‘just enough’

Section 5.7.1.4 explain how the ‘just enough’ agenda encourages standardisation, because there is no time for auditors to go beyond the minimum required. Conversely, standardising audit procedures also facilitates the ‘just enough’ agenda in two significant ways. First, setting out detailed standard procedures enables more junior, less expensive staff to complete the work (Section 5.7.3.1). Second, auditors’ time is saved if they don’t have to think through what tests to do from first principles, because

they are already set out in the file (Section 5.7.3.2). Standardisation also helps firms to manage risk by controlling the work done (Section 5.7.3.3).

5.7.3.1 Enabling the audit to be done by inexperienced staff

By using very specific, rigid procedures, a firm can ensure that the audit is performed to a certain standard, irrespective of which individual completes the work. This means that firms are less reliant on individuals. If specific individuals leave, the procedures can be performed by someone else. If the audit is staffed by junior trainees, they can follow the file more easily.

It's much more automated and much more rigid. For a financial statements audit, you've got various sample tables to fill in and you're given specific things to do, so it is – it's kind of clearer in a way. Because it's very specific. (Matilda, Firm C)

This minimises the risk of missing out important tests, which can be particularly helpful where more junior staff are doing the audit work, as less judgement is required. Using more junior staff, contributes to the 'just enough' agenda (Section 4.4.5). However, Curtis and Turley (2007) caution that undertaking audit procedures without understanding can be both inefficient and ineffective.

5.7.3.2 Saving time by limiting judgement

Standardised procedures and working papers can save auditors thinking time; Dean uses the phrase "we don't have to reinvent the wheel" (Section 5.7.1.1). Similarly, "efficiencies" are the reason Natalie gives for reusing working papers from different clients (Section 5.7.1.4). This echoes audit literature; for example, the much-cited study by Cushing and Loebbecke (1986) suggests efficiency as one reason for the increase in structured audit procedures.

One of the ways in which standardisation reduces thinking time is by reducing the need for judgement. Thus, standardisation challenges judgement (Francis, 1994; Hatherly, 1999). Francis (1994), Hatherly (1999) and Turley et al. (2016) among others argue that judgement is fundamental to auditing. However, the structure versus judgement debate in auditing literature has proponents on both sides (Power, 2003a) and is in any case transcended by authors such as Herrbach (2005), Humphrey and Moizer (1990) and Fischer (1996), who find that procedures are not necessarily followed in practice, and by Downer (2011), Holm and Zaman (2012) and Pentland (1993), who view audit procedures more as rhetorical than scientific. The use of scientific techniques is itself a judgement, and moving towards a more technical or standardised approach can be regarded as replacing one act of faith with another (Humphrey & Moizer, 1990).

5.7.3.3 Controlling the work done

A more standardised audit file can also be helpful where the audit is staffed by experienced individuals, by guiding them through the steps so that it is the firm's version of the required steps, rather than the individual's, that dictates the work that is done.

maybe with TeamMate and perhaps some of the Audit Commission auditors, you know could go down maybe a route of you know being particularly interested in an area and I'm not sure there was anything on TeamMate to really drive them away from that, other than you know the general guidance of the manager and a focus on risks. But I think at Firm C it's very clear. For example, what are the significant risks, what are the non-significant ones, what is a trivial balance, and there's a specified approach for each of those things, which I think again is clearer, and driven more clearly by the Firm C system.
(Tracey, Firm C)

Tracey makes a clear contrast between Firm C and the Audit Commission. At the Audit Commission, she alleges, auditors “could go down ... a route of ... being particularly interested in an area”. The standardisation of the Firm C file helps the auditor to stay focused on the high risk areas rather than being distracted. Thus the firm enforces its ‘just enough’ agenda (Section 5.6.2); auditors are prevented from doing more than the minimum.

Thus, as well as contributing to the efficiency agenda, increased standardisation helps the firms to exert management control over audit procedures (Power, 2003a), both by ensuring that inexperienced auditors do enough work and that more experienced auditors follow the firm’s agenda, rather than their own.

5.7.4 Standardisation and subordinating public sector concerns

Standardisation challenges specialisation. Following a standardised audit file or applying generic risks leads to an increased danger of misdirecting audit effort, targeting areas that are not risky for the public sector, and failing to address risks that are important.

Unless you knew continuing care¹² was an issue, there's just no way you'd ever have picked it up as being a risk. You know, [the file] was telling me to look at stock and it was telling me to look at income. Well, the only income a PCT¹³ gets is what the government or the Department of Health gives it. (Belinda, Firm C)

¹² ‘Continuing care’ refers to the obligation on the NHS to fund ongoing care for individuals whose needs are too complex to be met through other channels such as social care. Financial statements of some healthcare purchasers show substantial provisions and contingent liabilities for continuing care costs that could be claimed in relation to their patients.

¹³ Primary care trusts are NHS healthcare purchasing organisations.

Here, Belinda expresses frustration at the focus of the audit file on risks such as stock and revenue recognition, which are risky areas for businesses but not usually for public sector organisations. Stock is very often minimal in the public sector (especially healthcare) and revenue straightforward. Belinda argues that the sector-specific issue of continuing care for healthcare purchasers could be missed by auditors using a standard Firm C file that targets private sector risks such as revenue recognition and stock and ignores specific public sector issues and risks. The concentration on commercial aims narrows the auditors' focus (Wrenn, 2014), shifting their attention away from other concerns, such as idiosyncrasies of public sector accounting.

Auditors report different levels of standardisation and different attitudes towards this. Many welcome the benefits relating to efficiency and clarity (Section 5.7.3), but there is some suggestion that a more measured level of standardisation is appropriate.

It's one size fits all across the whole world, every single sector.
(Belinda, Firm C)

There's probably scope to become even more standardised in the sector that we're working in. CCGs, trusts, councils, you know. If you're talking private sector, obviously, that's totally different (Natalie, Firm B)

While Belinda is very critical of standardisation, Natalie regards standardisation within the public sector as appropriate, though she notes that the private sector is “ obviously” “totally different”.

5.7.5 Standardising across firms

The previous section discussed standardisation within firms. In this section, I argue that audits are becoming increasingly standardised across firms, as all firms strive to cope with the same commercial pressures.

5.7.5.1 All firms meet the regulatory standards

The commercial imperative of presenting an image of a good quality audit is one driver for standardisation, as all firms strive to meet the same quality review criteria. Regulatory reviews are taken extremely seriously (Section 4.3.2). They contribute to how auditors feel about their work and how firms are perceived, they are incentivised through appraisals and bonuses, and the possibility of a review is part of auditors' consciousness as they perform their work. Moreover, quality standards influence how firms design their audit approach.

A good quality audit is obviously one that ... receives good favourable comment from regulators ... The whole approach hinges on that.
(Paul, Firm D)

Paul's words "the whole approach hinges on that" illustrate the pervasiveness of the regulator's view. The audit approach is constructed to meet the regulator's standards. This is consistent with the portrayal of audit inspections by Beattie et al. (2015) as very influential.

The standards set by the regulator are also reinforced to individual auditors through the firms' guidance and training.

we'll also have a checklist saying – you know, these things came up in the AQR and there'd be guidance on how to address those going forward (Tracey, Firm C)

Any findings from AQRT are always informed to us and they form part of our training. (Ashleigh, Firm A)

In this way, the regulators' comments arising through quality reviews lead to changes in auditors' practices, so that they align more with the regulator's view of a good quality audit.

Thus, audits become more standardised across firms, as all firms design, redesign and fine-tune their procedures to conform to the FRC's review criteria. Therefore, the pervasiveness of the FRC standards (Section 4.3.2.1) leads to standardisation across firms.

5.7.5.2 No firms go beyond the regulatory standards

Because the standards set by the FRC are so influential (Section 4.3.2), and because audit quality is generally unobservable (Section 2.5.2), there is very little incentive for any firm to go beyond those standards. All firms aim for 'just enough' (Section 4.4).

Under the PSAA regime, which makes use of the FRC's quality reviews, the external observer can access quality scores for firms that undertake public sector audits in the UK (Section 4.3.2.1). Therefore the FRC's view of a firm's audit quality is observable. Achieving a good score from the regulator's review is one way in which firms can demonstrate audit quality. Auditors regard meeting the regulatory standards as extremely important (Section 4.3.2.1).

Going beyond the regulatory standards, other than in terms of client service or 'added value' (Section 4.3.1.2), is largely unobservable and might not even be noticed by potential clients.

I've got to be honest, they can all meet the specification - you know, because they are all highly professional, highly experienced firms, so it's the usual suspects – [names audit firms] - so a lot of it comes down to the price. (John, NHS client)

John views all the firms bidding for audit work as being of a similar high quality.

Auditors perceive a similar scenario in local government, where most local authorities have signed up to PSAA's national scheme to have their auditors appointed for them (Russell, 2017). This changes the dynamic in the appointment process, as PSAA, rather than individual clients, appraise the bids. Despite the different system, audit quality remains largely unobservable. One auditor reflected

... it doesn't matter how good your score is, because at the end of the day when everybody goes into the bidding process, the PSAA - let's be honest, are going to score everybody on quality, pretty much the same, aren't they? (Dean, Firm B)

These findings resonate with the contention of Humphrey et al. (2011) that firms do not attempt to differentiate themselves based on methodology.

When asked in what ways their firm is distinctive or different, the main explanation provided is that 'they recruit the best staff' or 'offer the best training, practical support and career development prospects'. As such, the firms appear now to compete on infrastructure and people but not on methodologies (Humphrey et al., 2011, pp. 446-447)

Donovan, Frankel, Lee, Martin, and Seo (2014) contend that customers do not purchase audit services on the basis of quality, but assume a standard level of quality. They draw an analogy with airlines, which do not attempt to differentiate themselves on safety, because a minimum level of safety is presumed and no more is required.

This lack of differentiation on audit quality is exacerbated by a perceived subordination of quality to price. This is evident in John's quote above and is echoed by auditors: although it is very important to meet the FRC's standards, offering a low cost product is even more crucial.

you just hope that your body of evidence of how you've behaved with them over the years stands you in good stead for going forward. But again, a tender process is down to price. (Ashleigh, Firm A)

Cost is a much more visible feature of audit services and extreme public sector cost pressures mean that public sector customers are particularly sensitive to cost.

when all of the clients were asked did you want to save fifty percent on your audit fees they all said yes because nobody is going to say not, are they, in that scenario? Nobody - you know, they see the opportunity to spend less money on audit, they're going to take it (Lisa, Firm B)

The continued reduction in audit fees (Public Sector Audit Appointments, 2017) provides evidence that price is also considered an important factor in the PSAA appointments process.

An even bleaker view is that organisations may be happy to be audited by auditors who are pressed for time or who lack a good understanding of the sector. The following quote is from an assistant director of finance at an NHS foundation trust.

as someone being audited, I'm surprised that they sometimes don't ask for some things but as a client, you're very happy with that situation – which is dreadful in a way, isn't it? But you are. You can't help but be relieved. (NHS client)

While seeking out poor audit quality is unlikely to be formal policy in any organisation, this does add weight to the argument that there is little demand for auditing above a minimum standard.

In summary, it makes commercial sense for auditors to do enough audit work to guard against the risks of delivering an unsafe opinion and the associated financial and reputation damage this could cause. It also makes sense for firms to do enough to meet the FRC's standards, scoring well in the FRC's quality reviews, because this helps to boost their professional image, which attracts clients. There is however little or no incentive for quality to be any higher than that which meets professional standards and the FRC's quality criteria. Thus, audit quality is limited to what is auditable through the FRC's regulatory process. Therefore audit quality tends towards a standard, minimum quality, as suggested by Akerlof (1970). This contradicts prominent scholars Francis (2004, 2011b) and DeFond and Zhang (2014) who view audit quality as varying along a continuum, but provides evidence consistent with the argument made by Donovan et al. (2014).

5.7.6 Standardisation to a private sector standard

The standards towards which audits are tending are set by the regulators, who determine the quality criteria against which audits are assessed. The most frequently mentioned quality reviewers in my interview data are the FRC's Audit Quality Review Team (AQRT), which is highly influential (Section 4.3.2.1). Some participants also mentioned internal quality reviews and the role of PSAA in commissioning the FRC reviews.

PSAA, a public sector body, is responsible for monitoring public sector audit contracts. The PSAA chooses to rely on the FRC's reviews of audit quality to assist in this contract monitoring (Public Sector Audit Appointments, 2018b). As the FRC works across the public and private sectors, assessing audit quality against common standards, audit quality is necessarily considered in a generic way. The FRC is unlikely to focus on any public sector specific agenda. The housing revenue account, for example, in local government, is substantial for many councils, and council housing is a current topical issue, but this is unlikely to feature as a theme in an FRC review, because it does not affect the private sector.

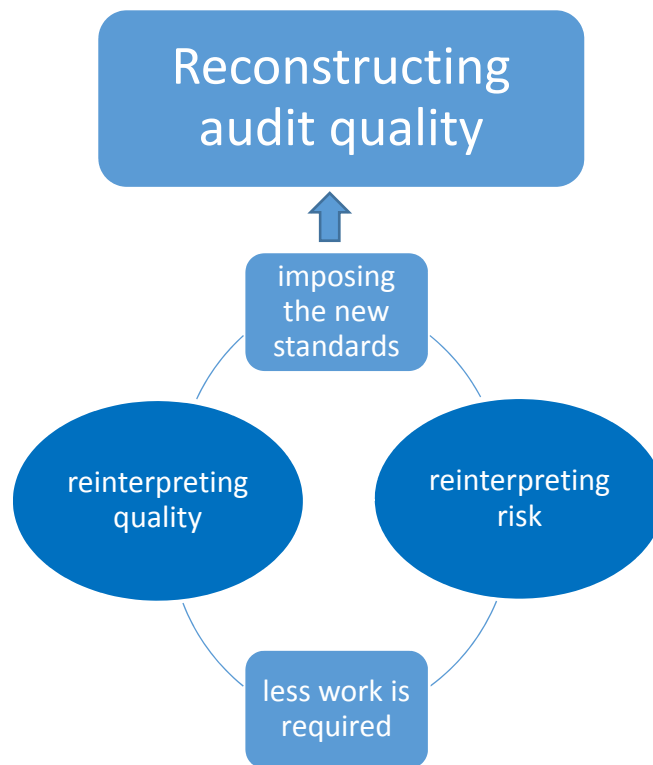
Therefore even though audit quality monitoring and reporting is conducted within the public sector, by PSAA, the PSAA's deferral to the FRC for audit quality reviews means that the audit quality standards applied are those of the private sector, and there is little consideration of public sector specific issues in relation to the financial audit of public sector bodies.

5.8 Chapter summary

This chapter has shown that in order to realise the commercialisation of the audit practiced by the firms, auditors have reconstructed their idea of what a good quality audit is. The reinterpretation includes efficiency, and sometimes customer service, as attributes of audit quality, and risk is recalibrated in the context of the private sector and the firms. The reconstructed audit quality is imposed on auditors through the pervasiveness of the regulatory regime.

The key concepts discussed in this chapter are summarised in Figure 13.

Figure 13 Reconstructing audit quality



This model is revisited in Chapter 7, where I interpret the imposition of the reconstruction of the new standards of audit quality as symbolic violence wielded by the firms (Bourdieu, 1977).

Standardisation strategies are used by firms to varying extents to achieve efficiency whilst controlling for a minimum level of quality. This is a consequence of commercialisation (Power, 2003a) and can lead to the subordination of both judgement and specialisation. Constraining auditor judgement in favour of more scientific procedures could be argued to bolster the ‘front stage’ of audit (Downer, 2011) and thereby increase trust, which contributes towards the ‘reputation’ part of audit quality attributes (Section 2.5.9). At the same time, reducing the specialist knowledge applied to audits challenges the judgemental ‘back stage’ procedures (Downer, 2011) and the ‘competence’ aspect of audit quality (Section 2.5.5).

This chapter has shown that public sector audits are tending towards a constant standard, aligned with the standard applied in the private sector standard, which has been shown to be deficient (Sikka, 2009b). Furthermore, the ongoing tendency for audits to incline towards a standard product subverts one of the key objectives of the NPM and neoliberalist agenda: choice (J. Clarke, 2004; Pollitt, 2013).

6 Embedding the reconstruction

6.1 Introduction

This chapter addresses the third element of the substantive theory: Embedding the reconstruction. I show that the reconstruction of audit quality (Chapter 5), as a result of commercialisation (Chapter 4), is orchestrated in such a way that all auditors' responses lead to the new meanings becoming reinforced and embedded.

Embedding the reconstruction of audit quality contributes to the overall reconstruction of public sector audit by ensuring that new meanings are continually reinforced and perpetuated.

Section 6.2 shows how the sub-category *Embedding* was constructed from the data. The rest of this chapter addresses each stage of this process: working in the same way as before (Section 6.3), working longer hours (Section 6.4), feeling uncomfortable (Section 6.5), changing perspective (Section 6.6) and embedding the change (Section 6.7).

6.2 Constructing the sub-category

I noticed early in the data collection process that some interviewees were extremely positive about their new working environments. I wondered whether this was a particular feature of the individuals or the offices I had visited, or whether auditors were generally satisfied with the move and pleased with their work. I used theoretical sampling to investigate this further, deliberately selecting auditors who worked in different geographical locations

and auditors who had left their jobs since the transfer (Appendix D). As well as coding the new interviews line by line, I revisited previous interviews with this in mind, and coded them for feelings and attitudes. At this point my codes included 'Being positive' and 'Feeling uncomfortable' as well as 'Responding to the change'.

Eventually, my coding reflected broad variations in the attitudes of auditors to the change. Comparing the rich codes 'Responding to the change' and 'Feeling uncomfortable' was fruitful, leading to a theoretical memo about responses to change. I noticed that all responses led eventually to the change becoming embedded, and amalgamated these together into the sub-category 'Embedding the reconstructed audit'.

I subsequently linked these ideas to the codes 'Working in the same way as before' and 'Working longer hours' to reflect auditors' responses to the change in the form of a process (Figure 14).

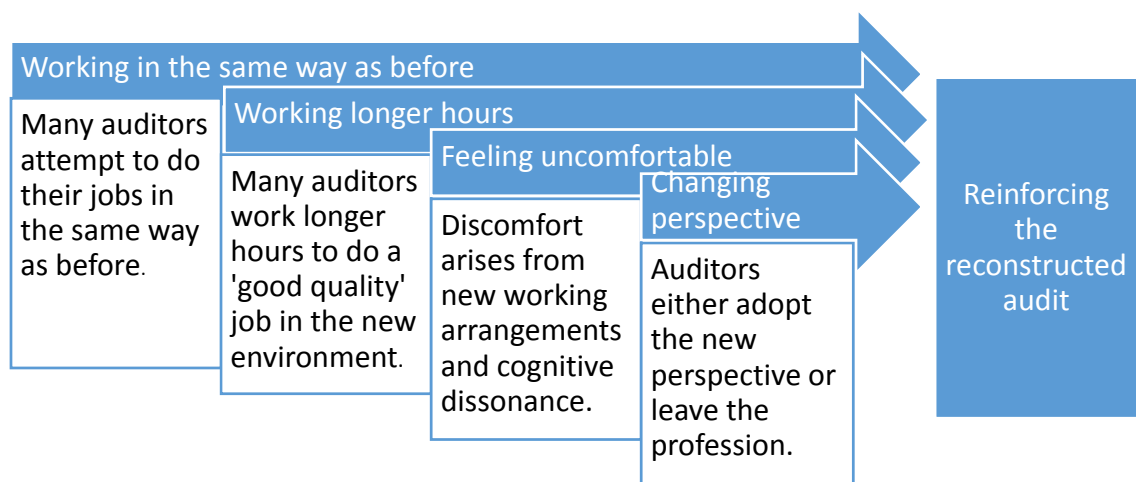


Figure 14 Reinforcing the reconstructed audit

The stages in the process are discussed in detail in the following sections.

Not all auditors experienced all the stages.

6.3 Working in the same way as before

Many auditors at all four firms stated that they continued to work in the same way as they did before the transfer.

it felt very similar, underneath that big change (Guy, Firm A)

I would say that there was very little, if any, difference really between the Firm B audit approach and what we had been doing under the Audit Commission (Lisa, Firm B)

we transferred over and have done the same work as before if you stayed in the audit grade. You basically do the same job. (Colin, Firm C)

the audit itself didn't change (Paul, Firm D)

In explaining these statements, auditors frequently made reference to international standards on auditing (see Section 5.3.1) and other relevant standards and guidance as the continuing basis for what they do. The following two quotes explain this clearly and are representative of others.

Well, both methodologies [Audit Commission and Firm C], as all audit methodologies, are built around ISAs to ensure compliance with ISAs. And therefore the actual application of the audit isn't fundamentally different. (Patrick, Firm C)

what's the same is kind of the underpinning guidance behind that – so you know you're still working to the CIPFA Code, the NHS guidance, and so on, that's clearly driving the level of work we're doing. (Tracey, Firm C)

Because the underpinning guidance has not changed significantly, many auditors feel that there has not been a significant change in their work. Thus, for many auditors, their starting point is to attempt to do their jobs in the

same way as before. However, despite these overarching or underpinning similarities, auditors have reported many smaller changes, as discussed in Chapter 4 and Chapter 5, that have affected the audit.

There is evidence of some auditors being slow to make changes.

I think some people still are very much: well, we've always done it like this, it works, I'm not going to change it unless I absolutely have to.
(Christina, Firm B)

Dean and Belinda are examples of auditors continuing to follow old procedures at their new employers.

I'd audited in the way I'd always audited, using my knowledge gained with the Audit Commission, and I just fitted it to the Firm C stuff. And the Firm C stuff, where it said that you have to do this, I'd written why that was not relevant because ... but what I've done instead is.
(Belinda, Firm C)

I don't think [the transition] affects me in terms of - am I doing this, or should I be doing that, or ... because my job is still my job. ... I set myself certain standards for how to do it. I've been doing this long enough, I know (Dean, Firm B)

Both auditors expressed strong views about the 'correct' way to do an audit and were not willing to compromise them, but instead reported following their own idea of what the correct approach was. Examples of this type of behaviour, where auditors continue to enact old procedures to satisfy their own personal requirements, have also been found in other studies. For example, Fischer (1996) and Curtis and Turley (2007), researching the introduction of new IT audit procedures and the business risk approach respectively, found that auditors were reluctant to believe that some of the traditional testing they done in previous years was now unnecessary.

6.4 Working longer hours

Section 4.5 discussed the phenomenon of auditors working longer hours. Longer hours are a significant factor in achieving the firms' efficiency objectives (Section 4.5) whilst allowing auditors to feel comfortable that they have done enough work (Section 5.3.2). This section discusses working longer hours as a stage in the process of reconstructing the audit, and explores auditors' attitudes towards working longer hours, linking longer hours with discomfort, which is the next stage in the process (Section 6.5).

6.4.1.1 *Longer hours as a stage in the process of reconstruction*

There is some evidence that auditors were initially inclined to work longer hours in an attempt to continue doing their work the same way as before, at the same time as meeting the requirements of their new firm. The most significant new requirement auditors discussed was the reduced budget (Section 4.4.1.1). Section 4.4.3 discussed strategies for being efficient in order to cope with the new budget, and that one of the most significant strategies, mentioned much more often than changed work practices, was simply working longer hours.

We just worked harder and got the audit done (Lisa, Firm B)

This is consistent with McDonough and Polzer's (2012) findings that employees tend to respond to conflict between personal and management expectations by working harder.

6.4.1.2 *Attitudes towards longer hours*

Auditors frequently used neutral words to describe the practice of working longer hours. For example, neither Colin's statement "you need to work at

weekends” (Table 17, Firm C) nor Dean’s statement “most people, at final accounts, are doing lots of hours” (Table 17, Firm B) attributes the need to work at weekends to the firm or anywhere else. The following quote portrays the practice as logical.

I don’t think that there was necessarily an expectation that people were working till two o’clock in the morning to do that. But equally that was the inevitable consequence of the position that we found ourselves in and to be honest again, this is may be just a fault in my personality, I’d rather work till two o’clock in the morning myself than expect anybody else to do that. So ... that’s just where you end up. (Lisa, Firm B)

The phrases it was “an inevitable consequence” and “that’s just where you end up” lack a sense of blame for the longer hours. If anything, Lisa blames herself: “this may be just a fault in my personality”. This accords with research by Lupu and Empson (2015), who portray the long hours culture as normalised. There is also some resonance with the arguments of Anderson-Gough et al. (2000) that longer hours are required in order to provide good client service rather than in order to make a profit for partners.

Some auditors were much more critical of what they saw as unreasonable expectations. For example Belinda (Firm C) said “It felt like we were donkeys for them to flog”. McNair (1991) posits that younger (more junior) staff are more likely to be dissatisfied with the received logic operating within firms than their senior colleagues, because they have not yet been socialised into the culture, and because firm procedures conflict with their education that encourages truthfulness. McNair is referring to the generally accepted custom at accounting firms of not recording all hours that are worked, despite official policy that all hours must be recorded. Although Belinda, like all of the public sector auditors who transferred, was very experienced in audit, she

had not been socialised into the ways of the firms, but into the ways of the public sector. Auditors transferring from the Audit Commission lacked the socialisation into the firms' logic that their existing staff had experienced, and were more likely to be critical of the firm's customs, norms and internal logic. The firm's expectations contradict Belinda's sense of fairness, cultivated through many years as a public sector worker.

The following lengthy quote from a former Firm D auditor provides an insightful reflection on the long hours culture at that firm, and his co-operation with it.

I'm one who tries to be strict with work / life balance, you know, I have interests outside of work - but I was working Saturday and Sunday - I was doing six or seven hours on a Saturday and a Sunday ... sometimes I wasn't getting back till ten at night, and I'd be getting up ridiculous time to get to [location] early. ... I was having conversations with audit teams in New Zealand and the United States and Eastern Europe ... you were having to have this conversation in New Zealand ... funny times of the day ... You were constantly on the go. I had a blackberry. I never want a blackberry again because it would basically start flashing, and you'd just - because you never switched off from work, it would start flashing and you'd just have a quick check. And, you know, they don't force you to do this, and they tell you - you must have a work / life balance, and stuff, but the way all the systems are set up, just the budgets and the expectations in appraisals, and the bonus procedure, all sort of coerces you into doing these long hours. (Jerry, Firm D)

Jerry describes his working day being stretched simultaneously in many directions: arriving in the office early as well as staying late and working weekends, out of hours calls to New Zealand, and staying in touch via blackberry. This leads to him working very long hours despite identifying himself as "one who tries to be strict with work / life balance" and even though "they don't force you to do this". This resonates with Lupu and Empson's "autonomy paradox", whereby "in spite of being subject to

increasingly rigorous management control systems, professionals persist in believing that their intensive and sustained pattern of overwork is self-chosen” (Lupu & Empson, 2015, p. 1311). In retrospect, having left Firm D, Jerry construes this as coercion, which accords with Lupu and Empson’s interpretation of overwork in the context of domination and subjugation.

For auditors such as Belinda and Jerry, the practice of working longer hours is very clearly linked to discomfort. Nevertheless, the phenomenon is often depicted as logical and in neutral terms.

6.5 Feeling uncomfortable

Many audit staff have experienced discomfort as they tried to manage their existing knowledge and understanding of audit work in a new and different environment. This section explores some of the sources of discomfort: changed working conditions (Section 6.5.1), the change in the role (Section 6.5.2), personal disagreement with a firm’s official line (Section 6.5.3), discomfort with the private sector ethos (Section 6.5.4) and not fitting in (Section 6.5.5).

6.5.1 Discomfort relating to working conditions

There is evidence of changes in working conditions at all four firms that some auditors have found difficult. The practice of working longer hours (Section 6.4) is one significant factor in auditors’ discomfort. This section discusses other changes to working conditions that auditors have found difficult.

6.5.1.1 *Practical difficulties*

A number of auditors mentioned that the firms have fewer local offices than the Audit Commission, and that they were required to travel further. Gary (Firm A) provided the following detail about the increase in his daily travel time.

When I was with the Commission I had the choice of an office in [location] which is 20 minutes by train away from home or [location] which is near [station] which is the station that you come in, then that suddenly changed to [station] which is an hour away unless you get stuck in traffic or [station] which is an additional half hour when you're already doing close to a two-hour journey. (Gary, Firm A)

This disclosure was made towards the end of the interview, in response to being asked whether there were any other ways in which working for a firm was different. This in itself is noteworthy; although a change in locations could be seen as relatively trivial, it was significant enough to Gary for him to mention without prompting. When asked if the increased travel made a difference, he answered "it probably did to me". Gary indicates that this is due to the compound effect of the extended commute alongside the extended working day, exacerbated by specific personal circumstances. In combination with other things, a seemingly minor change has had enough impact to make a difference to people's lives.

Lucy (Firm C) experienced similar problems with a change in the location of her office base.

... my official base was [Location A] and, you know, I had children – it was [Location B] before. It's not that they expected you to go to [Location A] every day, but sometimes you had to be in [Location A] at 8.30 on a Monday morning and for me to get there was just ridiculous. (Lucy, Firm C)

Again, the change in location might not be regarded as significant, especially as Lucy clarifies that she was not expected to go there every day (or even very often). However, Lucy's personal circumstances (having children) made this small change very difficult to manage.

There are also more instances of auditors being expected to stay away from home. Dean (Firm B) mentioned being required to stay away from home to work at a client 200 miles away. Rose (also Firm B) has not been required to stay away, but she illustrates the potential difficulties for part time staff associated with working in different locations.

I have found it quite difficult, because a lot of the opportunities are - involves travel, and to develop into different areas, or get experience in different sectors, different clients, they tend to be some distance away - so - there's a lot of things that are in the [city] office and things that you can't always do when you [work part time]. (Rose, Firm B)

Rose's comments suggest that although, unlike Lucy, her employer has been able to accommodate her working patterns, not volunteering for such opportunities could be career limiting.

One auditor described a practical difficulty in accessing the materials to do her job, because the audit files were set up in a font size too small for her to read.

it sounds really silly - but it was all these little boxes on the screen, and there was no way you could change the size of any of them, and their standard font was 8 point font. ... I just couldn't read it ... If you resized things so that they were big enough to read, you then couldn't scroll down to read it all. ... they said - well, nobody's ever complained before. I said - well, if you look round your staff, most of them are in their 20s (Belinda, Firm C)

Belinda reports that her problems were met with unconcern by the firm, even though they caused her real difficulties in undertaking her work. This

particular situation is an isolated incident in my data but it is illustrative of firms' treatment of their employees as a uniform commodity, and unwillingness to make adjustments and allowances for individual circumstances. (See also Section 6.5.1.3). Homogeneity in large accounting firms has been observed even internationally (Spence, Dambrin, Carter, Husillos, & Archel, 2015). It can be viewed as a legacy of historical ideas of professionalism that is challenged by the current shift towards diversity, though this shift is currently more evident in discourse than in practice (Edgley et al., 2016).

6.5.1.2 Being expected to be contactable

A few auditors reported an increased expectation that they would be contactable at all times.

when I walked out of the office on a Thursday evening I'd turn my blackberry off and I wouldn't turn it on again till Monday morning. And I used to get told off that I was not available. Well, I don't work Fridays. (Belinda, Firm C)

if the client wants something then you respond regardless of whether you're on holiday or not (Alison, Firm D)

Both of these quotes highlight the auditors' perception that they are required to be available outside of working hours, including weekends (Belinda) and holidays (Alison). Alison relates this expectation to responding to the client's demands, which corresponds to the theory that client service is used to rationalise firms' demands (Anderson-Gough et al., 2000).

There are differences here between the four firms studied. The expectation of staying in contact is mentioned at both firms C and D but is not apparent in my interviews with employees at firms A and B.

6.5.1.3 Not making concessions for individuals

Lucy (Firm C) makes the general point that Firm C was unwilling to make concessions in relating to individual circumstances.

There was far less understanding or concern for individuals' circumstances. ... that was a significant factor in a number of people leaving. And it wasn't even necessarily unwillingness, it was just inability to do what they expected you to do, either in terms of location or in number of hours. You just couldn't do it. ... they had some very difficult conversations ... And most people just decided – I'm just going to leave. Some people left with nothing to go to. ... Part time, children, you know, what do you want me to do? ... you're not going to leave your children unattended, are you? (Lucy, Firm C)

Lucy's comments, echoed by a small number of other participants, resonate with extant research that continues to find barriers for women in pursuing careers at more senior levels in accounting firms (Anderson-Gough et al., 2000; Carter et al., 2015; Edgley et al., 2016; Kornberger, Carter, & Ross-Smith, 2010; Lupu & Empson, 2015). Detailed consideration of gender and diversity issues is outside of the scope of this thesis, but the question of whether existing difficulties for minority groups are exacerbated through the implementation of NPM policies would be an interesting avenue for further research.

6.5.1.4 Summary: discomfort relating to working conditions

In summary, auditors transferring to firms experienced discomfort in relation to being expected to work longer hours, and a number of other minor changes that were significant for some individuals. This is consistent with other research that finds large accounting firms to be seen as “a ‘nightmare’ to work for” in terms of both working hours and conditions (Stringfellow et al., 2015, p. 96) and is consistent with the subordination of fairness predicted by Hood (1991) as a result of prioritising efficiency and risk management

(Section 2.6.2). This contributes to the firms' objectives in two distinct ways: first, the long hours are a significant enabling factor in allowing firms to be efficient enough to make a profit (Section 4.4.3), and second, the harsh working conditions contribute to the more dynamic staffing structure, because a high turnover of staff (Section 6.6.2) leads to a weaker and less expensive skill mix (Section 4.4.5.2).

6.5.2 Discomfort relating to the change in the role

A number of auditors expressed dissatisfaction at the change in their role. There are two main reasons for this: first, the narrowing of the auditor's remit (Section 6.5.2.1) and second, the increased emphasis on commercial skills such as sales and client service (Section 6.5.2.2).

6.5.2.1 Narrowing the auditor's remit

Alongside the transfer of auditors to firms, the scope of the audit narrowed to focus much more on financial statements (Section 1.2.3.3). This reduction in the auditors' remit has led to a lack of variety for some individuals, where their job has been focused on the core audit.

all the performance work has obviously gone, so there's nothing at all that relates to that. Which is a bit of a shame, because that's the stuff I used to like doing (Matilda, Firm C)

personally I felt that the fact that the scope of the audit was a lot wider was a good thing. I mean I think it was certainly what attracted me to doing the job in terms of variety (Lisa, Firm B)

Both Matilda and Lisa relate the previous variety in the public sector auditor's role to their job satisfaction. This sense of the changed auditor's role being less interesting is not shared by all participants, however. Some are exceptionally positive about the opportunities they have had – see Section

4.4.5.1 regarding promotions and Section 6.6.1 regarding auditors embracing the change. A very significant difference is that many opportunities are now seen as additional to the core audit role.

... if you want to do it, you volunteer for it, and you do it ontop of the job you've already got, and demonstrate that you're willing to progress. (Colin, Firm C)

Opportunities beyond the core audit work are available, but they are available only to individuals who are willing to volunteer to work even harder than the long hours required to do the core audit role (Section 4.5). For those who do not wish to take on additional (voluntary) work, their jobs have become more routine. This reflects recent concerns about the recruitment and retention of suitable staff in the profession, as audit risks becoming an unattractive career (Turley et al., 2016).

6.5.2.2 Networking and selling

Section 4.6.2 discussed the firms' prioritisation of soft skills over technical skills. For some auditors, this shift is a source of discomfort.

... there was certainly pressure to sort of create those networks of clients. It was always in appraisals about building up contacts and things like that. And that's something that I felt ... you know, I didn't feel I really had those skills. I've never really been an effective salesperson, and that's where I felt really out of my depth at Firm D, because it really wasn't my cup of tea, doing that sort of thing. (Jerry, Firm D)

Jerry's discomfort is evident; he felt "out of his depth" and "it really wasn't [his] cup of tea". He explains that he feels that he lacks skills that have now become important ("it was always in appraisals") for his role. Similarly, Christina talks about finding networking difficult.

that's such hard work because I think obviously the bulk of our work is still public sector ... So it's very difficult to build those relationships when you realise that you can't offer anything (Christina, Firm B)

Both Jerry and Christina are trying to use skills that are relatively unfamiliar to them due to their public sector backgrounds, and finding this challenging and uncomfortable.

At the same time, specialist knowledge that was valued at the Audit Commission has become less useful. Rose stated that "it's not particularly valued and it's probably not necessary" (quote in Section 4.6.2) and that skills in bidding for work are now valued more than in depth sector knowledge. When asked whether this matters, she responded "only in terms of people's self esteem". In Rose's view, the devaluation in auditors' existing skills has impacted on individuals' confidence and self respect.

Those who find the shift in skills difficult, or who are not interested in progressing, are more likely to leave (Section 6.6.2), facilitating efficiency via a weaker skill mix (Section 4.4.5.2).

6.5.3 Disagreeing with the official line

A number of auditors showed a cynical attitude towards the firms' procedures. Auditors adopted different strategies for dealing with these differences in opinion, which can mainly be grouped into two categories: open disagreement and cynical distancing.

6.5.3.1 *Open disagreement*

A few auditors openly disagreed with their employer's procedures, continuing to work in their own way despite the changes. Section 6.3 discusses auditors' propensity to continue working in the same way as before. In the

following example, Belinda describes how she overtly disagrees with Firm C's audit approach and follows her own procedures instead.

... some of the rebuttable presumptions that aren't relevant in local government - like in the Commission, we always had a standard wording as to why you hadn't done it. Well, because I'd taken out of last year's file, I just updated the dates and what have you and put that in. But Firm C were saying - you can't rebut this. And I was saying - don't be so stupid, or course I'm rebutting it. So I was happy that I'd got the right audit opinion, but whether it would have got through their quality review, I don't know. (Belinda, Firm C)

The path Belinda has chosen to follow is consistent with her own conscience and gives her enough comfort to be able to sign off her audit procedures (Section 4.4.2.2) but is more onerous than just following Firm C's procedures, as well as running the risk of failing the firm's quality review process. The position Belinda has chosen is difficult, uncomfortable, and, in the longer term, untenable, due to the strict enforcement of the quality control regime (Section 4.3.2).

6.5.3.2 Cynical distancing

While some auditors were open about their disagreement with their employer's approach or procedures, others were more discreet about their cynicism.

I think we [staff who transferred from the Audit Commission] probably had quite a cynical view. And as an audit manager I didn't sit there and vocalise my cynical view – I said, no, this is what we're going to do, you know, all the rest of it, but I think internally ... I wasn't overjoyed by it (Lucy, Firm C)

Lucy is clear that she felt "cynical" about the move to the private sector, but she separates what she thinks "internally" from the view she expresses outwardly "as an audit manager". In her audit manager role, she plays the part of a representative of the firm, instructing her team to follow the new

corporate procedures. There is a disconnect between what Lucy says “this is what we’re going to do” and what she feels “I wasn’t overjoyed”. Kosmala and Herrbach (2006) refer to this as ‘cynical distancing’, which can be used as a strategy for individuals to maintain an illusion of autonomy. “Distance-taking enables audit practitioners to perform what is expected from them, that is, doing their job properly despite what they seem to ‘really think’” (Kosmala & Herrbach, 2006, p. 1401).

My findings contrast with those of Kosmala and Herrbach (2006), whose research suggests that auditors take pleasure in this distancing; they “play” (p. 1418) with authenticity whilst keeping an ironical distance. By contrast, Lucy is very clearly uncomfortable with her situation. In addition to her understated “I wasn’t overjoyed” in the quote above, she later adds a much more explicit “God, when you talk about it all the horror comes back to you“. This interjection followed a discussion about the reduced expertise on the audit (Section 4.4.5) and her fear of creating a bad impression with the client (see quote in Section 4.3.1.4) and leaves no doubt as to her discomfort in her position. Rather than taking pleasure in minor subversions of firm procedures, as suggested by Kosmala and Herrbach (2006), Lucy’s attitude has more in common with McNair’s junior auditors who, having not yet been socialised into the ways of the firm, are uncomfortable with practices that conflict with their existing values (McNair, 1991). (See also Section 6.4.)

A further example of cynical distancing is auditors’ submission to reviews by individuals who may be unfamiliar with public sector accounting. (See also Section 5.6.1.)

That was quite difficult actually because the partner who did the review had no previous experience of local government or the public sector at all ... she didn't know what statutory overrides were, she didn't know what SeRCOP¹⁴ was ... I really questioned, or I wanted to question although I really didn't get the opportunity to formally question - in my own head I questioned whether she should have been doing the review at all ... The [reviewer] sent the staff to do [extra work] because she felt it was necessary ... she just said you have to go and do this, which [when the deadline is imminent] isn't really what you want to be doing, but you know. (Lisa, Firm B)

Lisa questions “in her own head” whether the reviewer was suitably qualified to be doing the job, but doesn't “get the opportunity” to question this overtly. Even though Lisa disagrees with the reviewer, she recognises that the reviewer is in a position of power and complies with the requirement to do extra work in a particular area. Lisa's words “that was quite difficult actually” indicate that, like Lucy, she found the experience uncomfortable, at least in part because of the inconvenience of scheduling in extra work immediately before an important deadline.

6.5.3.3 Summary: disagreeing with the official line

Auditors have experienced discomfort where they have disagreed with their employer's official line, whether or not they have showed their disagreement openly. Despite disagreement with the firms' procedures, auditors have complied to the extent necessary to do what they regard as a good job (Section 5.3.2). Therefore the disagreement has minimal impact on the firm compared to the much more significant impact on the individual.

¹⁴ The Service Reporting Code of Practice (SeRCOP) is produced by the Chartered Institute of Public Finance Accountants (CIPFA) and sets out mandatory requirements for financial reporting for local authorities in the UK.

6.5.4 Discomfort with the firms' ethos

There are a number of instances of auditors feeling uncomfortable with the overall ethos of working for a private sector firm.

Lisa (Firm B) mentions that some audit managers felt uncomfortable about the increased emphasis on selling as part of their jobs, which has been part of the commercialisation discussed in Chapter 5.

a couple of managers, ex-Audit Commission managers, weren't comfortable with it and felt it wasn't appropriate in the light of, you know, the current ethical guidance (Lisa, Firm B)

Some auditors are uncomfortable with the very idea of private sector firms making profits from the public sector.

the daily rate was excruciatingly embarrassing – it was £1,500 a day (Lucy, Firm C)

when you work in the public sector, you are always aware ... this is being paid for by public money ... [the partner]'d do things like have a chauffeur driven car from [office location] to [council location]. And that would get charged to the audit. (Belinda, Firm C)

Both quotes suggest an uneasiness on the auditor's part with the firm's approach to charging the private sector. Gary (Firm A) echoes Belinda's concerns, but in an even broader context: his over-arching philosophy towards making money.

I didn't actually join an organisation to make loads of money and the whole thing is about making money. There might be a public-sector ethos but it is about ultimately making money for Firm A and for Firm A partners and I was a little bit worried about that. (Gary, Firm A)

Gary's point is so fundamental that it cannot be overcome.

It is interesting to note that while some auditors are concerned about public sector money being paid to private sector firms, fees have reduced (Section

2.6.5) and both auditors and clients report that clients are happy about this. Belinda (quoted above) says explicitly “they’re happy, because the cost’s gone down”. Her discomfort with the partner’s behaviour comes from her own conscience rather than client dissatisfaction.

The difficulties auditors have experienced in relation to philosophy and ethos (this section), and where their personal views are in conflict with their employer’s (Section 6.5.3) are consistent with other researchers’ findings in relation to public sector reorganisations, that have been attributed to cognitive dissonance (Johnson, Smith, & Codling, 2000; McDonough & Polzer, 2012; White, 2014). White (2014) specifically attributes emotional distress in privatised policing services to the tension between the logic of the public good and the logic of the market.

6.5.5 Not fitting in

There are a number of instances of auditors feeling that they do not fit in at their new employer. A number of auditors mention the much younger age demographic at firms.

the age profile is one of the things you notice (Tracey, Firm C)

the average age of my department is probably about 24 (Paul, Firm D)

That accounting firms are largely staffed by trainee auditors is well documented (e.g. Hanlon, 1994; Turley et al., 2016); see also Section 4.4.5.2.

They’re mainly young, in their 20s, because you need to have that energy and not have those family commitments. I think just about everybody that I knew that has got a family has left. (Belinda, Firm C)

A few auditors made the point that some of the individuals employed by the Audit Commission would have been unlikely to have been working in a private sector firm.

We weren't the type of people they'd normally recruit. (Lucy, Firm C)

The general demographics of people joining Firm D was generally people who were public school educated and were very good bright people, very confident in themselves. And to them Firm D was a stepping stone, I think, to move on to greater things (Jerry, Firm D)

Traditionally, accounting firms have fostered homogeneity by recruiting according to 'fit' and by encouraging and incentivising trainees to behave like their peers (Edgley et al., 2016; Hanlon, 1994). This both explains and is explained by the firms' perceived lack of concessions for individual circumstances discussed in Section 6.5.1.3.

6.6 Changing perspective

My interviews took place between three and four years after the transfer, after which time auditors had had chance to reflect, adjust and respond to their new environment. At this stage, most auditors had made changes that reduced their initial discomfort. Two alternative responses are evident in my data: embracing the change, whereby auditors adapt their own viewpoint to be more compatible with their employer's (Section 6.6.1), and exiting the situation by leaving the employment of the firm (Section 6.6.2).

6.6.1 Embracing the change

My data shows two main ways in which auditors can embrace the change. Some auditors have 'converted' to the private sector approach and the reconstructed audit (Section 6.6.1.1), while others are able to adjust their

existing perceptions and maintain that there has been no significant change (Section 6.6.1.2).

6.6.1.1 Converting

Some individuals have changed their viewpoint following the change, embracing the new regime wholeheartedly.

... coming from a public sector background, it was very much, you know - private sector - nasty, public sector - good - which, it turns out, that was a bit naive ... it's not just about being in it for the profit, ... actually, you're still doing a very good job and helping businesses (Christina, Firm B)

Christina refers to her original cynicism about the private sector "just being in it for the profit", suggesting that this might affect her view of the value of her work. After working at Firm B, she 'converts' to the view that she is "still doing a very good job" because there is value in helping businesses.

Some auditors are explicit that they prefer the firms' approach to audit.

I've got far more confidence in the process than at the Audit Commission ... There's an entire professional practices directorate, a full risk directorate, everything that overlays, and supports ... to ensure that the audit opinions are safe. ... I'm trying to not be too negative about the Audit Commission. But ... we didn't know how to do an audit. ... five minutes in Firm C could tell you that. Our audit approach was haphazard, risky... (Patrick, Firm C)

It is unclear whether Patrick was originally sceptical about the transfer, as Christina was. However, he has clearly 'converted' to the firm's way of doing an audit and now subscribes fully to the firm's audit approach. As part of this conversion, Patrick talks very negatively about the Audit Commission, discrediting the old way of working. This is consistent with Fischer's (1996) suggestion that auditors have to let go of established procedures in order to fully embrace new ones.

There are examples of auditors embracing the change at all four firms. All of these auditors have worked hard and benefited from the change in the form of promotions or other opportunities (Section 4.4.5.1). The following two quotes provide more evidence about the perception of the opportunities available at the firms.

Firm D offered me some things that I would never have got to have done. Not long after I arrived I ended up going to [country] doing a review of the impact of aid in the health system in [location]. Doing an evaluation for a parliamentary body which I reported to Parliament. ... I got to meet the Minister of Health in [country] and the British Ambassador. I went to parts of [country] that you don't normally do, so you're on a boat and taken out to places. I was followed by the Military Police out there. A huge number of different things that I would never have been able to do. (Paul, Firm D)

for people who are ambitious and have some ability as well, there was a real great opportunity and some people have absolutely, absolutely thrived on that. (Gary, Firm A)

Paul displays huge enthusiasm for the prestigious opportunities Firm D has offered him that he perceives he “never would have got to have done” at the Audit Commission, and Gary endorses this sentiment in the context of Firm A, reporting that some individuals have “absolutely, absolutely thrived”.

Gary's statement restricts this to “some people”, implying that while some have thrived, others have not. A further example from Firm C links 'conversion' to benefiting from the change.

I think those who are doing well within the firm, who've kind of bought into the firm's culture, and ambitions, and what the firm wants to do, they kind of display that. So for me, I've done quite well since I've joined the firm, I do buy into the vision and what they're trying to do, and stuff, and maybe others less so, they still think back to the good old days, maybe haven't bought into it so much and just see it as a job. (Derek, Firm C)

Thus opportunities and promotions are linked with ‘playing the game’ according to the firms’ rules (Carter & Spence, 2014; Lupu & Empson, 2015).

For those who embrace the change and work hard, the opportunities are substantial.

6.6.1.2 Understating the change

Some auditors reported not experiencing much change.

The biggest change is focus. ... I think it’s just the absolute focus on efficiency that – I can’t say is different to the Commission, but it’s ramped up. We were already on that journey. We were already doing what we needed to do but no more. But I think it’s more and more. (Graham, Firm B)

Graham appears to find the transition easier than some other auditors; he accepts the commercial focus, linking it back to his experience working on foundation trust audits, which were part of a commercial market alongside the Audit Commission regime (Ellwood & Garcia-Lacalle, 2012). Similarly, Derek emphasises the similarities between the new approach and the work he did at the Audit Commission.

now you’ve got a slightly – another focus – that you want to do a good piece of work, you want to meet the deadlines, but you actually want to keep the client happy as well. So, hopefully, I probably always did it that way within the Commission (Derek, Firm C)

Derek portrays the change to a greater client focus as not making a difference to him personally, because he “always did it that way”. By recognising elements of his old practice in the new approach, this makes the new approach easier to accept.

Within Firms A and B, there is evidence of a corporate narrative of continuation with the old approach, which seems to have helped some

individuals to adjust. For example, Guy emphasises the continuation importance of the public sector to Firm A.

given the critical mass of numbers that have come over as well, we've retained some of that public ethos and we see that as some of our unique selling points ... Although we may be part of a private sector firm, we work in the public sector ... A lot of what we did before ... I think has carried through. (Guy, Firm A)

Guy's perception is that being in the public sector remains an important part of the department's character, even in the new firm. This helps to ease the transition by retaining some of the Audit Commission narratives, specifically those of public sector ethos and values.

6.6.2 Leaving

Leaving public sector audit is an alternative way of changing perspective in order to lessen the discomfort arising from the transition. A significant number of auditors left their jobs within the first two or three years of the transfer.

There would be people who would hand in their notice without having another job to go to The turnover was massive. So by the time I'd left, I think probably at least half - at least half of the Audit Commission staff had left. But the turnover is also quite high in their own staff. But that's the model they kind of work to. So they take on a lot of graduates, and train a lot of them up, but they expect a lot of them to leave, and a lot of them do leave. So yeah, the turnover was like something I'd never seen before. And they did sort of make attempts to say they wanted to bring turnover down, but I didn't really see how they could on the model they worked to, because at the end of the day they want a lot of people to leave, because they want a lot of junior staff, because they're cheaper, basically - and you know, there are very few partners, so not everyone can get to those senior grades, so - so yeah, turnover was ridiculous. (Jerry, Firm D)

As Jerry explains, this is high turnover was compatible with the firm's objectives, facilitating a weaker skill mix (Section 4.4.5.2), which increases efficiency.

There is also evidence of increased staff turnover in the other three firms.

I think people have been leaving on a fairly steady basis (Gary, Firm A)

... there's quite a few people have left (Lisa, Firm B)

People have left. When you look around the room now ... you'd probably say there's more Firm C people there now than there are ex-AC. (Colin, Firm C)

I have not attempted to draw comparisons between the staff turnover rates of different firms, because the firms operate contracts in different geographical areas (Section 1.2.3.1), which might be expected to have different economic and labour market conditions affecting staff turnover. However, it is very clear that all four firms have experienced a significant increase in staff turnover. As Jerry's quote suggests, high attrition rates have been observed in audit firms in general and are not limited to staff transferring from the public sector (Financial Reporting Council, 2018; Hanlon, 1994; Lee, 2002; Turley et al., 2016).

At least some of the increased turnover is due to auditors' discomfort or dissatisfaction with their new jobs, as the following quotes demonstrate.

... it's much more stressful, I'd say. And less enjoyable. Hence why everybody's leaving. We've had so many leavers. (Matilda, Firm C)

you're asking in terms of how the staff find it - some staff just voted with their feet (Paul, Firm D)

A number of auditors expressed the view that some individuals simply didn't want to work in the private sector.

[Many people have thrived on the new opportunities but] if that's not your motivation in life, and I think that's probably true for a lot of people in the Audit Commission - they weren't in the world of work to make pots of money, they were there for other reasons - that becomes hard. So, one lot of people thrive and a lot of people leave. (Gary, Firm A)

... predominantly, the people who worked in District Audit and then the Audit Commission had chosen to work in the public sector, and in that environment. And you are going to get people leaving because, although Firm C has been generally a positive experience, it is still very private sector and fundamentally different. (Patrick, Firm C)

Gary refers to individuals' motivations; some people are not motivated by the opportunities the firms offer, but are working as public sector auditors "for other reasons". His next words "that becomes hard" connect this mismatch with discomfort (Section 6.5.4). Again this view was expressed at all four firms.

There is evidence of some people's predisposition against private sector firms in that some individuals sought new jobs and even left the Audit Commission before they were due to transfer.

Some people left before the transfer. Not many, but a few (Belinda, Firm C)

These individuals had decided, even without any direct experience, that they did not want to work for the firm they were to be transferred to. Patrick's statement above, that the private sector is "fundamentally different", justifies this stance.

One former audit manager who now works at a local council disassociates herself from her former firm to such a degree that she no longer identifies herself as an auditor.

My colleagues at the council and the county keep saying - why are they looking at that, Belinda? I keep saying - don't ask me, I'm not an auditor any more, I don't understand their audit approach and it makes no sense to me whatsoever (Belinda, Firm C)

Belinda seeks to distance herself completely from an audit approach and ethos she was uncomfortable with.

This is an interesting contrast to the study by Currie, Tuck, and Morrell (2015) which found that employees (tax inspectors) also left in response to unwelcome changes in their work environment, but in that scenario the predominant reason for their “escape” was to pursue more lucrative careers in the private sector.

6.7 Embedding the change

My sample of auditors included only one who was significantly critical of the new approach to audit who was still employed by that firm. This resonates with research by White (2014) into police privatisation.

many of these individuals have gradually come to terms with the logic of the market ... Furthermore, employment churn has resulted in many of these individuals being replaced by new ... recruits—who often have private sector backgrounds and receive lower pay and less favourable employment terms and conditions (White, 2014, p. 1014)

As in White’s study, auditors in my sample have either come to terms with the new approach or been replaced by graduate trainees, who are more susceptible to be socialised in the ways of the firms (Anderson-Gough et al., 1998, 2001). Thus high staff turnover can be seen as an advantage.

of course people do leave and I think there has been an awful lot of people who have left but obviously, that means the firm can actually grow their own and bring their own into the public sector (Gary, Firm A)

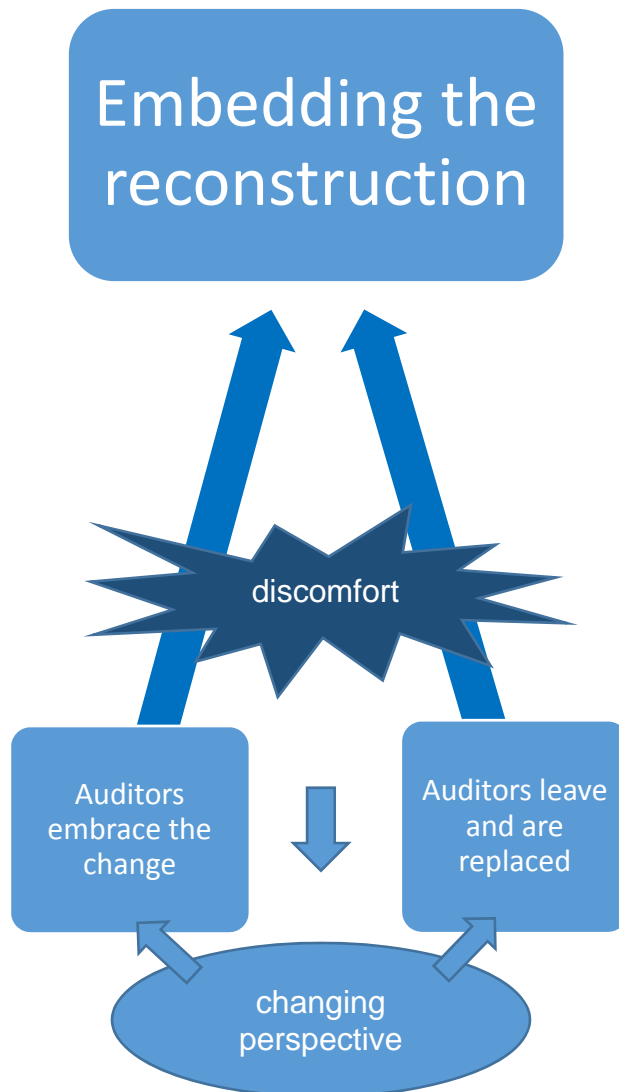
It didn't feel like they cared whether you stayed or left, and to be fair to them, I don't think they did care if you stayed or left, 'cause I think we were relatively expensive (Lucy, Firm C)

Therefore a certain amount of discomfort helps firms to streamline their staffing structure, by encouraging a high rate of staff turnover. As Lucy points out, some of the staff leaving are relatively expensive compared to the graduate trainees they can be replaced with.

6.8 Chapter summary

This chapter has discussed the different responses of auditors to the reconstruction of audit and their new working conditions. Many auditors initially work in the same way as before, working longer hours in an attempt to get through all the work, and experience discomfort as a result of the change. A large majority of auditors lessen their discomfort either by embracing the change over time or by leaving, to be replaced by graduates who are both less expensive and more susceptible to socialisation. Both responses, embracing the change and leaving, lead to the same result: the reconstructed audit is embedded. This is summarised in Figure 15.

Figure 15 Embedding the reconstruction



I discuss this further in Chapter 7, where I interpret these responses to the change in terms of habitus and hysteresis (Bourdieu, 1977).

This chapter has completed the discussion of my three sub-categories that constitute my core category of reconstructing public sector audit. Chapter 7 goes on to synthesise the three chapters together into an overall substantive theory of reconstructing public sector audit, and to link my substantive theory to extant formal theory using Bourdieu's theory of practice (Bourdieu, 1977).

7 A grounded theory of reconstructing public sector audit

7.1 Introduction

Chapters 4 - 6 have set out the detailed findings of the research in relation to three sub-categories: Commercialising public sector audit, Reconstructing audit quality and Embedding the reconstruction. The aim of this chapter is first, to show how these findings and sub-categories come together to create a substantive grounded theory of reconstructing public sector audit, and second, to relate my substantive theory to extant formal theory, in order to help interpret my theory in existing theoretical terms. I have chosen to use a Bourdieusian conceptual framework (Section 2.7) for this purpose, because this facilitates considering macro structures in the context of individual behaviour, and takes into account the differential power of individual actors and structures.

This chapter starts by showing how I derived a core category and three sub-categories from the focused codes and the data (Section 7.2). Section 7.3 shows the development of the core category, Reconstructing public sector audit, in more detail. In Section 7.4 I discuss the relationships between the categories and how they fit together to create my substantive theory of reconstructing public sector audit.

Section 7.5 explains and justifies my choice of Bourdieusian formal theory to interpret my substantive theory. The chapter then proceeds by considering each of the elements of my substantive theory in relation to Bourdieusian concepts. Section 7.6 reflects on the commercialisation of audit discussed in

Chapter 4. I discuss how public sector audit under the Audit Commission regime can be construed as an autonomous Bourdieusian subfield (Bourdieu, 1993; Everett, 2002) with values distinct from the wider field of commercial audit. The abolition of the Audit Commission regime can be seen as a dismantling of the autonomy of this subfield, so that it takes on the commercial values of the wider field. In Section 7.7 I revisit my discussion of the reconstruction of audit quality and risk from Chapter 5, viewing the meaning of what it is to do a good quality audit as doxa (Bourdieu, 1977; Bourdieu & Wacquant, 1992). In Section 7.8 I deploy Bourdieu's concept of hysteresis (Bourdieu, 1977; Hardy, 2014) to shed light on auditors' different responses to the change in their work, which were discussed in Chapter 6. Section 7.9 reviews my overall theory of reconstructing public sector audit in the light of Bourdieu's theory of symbolic violence (Bourdieu, 1977; Bourdieu & Wacquant, 1992). I contend that the accounting profession and large firms exercise symbolic violence on the public sector. As a result, private sector culture is allowed to permeate and reproduce itself in the public sector audit arena, and firms are able to dominate the public sector audit field.

7.2 Constructing categories from data

7.2.1 Output from the focused coding stage

Chapter 3 described the coding procedures I used to yield meaningful codes from my interview data. Table 18 presents a list of the focused codes I worked with to generate my substantive grounded theory.

Table 18 List of focused codes	
Competing for work	Presenting an image
Managing risk	Standardising
Reinterpreting risk	Subordinating public sector concerns
Being efficient	Feeling uncomfortable
(Not) being clear	Working in the same way as before
Doing just enough	Changing perspective
Being customer focused	Being auditable
Offering a low cost service	Reinterpreting audit quality
Reducing audit work	Being imposed on
Weakening the skill mix	Selling
Working longer hours	Resisting the change
Getting audit assurance	Embracing the change

These codes contributed to different extents towards my theory. For example, 'Doing just enough' was pivotal to the *Commercialising* subcategory (Section 4.2), whereas 'Selling' was much less evident. Nevertheless, I retained it as a focused code because it was important in making sense of the Commercialising sub-category.

7.2.2 Constructing categories from the focused codes

Section 3.14 explained that I arranged the focused codes into tentative categories that expressed the main ideas of my research. My first tentative category was '*Doing a good quality audit*'. This idea arose frequently in my data, encompassed very many of my codes, and seemed pervasive in my

analysis. I recognised at an early stage that audit quality is a problematic concept (Section 2.5) and used theoretical sampling (Section 3.7.2) to direct my interview questioning (Appendix D) to explore how practitioners understood audit quality, in order to develop this as a category. Attempting to define this category, explicating its properties and exploring its relationship with other codes, continually led me to the interrelationships between doing a good quality audit and being commercial, and to how definitions of audit quality had shifted. Eventually, I created the separate categories '*Commercialising*' and '*Reconstructing audit quality*' to focus my analysis more on these ideas. '*Reconstructing audit quality*' recognised the problematic definition and different social constructions of audit quality, and helped to explain how auditors understood audit quality within the new commercialised environment. I puzzled over whether the category should be named '*Reconstructing audit quality*' or just '*Reconstructing audit*'. Returning to my data, I noticed that not only were these categories different but that '*Reconstructing audit quality*' facilitated '*Reconstructing the audit*', because meeting audit quality criteria was so important that it changed the meaning of audit.

I decided to treat '*Reconstructing public sector audit*' as my core category, summarising the main ideas in my study. '*Commercialising*' became a subcategory, helpful in understanding how the audit had changed in response to the new commercial environment. '*Reconstructing audit quality*' was a second subcategory, which helped to explain how auditors' perceptions of audit quality changed. The final sub-category, '*Embedding the*

reconstruction', contained ideas about how individuals' responses served to embed and perpetuate the new reconstruction of audit.

Table 19 shows the core category and sub-categories, and the focused codes that helped to define them.

Table 19 Core category, subcategories and focused codes		
Core category	Sub-categories	Related focused codes
Reconstructing public sector audit (Section 7.3)	Commercialising public sector audit (Chapter 4)	Managing risk, Being efficient, Competing for work, Presenting an image, Being customer focused, Offering a low cost service, Selling, Getting audit assurance, (Not) being clear, Being auditable, Doing just enough, Reducing audit work, Weakening the skill mix, Working longer hours, Subordinating public sector concerns
	Reconstructing audit quality (Chapter 5)	Reinterpreting risk, Reinterpreting audit quality, Subordinating public sector concerns, Being imposed on, Standardising
	Embedding the reconstruction (Chapter 6)	Working in the same way as before, Working longer hours, Feeling uncomfortable, Changing perspective, Resisting the change, Embracing the change

The development of each of the three sub-categories is explained at the start of each of the findings chapters, in sections 4.2, 5.2 and 6.2 respectively. In the following section I show how I constructed the core category, *Reconstructing public sector audit*, from the data, the focused codes and sub-categories.

7.3 The core category: Reconstructing public sector audit

'*Reconstructing public sector audit*' is the core category and overall theme of my research.

The category *Reconstructing* arose from combining together several focused codes, including *Changing perspective*, which appeared in several different interviews, in different guises.

we didn't know how to do an audit....five minutes in Firm C could tell you that. (Patrick, Firm C)

I did expect a more slick – you know ... public sector bad, private sector slick ... and it's absolutely not the case. (Guy, Firm A)

maybe there was an over-auditing by the Audit Commission ... in terms of definition of Firm D anyway (Paul, Firm D)

All of these quotes indicate changes in viewpoints. Patrick has clearly changed his mind about "how to do an audit"; by using "we" he includes himself in his indictment of the Audit Commission methodology. Guy admits to preconceptions about the private sector, which he now regards as false. Paul alludes to the possibility of different definitions of what is enough (or too much) auditing.

Some of the changes auditors discussed ran very deep.

It's just really quite different in terms of attitude. There's a different philosophy. (Paul, Firm D)

we come at it from a different point of view (Rose, Firm B)

a new reality (Dean, Firm B)

fundamentally different (Patrick, Firm C)

These auditors' words highlighted differences that are fundamental: changes in philosophy, reality and points of view, all of which indicate shifts in underlying assumptions, rather than just changes in processes, procedures and practice.

At the same time, there was evidence that auditors actively and consciously changed their practices over time.

we've gone through a few years of developing our use of [the software] (Mark, Firm, B)

I think it almost takes a couple of years to get the file looking right, and understanding how things pull through (Derek, Firm, C)

Mark and Derek both indicate that their practices are refined, or reconstructed, over time, with agency.

I created *Reconstructing public sector audit* as a category to bring together ideas about how auditors reconstructed the audit, with agency, and at a fundamental level. I elevated this to the core category for the research, because it summarised the main ideas of the sub-categories at a deeper, more fundamental level. '*Reconstructing public sector audit*' encompasses the whole process of change from antecedent (commercialisation) to *how* the change is effected (by reconstructing auditors' ideas about audit quality) to the perpetuation of the new meanings and practices (embedding the reconstruction).

The next section focuses on the relationship between the core category and sub-categories.

7.4 Constructing the substantive grounded theory

Chapter 3, especially Section 3.14, describes how I worked with the codes, sub-categories and core category to explore the relationships between them in order to construct a substantive grounded theory. This section discusses the relationships identified between the core category and sub-categories, and presents the substantive grounded theory.

7.4.1 Relationships between the sub-categories

Commercialising public sector audit (Chapter 4) is the antecedent for *reconstructing audit quality* (Chapter 5). Commercialising means prioritising commercial considerations and subordinating public sector considerations. This shift in priorities is in line with the long term trend towards New Public Management (Hood, 1991) and the wider neoliberalist agenda (Sikka, 2015a). Pressures to increase efficiency are intense and stem both from public sector austerity and the firms' need to make a profit. Substantial reductions in audit budgets have made it untenable for auditors to persist with their pre-existing interpretations of audit quality. Reconstructing the concept of audit quality is the strategy auditors use, both at an individual and firm level, to enable them to continue to meet their personal and professional standards within their changed environment.

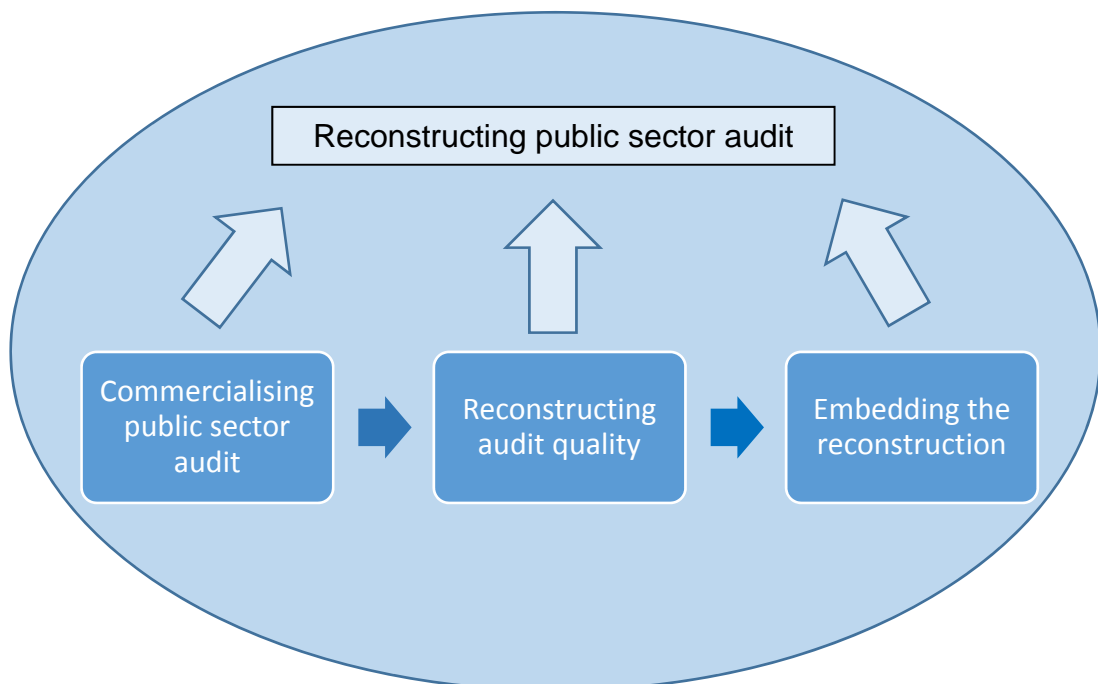
The fundamental and comprehensive way in which audit quality is reconstructed leads to *embedding the reconstruction* (Chapter 6), irrespective of whether auditors agree with the change. Changes in perspective and practice cause many auditors to feel uncomfortable. To lessen their discomfort, they can adapt their personal viewpoints in order to

embrace the change, or they can leave the profession. All auditors' responses lead to the change becoming embedded.

7.4.2 Relationship between the core category and other categories

The pervasive focus on presenting an image to regulators combined with intense budget pressures means that there is less scope for individual interpretation of what audit work is necessary, and the firms' reconstruction of audit quality increasingly defines what auditors do. Therefore the commercialisation of audit, leading to a reconstruction of audit quality, which is embedded through all responses to it, results in a reconstruction of the meaning of audit. The concepts in all three sub-categories, as well as their combined impact, lead to *reconstructing public sector audit*. This thesis therefore addresses the overall reconstruction of financial audit in the English public sector.

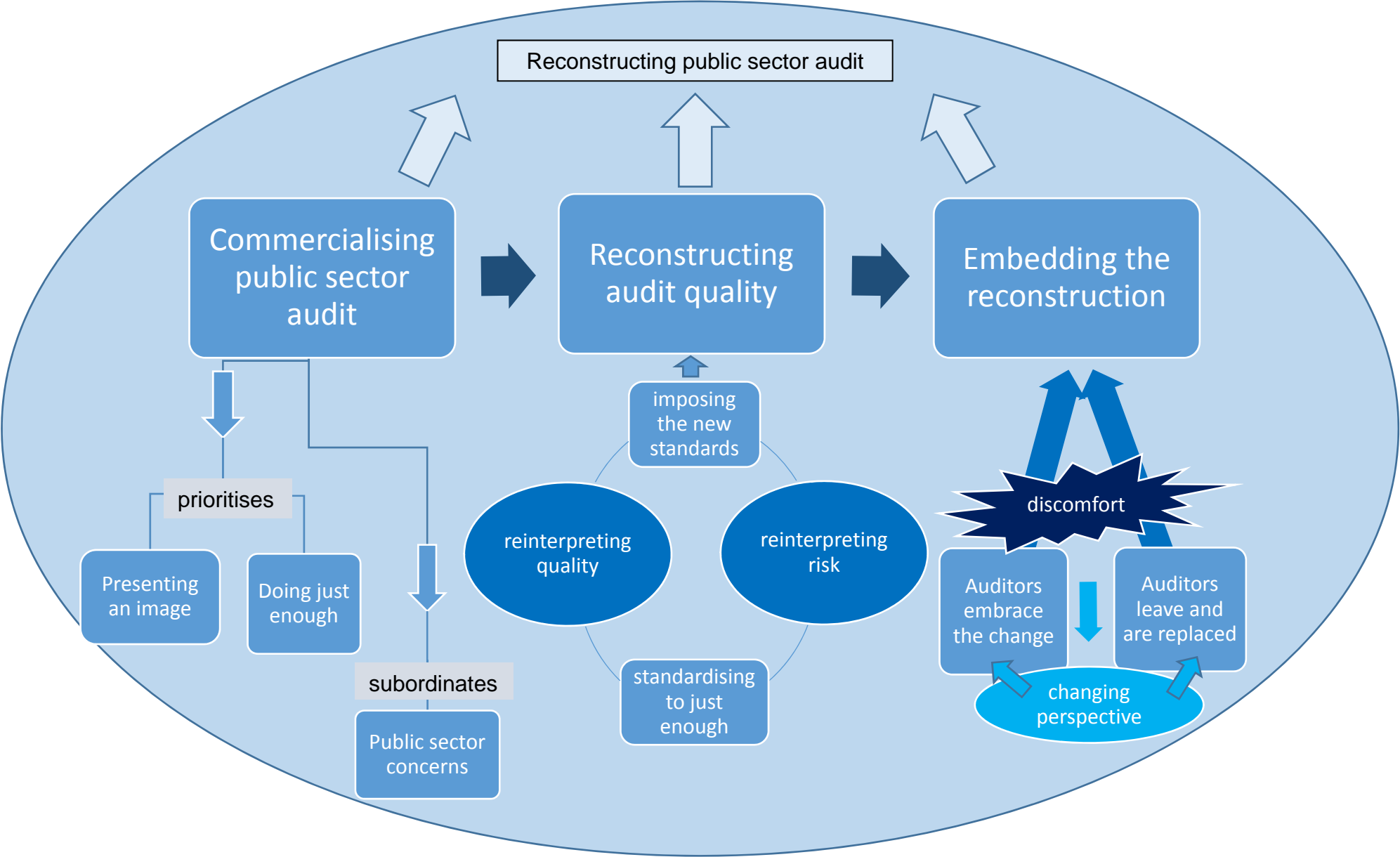
Figure 16 Relationships between the core category and sub-categories



7.4.3 The substantive grounded theory

Figure 17 presents a diagrammatic representation of the substantive grounded theory that emerged through the analysis and theorising. The diagram shows the key elements of each of the three sub-categories: commercialising public sector audit, reconstructing audit quality and embedding the reconstruction, as well as the overarching relationship of facilitation between the three sub-categories and the core category, reconstructing public sector audit.

Figure 17 Substantive theory of reconstructing public sector audit



So far, this thesis has set out my substantive theory of reconstructing public sector audit in three sub-categories: *Commercialising public sector audit* (Chapter 4), *Reconstructing audit quality* (Chapter 5) and *Embedding the reconstruction* (Chapter 6), which individually and in combination lead to the reconstruction of public sector audit, that is, a changed understanding of the meaning of financial audit in the English public sector.

The first sub-category, *Commercialising public sector audit*, concerns the prioritisation of commercial objectives over public sector considerations. An acute focus on image and efficiency strengthens the ritualised 'front stage' of audit, while detailed specialist knowledge is allowed to wane, and less audit testing is undertaken.

The second sub-category, *Reconstructing audit quality*, arises as a strategy through which auditors reconcile the commercialisation of audit with their personal and professional standards. Redefining what constitutes a good quality audit enables auditors to perceive that they are doing a good job as they perform fewer audit procedures and their detailed specialist knowledge declines. The FRC's quality criteria provide a benchmark towards which audits converge.

The third sub-category, *Embedding the reconstruction*, explains how the reconstructed audit becomes established at an individual, firm and national level, irrespective of whether individuals agree with the changes. Many auditors experience discomfort, which can be ascribed to physical changes in work arrangements and to cognitive dissonance associated with a shift in philosophy. Auditors can choose to lessen their discomfort, either by

adjusting their personal viewpoints to accommodate the changes, or by leaving the profession. Because leavers are replaced with compliant and inexpensive trainees, both options lead to the firms' reconstruction of audit being reinforced.

Competition, efficiency pressures and the regulatory regime are common across the sector. The commercialisation of audit, leading to a reconstruction of audit quality, which is embedded through all responses to it, is evident, to a varying extent, at all four firms. Individually and in combination, the commercialisation of audit, reconstruction of the meaning of quality, and the way the new logic is embedded, lead to a reconstruction of the meaning of public sector audit across the whole of the English public sector.

7.5 Reflecting on and extending the emergent theory

Through comparing other scholars' evidence and ideas with your grounded theory, you may show where and how their ideas illuminate your theoretical categories and how your theory extends, transcends or challenges dominant ideas in your field. (Charmaz, 2014, p. 305)

The aim of this section is to discuss the substantive theory of reconstructing public sector audit in the light of extant theory. This is useful in locating my research in relation to existing knowledge in the research domains of audit and New Public Management. I have elected to use Bourdieusian concepts and theories for this purpose. These were outlined in Section 2.7. Section 7.5.1 justifies their use in interpreting my substantive theory. The following sections Section 7.6 to 7.9 review each of the elements of the substantive theory using this theoretical perspective.

7.5.1 Justification for using Bourdieusian concepts and theories

Recent years have seen an increase in use of Bourdieu's concepts and theories in accounting research (Cooper & Coulson, 2014; Everett, 2018; Malsch et al., 2011). This includes a number of studies that specifically focus on audit. For example, Everett (2003) and Stringfellow et al. (2015) both deploy the concept of symbolic violence to explore the domination of large audit firms. Lupu and Empson (2015) use Bourdieu's concept of *illusio* to help explain how large audit firms induce their highly paid professional staff to work very long hours. In their study of organisational change, Oakes et al. (1998) interpret the increased importance of economic factors in the Canadian museum sector through a lens of Bourdieusian fields and symbolic capital. Malsch et al. (2011) suggest, and Everett (2018) endorses, that there is considerable potential to mobilise Bourdieusian ideas still further, and more comprehensively, in accounting research. Everett (2018) contends that the concept of symbolic violence is particularly under-used.

Bourdieu's concepts are helpful because they link individual behaviour with macro structures (Everett, 2002), and structures with agency (McDonough & Polzer, 2012). In my research, this translates to linking how individuals perform their audit work to the overall meaning of audit, and how individuals respond to change in their environment to changes in the accepted meaning of what auditors do. Thus Bourdieu's ideas of *habitus*, *field* and *capital* help to interpret my theory of how audit has been reconstructed as a result of an exogenously instigated change enacted by individuals.

Unlike the concept of fields in organisation theory, Bourdieusian fields focus on power relations, and studying social spaces from this perspective

facilitates unveiling and exposing, or rationally analysing (Bourdieu, 1977), strategies of domination. This is one of Bourdieu's objectives, the first step in resistance to domination, and part of the process of social change (Cooper & Coulson, 2014; Malsch et al., 2011). Bourdieu's theories help me to move beyond the taken-for-granted doxa of the profession (Lupu & Empson, 2015; Stringfellow et al., 2015) to consider the relative power of different actors and the effect this has on how public sector audit is interpreted and performed.

7.6 Commercialising: Taking on the values of the widespread field

Chapter 4 argued that public sector audit has become more commercialised over time, and especially following the transfer of auditors to private firms.

Here I view the commercialisation of public sector audit through a Bourdieusian lens.

7.6.1 The Audit Commission regime as a field of restricted production

The public sector audit regime in place in the UK until 2012 was significantly influenced from within the public sector; the Audit Commission appointed and controlled audit contracts, and most public sector auditors were employed in-house (Section 1.2.2). Especially within the Audit Commission's audit practice, auditors were shielded from the full influence of the market forces that led to the commercialisation of private sector audit in the 1980s and 1990s (Section 2.6.6). Although some commercialisation was evident, especially with the introduction of foundation trusts with the right to appoint their own auditors (Basioudis & Ellwood, 2005), the Audit Commission sought to uphold the value of public interest and regulated independence and fees in a way that limited audit firms' incentives, and their need, to

promote their image, manage their risks, and reduce their costs.

Competences such as technical expertise and public sector knowledge were highly valued and can be regarded as symbolic capital within that field. The Audit Commission's audit practice could therefore be regarded as a field of restricted production (Bourdieu, 1993) and a relatively autonomous subfield of the wider field of audit.

7.6.2 The audit profession as the widespread field

The wider audit profession sells its services not to specialist purchasers but to generalist business managers, therefore its chief frame of reference is the business world rather than the audit world. This is characteristic of a widespread field (Bourdieu, 1993) and leads to an emphasis on generalist values.

The commercialisation of audit has been widely documented by Hanlon (1994) and others (Section 2.6.6) and has been characterised by a shift of emphasis from technical values to more commercial business values.

Economic capital has been shown to be the most important symbolic capital within firms in recent decades (Carter & Spence, 2014), as audit firms have begun to behave more like businesses than like professions (Hopwood, 1998).

7.6.3 Taking on the values of the widespread field

With the dissolution of the Audit Commission regime, public sector auditors, as employees of private firms, can now sell their services directly to their clients, a more generalist market, who value more generalist attributes of the audit such as cost and customer service. Section 4.3 and Section 5.7.5.2

show that this is only partially mitigated where entities opt into the PSAA scheme to have their auditors appointed centrally. Thus, the field of public sector audit has become more generalised. In this more generalised field, more generalised values, such as efficiency and income generation, take precedence, reflecting the general trend towards the commercialisation of audit (Section 2.6.6). In Bourdieusian terminology, the sub-field of public sector audit that was previously weakly autonomous, with its own values and priorities (Section 2.7.3) has now taken on more comprehensively the values of the wider field (Bourdieu, 1993; Everett, 2002), which are commercial.

7.7 Reconstructing audit quality: a new doxa

Chapter 5 discussed two specific ways in which the meaning of audit quality has been reconstructed. First, audit quality has begun to encompass ideas of efficiency (Section 5.4.1) and customer service (Section 5.4.2), and second, risk has been recalibrated to align with the private sector (Section 5.5). In Bourdieusian terminology, the new doxa is that public sector risk should be considered alongside corporate risk, rather than separately, and that commercial considerations form a significant part of audit quality. In both cases, the new doxa is aligned with the widespread field of the profession (Section 2.7).

A separate but related part of the new doxa is the devaluation of public sector expertise relative to commercial skills (Section 4.6), and the associated devaluation in symbolic capital of public sector work, public sector client portfolios and the CIPFA qualification (Section 4.6.4). Following this

logic, trainees studying towards private sector accountancy qualifications leads to higher symbolic capital both for individual trainees and for the firm.

7.8 Embedding the change: habitus and hysteresis

Chapter 6 discussed auditors' responses to the new working environment and the reconstruction of audit quality as a process: working in the same way as before, working longer hours, feeling uncomfortable, and finally changing perspective. Changing perspective was viewed as a means of lessening discomfort and could be achieved by either embracing the new way of working (doxa) or by leaving.

The concept of habitus, which describes the way individuals are predisposed to act in particular situations, is helpful in understanding auditors' responses to the change in their work. Many studies of habitus refer back to participants' childhoods (e.g. Lupu et al., 2018) because childhood is the site of formation of the primary habitus (Section 2.7.1), but in my study, secondary habitus, acquired later in life through subsequent experiences (Wacquant, 2014) is particularly relevant. Auditors who transferred from the Audit Commission to the firms had a minimum of three years' experience (as the trainee intake was cancelled from 2010 (Audit Commission, 2011)) and had therefore acquired a secondary habitus commensurate with working in the public sector and the Audit Commission's approach to audit.

Habitus is linked to the field in which it was formed and leads individuals to behave according to their past experiences in that field. Where the field changes, individuals' actions may no longer be appropriate. This is the hysteresis effect. Thus, some auditors continued '*Working in the same way*

as before' (Section 6.3) even after the change, and even where it was not appropriate under the new 'rules of the game'. As a result, they had to work longer hours (Section 6.4). I consider that auditors who have transferred from the Audit Commission have suffered from the hysteresis effect; their habitus (predisposition to act) takes time to adjust to the change in the field (the way they are expected to act). Hysteresis can lead to "uncertainty, confusion and frustration" (Yang, 2013, p. 1531), which corresponds to the '*Feeling uncomfortable*' stage (Section 6.5) of my discussion.

Section 6.5 lists five sources of discomfort in my data, all of which broadly resonate with the concept of hysteresis. First, discomfort relating to working conditions represents a change in doxa in terms of what is regarded to be reasonable (Lupu & Empson, 2015). This also resonates with McDonough and Polzer's (2012) discussion of hysteresis in the context of frustration with working conditions. Second, discomfort regarding the change in auditors' role also relates to changes in the 'rules of the game': auditors are frustrated that their job has become more boring, or that different skills (social capital) are required to do well. A third source of discomfort is disagreeing with the official line. This arises because auditors are still working within the previous doxa, to arrive at an audit opinion that would have been 'safe' according to the Audit Commission's approach. Fourth, discomfort with the firm's ethos corresponds directly to McDonough and Polzer's (2012) interpretation of hysteresis as the mismatch between the public service habitus and the commercial habitus. Fifth, not fitting in reflects that auditors inculcated in public service have a mismatched portfolio of symbolic capital to succeed in the changed field.

Habitus can change over time (Lupu et al., 2018) in certain circumstances, and with agency. In my study, there is evidence that, of those auditors who have stayed in their jobs, most have eventually embraced the new doxa, and now accept the firms' culture and approach (Section 6.6.1). A significant number of individuals left following the change. This could be interpreted as an ongoing hysteresis effect, a continued unwillingness to change and accept the new doxa. Alternatively, leaving could be construed as a form of acceptance of the new doxa: individuals accept that public sector audit has changed, and because they are unwilling to work with the new doxa, they leave and cease to be auditors.

The firms' domination of audit practices is perpetuated because almost all responses to the change lead to a reinforcement of the new commercialised approach. This is a feature of symbolic violence, which is discussed in the next section.

7.9 Reconstructing public sector audit through symbolic violence

My substantive grounded theory of reconstructing audit (Figure 17 in Section 7.4.3) shows that the meaning of audit has been reconstructed in accordance with the firms' objectives, through commercialising, reconstructing audit quality, and embedding the change. Public sector auditors subscribe to the doxa of the pervasive importance of FRC reviews, commercial skills and experience, and the private sector qualification, even though this has the effect of devaluing their own technical expertise, sense of public service, and their public sector qualifications. Bourdieu's concept of

symbolic violence (Bourdieu, 1977; Bourdieu & Wacquant, 1992) can be invoked here to explain how this has been achieved. In my research,

Two key characteristics of symbolic violence are its imposition on dominated parties (public sector auditors), leaving them no choice but to accept the conditions of their domination, and the complicity of both the dominant (private sector firms) and the dominated (public sector auditors) in this.

7.9.1 Imposition of the new doxa

My findings demonstrate that the new doxa is imposed on auditors. Section 5.6.1 discussed how the reconstructed meaning of audit quality, incorporating efficiency and client service, and with risk recalibrated to align with corporations, is imposed, because auditors are both required to meet the quality standards set by the FRC and prevented from varying their work by prohibitively small budgets.

7.9.2 Complicity of auditors

A further feature of symbolic violence is that the dominated (individual auditors) are complicit in their own domination. This complicity occurs when actors in the field perceive the doxa as natural and self-evident. In my research, public sector auditors largely accept the meanings and definitions constructed in the private sector and submit to their application in the public sector. Section 5.6.2 showed how auditors misrecognise the new logic as “proper” and “common sense”. This is *illusio*; being taken in by the game.

Auditors comply with the doxa even where they disagree with it (Section 6.5.3.2). This arises because the chartered accountancy qualification and especially AQRT are afforded high symbolic capital. To benefit from the

symbolic capital associated with a private sector qualification, firms must play by the rules that are applied, for example requiring trainees to work part of their training contract on corporate audits, thus undermining the public sector specialism. The quote from Dean in Section 4.6.4 shows that he clearly disagrees with the rules about private sector experience, describing them as “crazy” and “utterly barmy”, but he does not dispute that they must be followed.

Even auditors who leave can be regarded as complicit in the domination, because their positions are filled by new actors (usually graduate trainees) who are ready to embrace the new doxa, via socialisation (Anderson-Gough et al., 1998). Leaving can be seen as a response to symbolic violence: subordinated actors respond by voluntarily exiting the game, rather than by actively resisting (Bourdieu & Wacquant, 1992). This is seen in Belinda’s quote in Section 6.6.2 “I’m not an auditor any more”.

7.10 Chapter summary

This chapter has set out how I have moved from focused codes and sub-categories generated from my research interviews to construct a single core category with concepts related to other concepts and codes. Section 7.4 described the resulting substantive theory of reconstructing public sector audit.

I then related my substantive grounded theory to Bourdieu’s formal theory of symbolic violence (Bourdieu, 1977). I have used Bourdieu’s concepts and theories to demonstrate that symbolic violence in the audit field has led to private sector firms being able to reinforce and perpetuate their own view of

what it means to do a good quality audit in the public sector. The result is the continued domination of large accounting firms. As Bourdieu predicts, the status quo is reproduced (Bourdieu & Wacquant, 1992), as the dominant parties (large accounting firms) continue to dominate the audit field, and have extended their remit to encompass public sector audit.

8 Conclusion

8.1 Introduction

This research set out to explore the effects of the transfer of auditors from the English public sector to private firms in 2012 as a result of the abolition of the Audit Commission. The context of the research is the UK government's ongoing austerity agenda and the shrinking of the public sector, and the neoliberal drive to make the public sector more like the private sector, all of which have contributed to a substantial reduction in audit fees and therefore the time auditors have to do their work.

Financial audit is a key accountability mechanism for public sector organisations, which spend hundreds of millions of pounds of public money (Section 2.3). To the external observer, it is unclear whether there is any difference in accountability arising from the change in financial audit (Section 2.5.2), although it is very clear that fees have reduced (Baylis & Greenwood, 2016; Public Sector Audit Appointments, 2017). In this research I sought to explore beneath the surface the differences between the old (public sector) and new (private sector) audit processes, to illuminate less obvious changes that have occurred.

The objective of the research was to create a grounded theory of the change in public sector audit. The research question evolved as the study progressed, in line with the grounded theory methodology employed (Charmaz, 2014; Glaser & Strauss, 1967) (Chapter 3). The initial research question was:

Initial research question (RQ)

How is public sector audit affected by privatisation?

As I gathered and analysed rich data, I developed and addressed sub-questions, which assisted in addressing the main research question. These were set out in Section 1.5 and are reproduced in Figure 3 below.

Reproduction of Figure 3 The evolving research question

RQ: How is public sector audit affected by privatisation?
SQ1: How is the quality of public sector audit affected by privatisation?
SQ2: What is audit quality?
SQ3: What strategies do auditors use to maintain audit quality in the face of changes to their environment?
SQ4: What is the effect of commercial strategies on the audit and the auditor?
SQ5: How are the changes so widely accepted despite significant discomfort?
SQ6: What are the practical implications of the research findings?

These questions helped me to create and refine codes and categories (Chapter 3) which I was able to construct into a substantive grounded theory of the reconstruction of public sector audit. The detailed findings and discussion are set out in the three chapters: Chapter 4 Commercialising public sector audit; Chapter 5 Reconstructing audit quality; and Chapter 6 Embedding the reconstruction. An overview of the grounded theory is set out in Chapter 7 including in diagrammatical format in Figure 17 (Section

7.4.3), and the later part of Chapter 7 relates these findings to a Bourdieusian framework of symbolic violence (Bourdieu, 1977).

This chapter proceeds as follows. Section 8.2 provides a synthesis of the research findings in order to provide an answer to the research question. Section 8.3 sets out the theoretical contribution of my work. It details how the substantive theory provides insights in relation to changes in public sector audit, the commercialisation of audit, the effects of the New Public Management agenda, and the audit quality debate. The use of Bourdieu's theory of symbolic violence (Bourdieu, 1977) to interpret the substantive theory provides an additional contribution to existing work on the domination of the accounting profession and the Big Four audit firms. Section 8.4 outlines the contribution this work makes to policy by illuminating the changes to English public sector audit as a result of the transfer of audit to firms. Section 8.5 sets out recommendations for further research.

8.2 Synthesis of empirical findings

8.2.1 Commercialising public sector audit

The commercialisation of audit in the private sector has been widely documented from about 1990 onwards (e.g. Carcello, 2005; Carter & Spence, 2014; Hanlon, 1994; Humphrey & Moizer, 1990; Imhoff, 2003; Spence & Carter, 2014; Wyatt & Gaa, 2004; Zeff, 2003a). Chapter 4 showed that this commercialisation has now permeated the public sector.

Commercialisation of public sector audit was not precipitated by the abolition of the Audit Commission and the transfer of auditors to firms, but this major change accelerated a trend towards commercialisation that was already in

train. The commercial priorities that have come most significantly to the fore are presenting an image (to clients, reviewers and regulators) (Section 4.3) and doing 'just enough' (Section 4.4) to present a good image whilst maximising profit. As a result, technical expertise and public sector specialisation have become relatively devalued.

In Chapter 7 I considered the Audit Commission's audit practice as a weakly autonomous Bourdieusian subfield (Bourdieu, 1993; Everett, 2002) (see Section 2.7.3 and Section 7.6 for a detailed explanation) in which capitals are valued according to internal, specialist criteria, which can be different and even opposite to the values accepted in the wider field. The values of the autonomous subfield of the Audit Commission were influenced by the wider field (the accounting profession and the private sector) over a period of time, becoming gradually more commercial and more entrepreneurial. The creation of NHS foundation trusts, with the power to appoint their own auditors, in 2004 (Ellwood & Garcia-Lacalle, 2015), was a notable step on this journey and the removal of the Audit Commission's appointment regime instigated a much sharper shift towards the commercialism and entrepreneurialism of the private sector, as the field of public sector audit has taken on the values of the wider field of corporate audit.

8.2.2 Reconstructing audit quality

Chapter 5 considered the question of *how* these changes have been achieved, in a situation where auditors, highly skilled and experienced individuals, invoke their own individual comfort levels in order to determine whether they have done enough work (Pentland, 1993).

I argued that firms have orchestrated a reconstruction of the meaning of a good quality audit that is congruent with their own commercial objectives. Using the reconstructed meaning, less work is necessary to achieve a good quality audit. Auditors can continue to fulfil their expectations of themselves as professionals, by doing a good job in less time, because what it means to do a good job has changed. In Chapter 7 I showed how this change can be viewed through the lens of symbolic violence (Bourdieu, 1977): auditors have the new meanings imposed on them and are simultaneously complicit in their own domination, by misrecognising the corporate logic as natural. I showed that symbolic violence in the audit field has led to private sector firms being able to reinforce and perpetuate their own view of what it means to do a good quality audit in the public sector.

Chapter 5 argued that audits are becoming more standardised, converging towards a constant, shaped in the form of private sector audits, through the Financial Reporting Council's regime of quality reviews. All firms are keen to meet the standards, and there is very little advantage to exceeding the standards. This results in a lack of variation in the provision of audit, and a lack of choice for public sector bodies in appointing their auditors, as all firms provide increasingly uniform products. This contradicts prominent views of audit quality as a continuum, with clients choosing what level of audit quality to purchase (DeFond & Zhang, 2014; Francis, 2004, 2011b). It also aligns public sector audit standards with the standard applied in the private sector, which has been shown to be deficient (Sikka, 2009b).

The ongoing tendency for audits to incline towards a constant subverts one of the key objectives of the NPM and neoliberalist agenda: choice (J. Clarke,

2004; Pollitt, 2013). Choice is a key part of the rhetoric of both government (Pollitt, 2013) and neoliberalism (J. Clarke, 2004), yet my work shows ongoing, and arguably increasing, limitations to public bodies' choice of auditor. The lack of choice is compounded in practice by the decision of most local authorities to opt into the PSAA scheme to have their auditor appointed for them (Public Sector Audit Appointments, 2018a).

There is some evidence that at a micro level, audit procedures are becoming more standardised (Section 5.7). Constraining auditor judgement in favour of more scientific procedures could be argued to bolster the 'front stage' of audit (Downer, 2011) and thereby increase trust, which contributes towards the 'reputation' element of audit quality (Section 2.5.9). At the same time, reducing the specialist knowledge applied to audits challenges the judgemental 'back stage' procedures (Downer, 2011) and the 'competence' aspect of audit quality (Section 2.5.5).

8.2.3 Embedding the reconstruction

Chapter 6 explored auditors' various responses to the change and concluded that all responses led to the reconstructed audit becoming accepted and embedded. Auditors initially worked in the same way as before, often working longer hours in an attempt to get through all the audit tasks, and experiencing discomfort as a result of the change. A large majority of auditors eventually lessened their discomfort either by embracing the change over time or by leaving, to be replaced by graduates who are both less expensive and more susceptible to socialisation (Anderson-Gough et al., 1998). Both responses, embracing the change and leaving, lead to the same result, interpreted in Chapter 7 as the acceptance and perpetuation of a new

doxa as the reconstructed audit becomes embedded. The accounting firms have succeeded in dominating the field of the public sector despite some auditors' recognition of deficiencies of private sector firms in respect of specialist public sector knowledge, and in spite of the resistance of some individuals to the new doxa. As Bourdieu predicts, the dominating and dominated parties work together so that the status quo is reproduced and perpetuated, and the accounting firms' domination is preserved.

8.2.4 Evaluating the reconstructed audit

This thesis has shown that the commercialisation of public sector audit has led to a reconstruction of audit that is more standardised and requires less work to be done, but as Pentland (2000) remarks, it is difficult to say whether more (or less) auditing is good or bad, and for whom. Here I consider the characteristics of the reconstructed audit as described in chapters 4 and 5, in the context of the theoretical attributes of audit quality set out in Section 2.5: competence, conscientiousness, independence, moral courage and reputation.

8.2.4.1 *Competence*

The reconstructed audit uses more trainees, and employs less specialist expertise (Section 4.4.5), but auditors' work is more standardised and controlled (Section 5.7), to ensure that audits meet a minimum 'just enough' standard. Less judgement is required to undertake the more standardised audit, but this is not problematic in itself, as there is no explicit link between judgement and quality.

The reconstructed audit favours the type of competence that facilitates compliance and the 'just enough' audit. The reduced experience and expertise of auditors means that individuals performing audit testing are less likely to be able to make judgements in complex areas, but the increased focus on compliance and control means they are more likely to meet minimum standards, audit files are more auditable, and the firms' image is protected.

8.2.4.2 Conscientiousness

Auditors have significantly less time to do their work (Section 4.4.1.1), yet there is considerable evidence that they work much longer hours than previously (Section 4.5). This is consistent with other research which demonstrates that auditors ensure that their work is done to a standard they are comfortable with (Herrbach, 2005). Auditors who feel uncomfortable tend to leave (Section 6.6.2) and those who stay are confident in their opinions (Section 5.3.2). There is therefore little evidence of any change in conscientiousness.

8.2.4.3 Independence

There has been a significant shift from working for the taxpayer or the government, to working for the client. The increased focus on client service is evident at all four firms (Section 4.3.1.1). The increased focus on client service is a potential challenge to the independence component of audit quality (Anderson-Gough et al., 2000).

8.2.4.4 Moral courage

My findings provided little evidence in relation to moral courage. This is expected because significant disagreements with the client are relatively rare, and confidentiality might prevent them from being disclosed in an interview situation. I did not seek hypothetical reassurances from auditors as I judged them too easy to provide and therefore relatively meaningless.

There is potential for a decrease in moral courage related to the decrease in experience of auditors and reduced focus on the public interest, but this has not been demonstrated in my research.

8.2.4.5 Reputation

Audit firms are very careful to guard their reputations. Chapter 4 showed how the commercialisation of audit has led to an increased focus on presenting an image, and, as noted in Section 8.2.4.1 above, the increased standardisation of audits helps to protect the firms' reputation, by making audit files more auditable.

Multiple researchers suggest that large audit firms provide better audit quality than smaller firms (DeAngelo, 1981); this premise is accepted to such an extent that auditor size is used as a proxy for quality in some quantitative research (e.g. Tate, 2007). Furthermore, Beattie et al. (2012) show that auditor size is perceived by auditors and clients to be a factor in audit quality. Therefore, the transfer of audits to large firms is likely to have increased the reputation of the auditors and hence the credibility associated with the audit. If the role of audit is to signal the credibility of financial statements (Section 2.3), then it can be argued that being audited by a larger firm increases audit quality.

8.2.4.6 Summary: evaluating the reconstructed audit

My work provides evidence that the transfer of audits to large private sector firms has strengthened the ‘front stage’ of audit (Downer, 2011; Power, 2011), increasing the credibility of the audit and therefore the legitimacy of the financial statements. At the same time, the ‘back stage’ work on the audit opinion, to achieve comfort in the financial statements, has decreased, and independence is threatened.

Auditors state unanimously that they are comfortable with their audit opinions. A significant factor in this is auditors’ conscientiousness in working longer hours until they reach a personal level of comfort, and individuals leaving the profession if this is not acceptable to them. Auditors who continue to work for the firms are those who do not feel compromised by the level of work they do.

8.2.5 Synthesis of findings in relation to the research question

The initial research question was set out in Section 3.1.1 as:

RQ: How is public sector audit affected by privatisation?

This question was answered by addressing six sub-questions (Figure 3), which are discussed here.

SQ1: How is the quality of public sector audit affected by privatisation?

It is impossible to tell whether the assurance provided by the new regime is the same, less, or greater than under the old regime, because audit assurance cannot be measured (DeFond & Zhang, 2014). However, it is clear that under the new regime, the volume of audit work done has reduced (Section 4.4.4), and that auditors' objectives are defined by the private sector and are more aligned with commercial objectives than with the public interest.

SQ2: What is audit quality?

There is no definitive answer to the question "What is audit quality?"

Most auditors associate audit quality with compliance with international standards. Academic definitions include considerations of competence, conscientiousness, independence, and reputation. ICAS adds moral courage, which I endorse (Section 2.5.8) and the firms add efficiency and, sometimes, customer service, both of which I contest, because they do not enhance, and potentially impair, the auditor's ability to find an error (Section 5.4.1-2).

Some authors have argued for the primacy of reputation in the definition of audit quality, because the credibility of the financial statements depends on the perception that the auditor would find an error (Section 2.5.9). This is predicated on the theory that credibility is important, as in agency theory and signalling theory (Section 2.3). In the public sector, a key role of audit is ensuring the accountability and stewardship of public funds, so management

control theory can be argued to be more relevant (Section 2.3.2). From a management control theory perspective, considerations of competence, conscientiousness, independence and moral courage carry more weight than reputation.

I conclude that the most relevant attributes of audit quality for public sector audit are: competence, conscientiousness, independence and moral courage, and a secondary factor is auditor reputation.

SQ3: What strategies do auditors use to maintain audit quality in the face of changes to their environment?

Chapter 4 set out the strategies auditors use to simultaneously maintain audit quality and meet reduced audit budgets as: using less experienced staff, doing less audit work, being clear and auditable, working longer hours, focusing more on customer service, and subordinating public sector concerns. The new strategies form part of the doxa in place in the firms, which is consistent with the well documented commercialisation of audit in the private sector, and from which the Audit Commission regime had previously shielded public sector auditors (Section 7.6).

SQ4: What is the effect of commercial strategies on the audit and the auditor?

The effect of the commercial strategies on the audit is to strengthen the 'front stage' of the audit associated with credibility and public perception and to

weaken the 'back stage' associated with the auditors' comfort in the financial statements (Section 8.2.4).

Auditors have responded in different ways to the change. Their responses are analysed in Chapter 6. Many auditors experienced discomfort consistent with cognitive dissonance, as their habitus conflicted with the doxa in their new working environment. The eventual effect is that auditors either embrace the changes or leave the firms, to be replaced by new auditors who are socialised to accept the firms' doxa. The firms' reconstruction of audit becomes embedded, as audits are staffed only by individuals who subscribe to the new approach.

SQ5: How are the changes so widely accepted despite significant discomfort?

Private sector audit firms have imposed their values on the public sector through symbolic violence (Section 7.9). The transfer of auditors to the private sector has ended the autonomy of the public sector audit field, so that the values of the wider field have become embedded in the field of public sector audit (Section 7.6), and public sector audit is now undertaken in accordance with private sector priorities. This, and the loss of public sector specialisation among auditors, has largely been accepted as natural and uncontestable (Section 5.6).

SQ6: What are the practical implications of the research findings?

Auditors are now working to the firms' reconstruction of audit, which holds that less work is necessary to reach an opinion on public sector financial statements (Section 5.4), and that public sector risk is aligned with private sector risk (Section 5.5). As a result, less work is done on areas of the financial statements that are deemed to be less material, and it becomes more likely that smaller errors in financial statements, especially in specialist areas, could go unnoticed.

I now return to the initial research question.

RQ: How is public sector audit affected by privatisation?

The effect of privatisation on public sector audit has been to deconstruct the autonomous subfield of public sector audit that existed under the Audit Commission regime, and to instil the firms' commercial logic as the new doxa for public sector audit. Private sector firms have taken control over public sector audit and what it means.

If the purpose of audit is to enhance the credibility of financial statements, then this is beneficial, because credibility is enhanced by the public's faith in the big firms' reputations. However, if the purpose of audit is the accountability of public sector bodies to Parliament, then it is arguable that audit has been weakened, because audits now consist of fewer procedures undertaken by less experienced staff.

8.3 Theoretical contribution

8.3.1 Substantive theory of reconstructing public sector audit

This research provides a substantive theory of reconstructing public sector audit, which has been summarised and discussed in Section 8.2. This section outlines how this substantive theory contributes to extant research.

8.3.1.1 Contribution to research on public sector audit

Goddard (2010) laments a lack of research engagement with accounting practitioners and with public policy implementation in the field of public sector accounting. This research involved direct engagement with audit practitioners through intensive interviews with auditors who had experienced the transfer of audits from the private sector to the public sector. The research employed a grounded theory approach in order to stay close to the data and generate a relevant theory.

This study responds to a call from Ellwood and Garcia-Lacalle (2015) for more research to understand the effects of the dissolution of the Audit Commission. One of the most significant effects of the transfer of auditors to the private sector is that public sector audit has taken on more comprehensively the increasingly commercialised values of the wider audit field. As a result, presenting an image is emphasised, and the 'front stage' of audit is bolstered at the expense of the comfort and assurance of the 'back stage' elements of audit.

8.3.1.2 Contribution to research on the commercialisation of audit

The commercialisation of audit in the private sector is well documented. This research shows clearly how the phenomenon of commercialisation has

extended to the public sector. This has happened both gradually over time and more suddenly at certain points in time, especially the point when audits were transferred to the private sector in 2012. I viewed the extension of the private sector culture, or doxa, in terms of symbolic domination (Bourdieu, 1977).

8.3.1.3 Contribution to the debate on 'enterprise culture'

The ongoing commercialisation of the audit is consistent with what Sikka (2008a) refers to as 'enterprise culture'. This research responds to Sikka's call for more debate about the consequences of the growth in enterprise culture by explicating some of the detailed strategies adopted by auditors in order to achieve their new commercial objectives of making a profit, presenting an image and managing risk. A specific strategy auditors employ is to challenge the number of risks identified at the planning stage, with the aim of minimising the amount of testing they need to undertake.

8.3.1.4 Contribution to understanding how NPM cost savings are achieved

This research also provides detail that helps to explain how costs savings have been achieved through the transfers of public sector audit services to the private sector. Humphrey and Miller (2012, p. 310) argue for "the continuing importance of knowing more about what is done in the name of new public management". This research contributes to that agenda by showing how audit firms save costs: by making more use of junior, less experienced staff, by doing less audit testing, and by facilitating a culture of working long hours. This adds to our understanding of how New Public Management cost savings are achieved, and helps to dispel the myth of inherent private sector efficiency and superiority.

8.3.1.5 Contribution to audit quality research

This research contributes to academic discussions about audit quality in two ways. First, I have synthesised definitions of audit quality in relation to the public sector and concluded that attributes of audit quality most relevant to the public sector are: competence, conscientiousness, independence and moral courage, and that audit firm reputation is a secondary factor. Second, my conclusions show that audits are tending towards a uniform standard. Because audit firms are keen to minimise costs while meeting the regulator's standards, all auditors are focused on doing just enough work to meet the standards, and audit quality is converging towards a constant across all firms. This contradicts prominent scholars Francis (2004, 2011b) and DeFond and Zhang (2014) who view audit quality as varying along a continuum, but provides evidence in support of the argument made by Donovan et al. (2014), following Akerlof's (1970) logic that quality reduces to a minimum level where differences in quality cannot be observed.

8.3.2 Contribution to formal theory

Several authors have used a Bourdieusian theoretical framework to interpret their analysis of audit firms (Section 7.5.1. Hamilton and Ó Hógartaigh (2009, p. 911) have shown how the true and fair view is constructed by "the rites and rituals of the profession". Audit firms have been shown to wield symbolic power to consolidate their dominant position over smaller firms in the UK (Stringfellow et al., 2015) and to facilitate their expansion into new areas (Andon et al., 2015). This research extends these findings by demonstrating how audit firms have wielded their symbolic power to reconstruct and dominate the previously autonomous subfield of public sector audit. Firms

have achieved this by imposing their own meanings on auditors through symbolic violence. This adds to our understanding of how the dominant parties in the audit sector continue to define how audit works.

8.4 Policy implications

Ellwood and Garcia-Lacalle (2012) call for more research to understand the consequences of the reduced oversight of auditors arising from the abolition of the Audit Commission. This study shows that the oversight of the Audit Quality Response Team of the Financial Reporting Council is taken very seriously by audit firms, who attach high importance to the FRC's reviews. Thus the meaning of a good quality audit is shaped to a large extent by the FRC, and imposed on auditors by the firms.

The firms' construction of audit involves deciding on the amount of audit work necessary by considering risk, using the same construction of risk for both the public sector and corporate clients. There are two points here, the first of which is that the volume of work done is reduced because the firms view public sector clients as less risky than their corporate clients. This means that the government's assurance on the stewardship of public funds is often now based on less audit work than under the previous regime. This is a change that is largely invisible because it does not affect the publically reported elements of the audit, the audit opinion and the FRC's reviews.

The second point is the normative question of whether public sector assurance should be based on a private sector conceptualisation of risk, or in accordance with some other standard. This is a subject that is worthy of further debate. Such a debate is unlikely to be demanded by public sector

bodies, for whom extra scrutiny would demand extra resources in terms of time and money, and who are already facing severe cost pressures due to the austerity agenda. If audit is a public good, and legislators impose audit requirements for the benefit of the community (Hay & Cordery, 2018; Jim Stewart, 2006), then it is also incumbent on legislators to ensure that the imposed requirements are appropriate. Therefore, government should consider the level of audit that is desirable in the public sector, and whether this should be the same as in the private sector, or different.

This research contributes to a greater understanding of public sector audit in England, and how it has changed since the transfer of auditors to the private sector. This could be valuable to those making policy decisions in other jurisdictions of the UK (Scotland, Wales and Northern Ireland), which still operate national audit institutions similar to the Audit Commission. If any of those governments should consider the transfer of public sector audit to the private sector, this research helps to provide a rounded picture of the potential change: that lower audit fees are achieved through reduced audit work and an accompanying impact on the level of accountability of local government.

8.5 Recommendations for future research

Future research could consider in more detail the normative question of what public sector audit should achieve, and whether it is beneficial for government audits to be conducted on the same basis as private sector audits or whether public money should be considered separately, and judged against a different standard.

More varied data sources could be used to explore perspectives of other stakeholders, for example, audit committees, the Financial Reporting Council, the Chartered Institute of Public Finance Accountants (CIPFA), and the National Audit Office. It would also be interesting to compare the detail of public sector audit undertaken to systems in other countries, especially Scotland, Wales and Northern Ireland. This would help to separate the changes that have happened for all auditors over time from the changes as a result of the transfer of audit to the private sector.

Three specific areas of interest arose during the study that have not been followed up as part of this research but could provide interesting avenues for further work. These are: the impact of branding, the role of data analytics, and the effect of changes on women and minority groups.

The increased importance of brand image was a very clear theme in some interviews with auditors. One of the key themes in my research was 'presenting an image'. In this research I have restricted my consideration of presenting an image to the point of view of the individual auditor and how this affects their audit work. However, my interviews provided additional insights such as differing reactions of clients to public sector auditors versus brand name auditors, and the perceived importance of corporate social responsibility.

An increased use of analytics in the audit was a major theme in some interviews, but absent from others. The changing role of data analytics in delivering audits could be researched in much more detail. In particular, it

would be interesting to explore whether the use of data analytics impacts on audit assurance and the amount of audit testing done.

The question of whether existing difficulties for minority groups are exacerbated through the implementation of NPM policies also arose through this study. My interviews provide some evidence that adapting to working in private sector firms might have been more difficult for older people, part time workers and parents, which I have not explored fully in this thesis. This could be a fruitful avenue to explore further, especially in the light of firms' ostensive commitment to increasing diversity (Edgley et al., 2016).

8.6 Overall conclusion

This research used a grounded theory methodology and intensive interviews with practitioners to construct a grounded theory of reconstructing public sector audit.

I have related the substantive grounded theory to a Bourdieusian framework of symbolic violence to show how audit firms have orchestrated a reconstruction of the meaning of public sector audit in accordance with their own commercial objectives, which are not necessarily the same as society's objectives. This has led to private sector conceptualisations of risk determining public sector audit programmes, an invisible reduction in public sector audit work, and an increasing standardisation of public sector audit.

Appendix A References

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Appendix B Output from the pilot study

Table 20 Output from the pilot study		
Tentative focused code	My ideas relating to this code	Considerations for the main study
Presenting an image	<p>The audit report has largely the same content as previously, but has been 'repackaged'. Branding is more obvious. Maintaining consistency of staffing (in terms of individuals) is seen as helping with the transfer. Firms seem to be aiming to show that the audit has not changed.</p> <p>At the same time the auditors seem to be less present; they avoiding working at client sites and do the audit over a shorter time period.</p> <p>There is also a suggestion that auditors are less helpful. Where issues arise during the audit, auditors are less willing to help clients sort these out. Auditors are also possibly more demanding of clients in terms of their expectations regarding working papers.</p>	<p>Is branding important and does this affect how auditors do their job?</p> <p>Is consistency of staffing a practical issue, or an image issue, or both?</p> <p>Are auditors less present and less helpful? Is there a tension here with presenting a good image of the firm?</p>
Not being too perfect	<p>Both interviewees hint that there is less audit work being done now but that the current amount of audit work is adequate. Auditors are confident in their opinion and that is enough.</p>	<p>What has been lost and does it matter?</p>
Taking personal responsibility	<p>There have been significant promotions at the firms. Staff have bigger portfolios.</p> <p>Staff are expected to take more personal responsibility for their own development, for technical issues arising, and for the audit opinion.</p> <p>Managers take more responsibility for understanding what is happening over the whole audit. Trainees take more responsibility for completing their work within the budget.</p> <p>Auditors are held to account via links between quality scores and pay.</p>	<p>How do managers feel about taking more responsibility?</p>

Table 20 Output from the pilot study (continued)		
Tentative focused code	My ideas relating to this code	Considerations for the main study
Protecting the firm	<p>Firms are focused on protecting themselves and auditors are made aware of this, it is something they are conscious of and the reasoning behind some of the firms' quality procedures.</p> <p>In addition, firms are seen to be cautious in terms of independence and reluctant to take on any additional work that would have any risk of threatening this.</p> <p>Possible link to more strict processes / procedures, to minimise risk to the firm.</p>	<p>Compare with other auditors and other firms.</p> <p>How do processes and procedures help to protect the firm?</p>
Being a generalist or a specialist	<p>Participants discuss the lack of specialisation in public sector accounts, which is complex and different from the commercial sector.</p> <p>Two reasons are suggested for the lack of specialisation at firms.</p> <p>Firstly, reprofiling the skill mix in order to do the audit at a lower cost means there are more trainees joining at the same time as turnover of more experienced staff, leading to less experience in the audit team overall.</p> <p>Secondly, deadlines moving forward means that staff need to be more flexible and can't necessarily just specialise in one area.</p> <p>The firms are potentially using more stringent processes to cope with the lack of specialist experience of staff.</p>	<p>How do firms cope with a weakening skill mix?</p> <p>Are staff able to cope with specialist issues if they are required to be generalists?</p>
Scoring audit quality	<p>While I have been exploring the idea of audit quality not being measurable, auditors seem to be quite accepting of the idea of a quality score for their audits.</p> <p>The scores are seen as important – they are linked to individual performance and pay.</p>	<p>Do auditors think that quality reviews can come up with an appropriate score to represent the quality of the audit?</p>

Appendix C Original Interview Guide

1. Explain interview to participants

- What my DBA is
- My research topic & RQ
- Ethical approval process / this has been to committee
- That they volunteering to participate and can drop out at any time
- They are responding as an individual rather than representative of their firm
- Interview will be recorded
- Information can be kept confidential
- Sign form
- Please ask if any questions either as we go through or later

2. Overall research question

How has public sector audit work changed following the transfer of audit services from the Audit Commission to the private sector?

3. Questions

Table 21 Original interview questions	
Question	Rationale
<p>Background questions – personal to the participant</p> <p>How long have you worked for the Audit Commission / firm / current employer?</p> <p>Prior to working for the Audit Commission, had you worked for a private firm?</p> <p>What was / is your job title? Has this changed?</p> <p>What is / was your role? Has this changed?</p> <p>Which are the main clients you work on now?</p>	<p>Understanding the participant so that I am better able to see participant's viewpoint.</p>
<p>Background questions – differences</p> <p>Are there any clients you worked on both before and after the transfer?</p> <p>When you are working at your public sector clients, are you generally working with the same colleagues as before the transfer, or are they different?</p>	<p>Understanding background to differences between work before and after the transfer - as a backdrop to understanding participant's viewpoint</p>

Table 21 Original interview questions (continued)	
Question	Rationale
<p>Differences in audit practices</p> <p>What do you do now that is different to when you worked at the Audit Commission?</p> <p>What do you do now that is the same as when you worked at the Audit Commission?</p>	<p>One of the principal reasons for privatisation is increased efficiency brought about by private sector innovation (Boycko et al., 1996; Savas, 1987). Has innovation led to differences in the audit process? Are there some areas of the audit that have not been altered by efficiency / innovation?</p>
<p>Confidence in the audit opinion</p> <p>Do you feel more / less confident in the audit opinion than previously?</p> <p>Why?</p> <p>Is there any difference in how competent you feel?</p> <p>Is there any difference in how independent you feel?</p>	<p>One of the principal reasons for privatisation is increased efficiency brought about by private sector innovation (Boycko et al., 1996; Savas, 1987).</p> <p>The audit opinion is the main product of the audit. Competence and independence are the two key elements of the DeAngelo (1981) definition of audit quality.</p>
<p>Audit quality</p> <p>What is audit quality?</p> <p>Are you providing a good quality audit?</p>	<p>Audit quality can be thought of as a binary concept (good audit / bad audit) (DeAngelo, 1981) or on a continuum (Francis, 2004, 2011b)</p>
<p>Changes in audit quality</p> <p>Has the quality of the audit changed? In what way?</p> <p>Have clients commented on the change? What did they say? Are they happy?</p> <p>Is there any change in what you report to the Audit Committee?</p>	<p>Ellwood & Garcia-Lacalle (2012) suggest that the removal of the Audit Commission removes assurance of audit quality</p> <p>Savas (1987) and Megginson (2005) suggests that privatisation can lead to an improvement in service quality.</p>

Appendix D Evolved Interview Guide

1. Explain interview to participants

What my DBA is

My research topic & RQ

Ethical approval process / this has been to committee

That they volunteering to participate and can drop out at any time

They are responding as an individual rather than representative of their firm

Interview will be recorded

Information can be kept confidential

Sign form

Please ask if any questions either as we go through or later

2. Overall research question:

How has public sector audit work changed following the transfer of audit services from the Audit Commission to the private sector?

3. Questions

Table 22 Evolved interview questions			
Original question	Rationale	Update	Rationale
<p>Background questions – personal to the participant</p> <p>How long have you worked for the Audit Commission / firm / current employer?</p> <p>Prior to working for the Audit Commission, had you worked for a private firm?</p> <p>What was / is your job title? Has this changed?</p> <p>What is / was your role? Has this changed?</p> <p>Which are the main clients you work on now?</p>	<p>Understanding the participant so that I am better able to see participant's viewpoint.</p>	<p>Maintain although don't necessarily delve into detail unless volunteered / seems relevant</p> <p>No need to ask – this will come out if it is relevant</p>	<p>Useful starting point for interviewees to answer some fact based questions</p> <p>Length of service is useful background to the discussion in terms of how experienced auditors feel themselves to be.</p>

Table 22 Evolved interview questions (continued)			
Original question	Rationale	Update	Rationale
<p>Background questions – differences between AC / firm</p> <p>Are there any clients you worked on both before and after the transfer?</p> <p>When you are working at your public sector clients, are you generally working with the same colleagues as before the transfer, or are they different?</p>	<p>Understanding background to differences between work before and after the transfer - as a backdrop to understanding participant's viewpoint</p>	<p>Maintain although don't necessarily delve into detail unless volunteered / seems relevant</p>	<p>Still useful to have this as context / background but no need for lots of detail</p>
<p>Differences in audit practices</p> <p>What do you do now that is different to when you worked at the Audit Commission?</p> <p>What do you do now that is the same as when you worked at the Audit Commission?</p>	<p>One of the principal reasons for privatisation is increased efficiency brought about by private sector innovation (Boycko et al., 1996; Savas, 1987). Has innovation led to differences in the audit process? Are there some areas of the audit that have not been altered by efficiency / innovation?</p>	<p>Maintain and probe for further info</p> <p>Have auditors been able to influence the audit approach?</p> <p>Is there a difference in how risks are identified?</p> <p>Anything missed out?</p>	<p>Has brought out lots of useful information</p>

Table 22 Evolved interview questions (continued)			
Original question	Rationale	Update	Rationale
<p>Confidence in the audit opinion</p> <p>Do you feel more / less confident in the audit opinion than previously?</p> <p>Why?</p> <p>Is there any difference in how competent you feel?</p> <p>Is there any difference in how independent you feel?</p>	<p>One of the principal reasons for privatisation is increased efficiency brought about by private sector innovation (Boycko et al., 1996; Savas, 1987).</p> <p>The audit opinion is the main product of the audit. Competence and independence are the two key elements of the DeAngelo (1981) definition of audit quality.</p>	<p>Maintain</p>	<p>It would be very important if auditors found any difference in confidence however from interviews so far this seems unlikely. Some useful info from independence discussion though.</p>
<p>Audit quality</p> <p>What is audit quality?</p> <p>Are you providing a good quality audit?</p>	<p>Audit quality can be thought of as a binary concept (good audit / bad audit) (DeAngelo, 1981) or on a continuum (Francis, 2004, 2011b)</p>	<p>Maintain</p> <p>Add: what makes a good quality auditor?</p> <p>Add: is documentation a part of quality?</p> <p>Add: is the quality of the audit in the control of the manager or the firm?</p>	<p>Useful because of the follow on question</p>

Table 22 Evolved interview questions (continued)			
Original question	Rationale	Update	Rationale
<p>Changes in audit quality</p> <p>Has the quality of the audit changed? In what way?</p> <p>Have clients commented on the change? What did they say? Are they happy?</p> <p>Is there any change in what you report to the Audit Committee?</p>	<p>Ellwood & Garcia-Lacalle (2012) suggest that the removal of the Audit Commission removes assurance of audit quality</p> <p>Savas (1987) and Megginson (2005) suggests that privatisation can lead to an improvement in service quality.</p>	<p>Remove “has the quality of audit changed”</p> <p>Maintain the question of the client viewpoint High level Individual level</p>	<p>Auditors will not say (so far) that the quality of audit has changed and this should be picked up by other questions anyway so no need for this to be explicit.</p>
<p>Anything else?</p> <p>Is there anything else you would like to tell me?</p> <p>Can I contact you again?</p> <p>Is there anyone else you think I should talk to?</p>	<p>At the initial stages, analysis should seek to uncover as many categories as possible (Strauss & Corbin, 1990)</p>	<p>Maintain</p>	<p>Some unexpected info has arisen in the last few minutes</p>

Table 22 Evolved interview questions (continued)			
Original question	Rationale	Update	Rationale
Additional questions Dec 2016			
<p>Do you feel that the audit has become more standardised?</p> <p>Are there opportunities to do things in different ways if you want to? (flexible / rigid)</p>			Seeking to find out more about this focused code
<p>Is the staff profile changing? Leavers? trainees? Promotions?</p>			Seeking to find out more about this focused code
<p>Do you feel that your public sector expertise is important / valued?</p> <p>Where there is a lack of specialised staff, how do you compensate for this? (standardisation?)</p>			Seeking to find out more about this focused code
<p>How supported are auditors?</p>	<p>e.g. by managers / by firm's infrastructure? Does it make a difference being in a firm?</p>		Seeking to find out more about this focused code
<p>Is there pressure to be more efficient? How is this achieved? What has been cut out? "not too perfect"?</p>			Seeking to find out more about this focused code

Table 22 Evolved interview questions (continued)			
Original question	Rationale	Update	Rationale
<p>Do you have more / less responsibility?</p> <p>Are expectations of auditors different?</p> <p>Are you more / less accountable? How?</p> <p>Reward if things go well?</p> <p>Blame if things go wrong?</p>			Seeking to find out more about this focused code
How do you feel about quality scores?	<p>Evidence of good performance – for progression / for winning work?</p> <p>Does the quality score reflect good quality?</p>	Before this question – how do you know whether you are doing a good quality audit?	Find out whether quality scores is an answer to this question
Is there a difference in how the firm views corporate vs public sector audits? (e.g. in terms of risk to the firm)			Seeking to find out more about this focused code
Is there a certain type of person who succeeds in a firm?			Some interviewees have commented e.g. on the age profile of the new work place.

Table 22 Evolved interview questions (continued)			
Original question	Rationale	Update	Rationale
Additional questions Jan 2017			
Would it be worth speaking to non-execs?		It depends on the authority. I knew that already. Leave for now.	
Comparison Firms D / B		Some differences at Firm D. Could do with more Firm D interviews.	
Is there a difference in how much you work in / out of the office? / location of offices? Does this make a difference to how well supported you feel?			
Controls or substantive – is there a change?		Definitely a move towards substantive but feel this is unlikely core to my work -> remove this one	
Additional questions Feb 2017			
Discuss my emerging theory and invite comments			Seeking member reflections (Tracy, 2010)

Appendix E Schedule of interviews

Table 23 Schedule of interviews							
	Reference	Type of interview	Date	Audit firm participant transferred to ¹⁵	Participant stayed at or left the firm transferred to	Participant's employer at the time of the interview ¹⁶	Participant's position at time of interview ¹⁷
Pilot study	P1	Face to face	3/11/15	N/a		N/a	Colleague
	P2	Telephone	6/11/15			Council	Manager
	P3	Telephone	9/11/15			Firm D	Manager
Initial sample	P4	Face to face	12/11/15	Firm B	Stayed	Firm B	Manager
	P5	Face to face	19/11/15	Firm C	Stayed	Firm C	Manager
	P6	Face to face	19/11/15	Firm C	Stayed	Firm C	Manager
	P7	Face to face	20/11/15	Firm C	Stayed	Firm C	Manager

¹⁵ Audit firms are labelled as Firm A, B, C, D, in order to preserve anonymity. Only four firms were involved in the transfer of Audit Commission audits to the private sector, although others firms do conduct public sector audit work.

¹⁶ I have categorised the participants' work places as a firm, NHS, council or other, in order to preserve anonymity. All participants had remained within the sector in some capacity.

¹⁷ To help maintain anonymity, I have classified participants as managers, team leaders or directors rather than using more specific job titles. Senior managers are included as managers. One deputy director is classified as a director.

Table 23 Schedule of interviews (continued)							
	Reference	Type of interview	Date	Audit firm participant transferred to ¹⁵	Participant stayed at or left the firm transferred to	Participant's employer at the time of the interview ¹⁶	Participant's position at time of interview ¹⁷
Initial sample (continued)	P8	Face to face	26/11/15	Firm B	Stayed	Firm B	Manager
	P9	Face to face	15/12/15	Firm A	Stayed	Firm A	Manager
	P10	Face to face	15/12/15	Firm A	Stayed	Firm A	Director
Theoretical sampling to find participants from different geographical offices of Firm C, and auditors who had left the firm they had originally transferred to	P11	Face to face	12/12/16	Firm C	Stayed	Firm C	Manager
	P12	Face to face	13/12/16	Firm C	Left	NHS	Manager
	P13	Face to face	13/12/16	Firm C	Left	Council	Manager
	P14	Face to face	4/1/17	Firm D	Left	Firm B	Manager
	P15	Face to face	4/1/17	Firm B	Stayed	Firm B	Manager
Theoretical sampling to find views of auditors from Firm D and auditors who had left Firm B	P16	Telephone	1/3/17	Firm D	Stayed	Firm D	Director
	P17	Telephone	7/3/17	Firm B	Left	Other	Manager
	P18	Telephone	7/3/17	Firm D	Left	Other	Director

Table 23 Schedule of interviews (continued)							
	Reference	Type of interview	Date	Audit firm participant transferred to ¹⁵	Participant stayed at or left the firm transferred to	Participant's employer at the time of the interview ¹⁶	Participant's position at time of interview ¹⁷
Theoretical sampling to find an alternative perspective on Firm A	P19	Telephone	10/3/17	Firm A	Left	Council	Director
Theoretical sampling to include more client perspectives	P20	Telephone	24/3/17	N/a		NHS	Director
Theoretical sampling to obtain their "member reflections" (Tracy, 2010, p. 844) from auditors who have stayed in their jobs	P21	Telephone	27/3/17	Firm C	Stayed	Firm C	Manager
	P22	Face to face	28/3/17	Firm B	Stayed	Firm B	Team leader
	P23	Face to face	28/3/17	Firm B	Stayed	Firm B	Team leader
Theoretical sampling – to consider clients' perspectives on my emerging theory	P24	Face to face	30/3/17	N/a		NHS and council	Director
	P25	Telephone	31/3/17	Firm E	Left	Council	Manager
	P26	Telephone	24/5/17	N/a		NHS	Director

Appendix F Submission to Ethics Committee



Faculty of Business and Law
Student Research Ethical Issues Form

Student Name:	Helen Watson
Programme of Study	DBA
Title of Research Project:	Privatisation of audit services: what is the impact on the audit?
Start Date of Research Project:	Data collection to start from 1 September 2015
Supervisor	Philip Shives

	Comments
Brief description of the proposed research methods including (if relevant) how human participants will be selected and involved.	Semi-structured interviews with auditors, conducted in person and recorded. The participants will be auditors who worked for the Audit Commission's audit practice and transferred to a private sector firm (Mazars, Ernst & Young, KPMG or Grant Thornton) on 31 October 2012.

over 20 Sept 15 *21/09/15*

September 2013

How will informed consent of research participants be acquired? (If appropriate attach draft informed consent form)	Participants will sign an informed consent form
Will the research involve an organization(s)? (If appropriate attach draft organisational consent form)	No I will be seeking to obtain individuals' viewpoints, rather than their employers'. The questions will be around what happens during an audit from the auditor's perspective, at both their current employer and their previous employer (the Audit Commission). I am interested in finding out individual practices and viewpoints, rather than corporate viewpoints, procedures or policies.
How will research data be collected, securely stored and anonymity protected (where this is required)	I will collect data through semi-structured interviews. I will record the interviews and subsequently transcribe the recordings. Hard copies of data will be kept locked away and soft copies on the a secure server protected by password access. In the transcription, data analysis and thesis, participants will be referred to as Participant A at Firm B, etc. The key to which participant is which will be kept in paper format, separate from the recordings.
How will data be destroyed after the end of the project? (Where data is not to be destroyed please give reasons)	I am collecting this data for the main purpose of my DBA research into the impact on the audit of the transfer of audit services to the private sector. However I am also interested in research on what audit quality is from the auditor's perspective and would like to retain transcripts for use in a possible project on perspectives on audit quality, once I have finished my DBA. I will store the recordings and transcriptions securely until the projects are complete by deleting all copies of them.
Any other ethical issues anticipated?	No

Student Signature (indicating that the research will be conducted in conformity with the above and agreeing that any significant change in the research project will be notified and a further "Project Amendment" Form submitted).

Date: 30th June 2015 Student Signature: [Signature]

Supervisor:

I confirm that I have read this form and I believe the proposed research will not breach University policies.

Date: June 30, 2015 Signature: [Signature]

Please Note:

September 2013

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Appendix G Participant consent form

Title of Study:	(1) DBA Research: Privatisation of audit services: what is the impact on the audit? (2) Possible additional research project: Auditor perspectives on audit quality
Person(s) conducting the research:	Helen Watson
Programme of study:	DBA
Address of the researcher for correspondence:	Newcastle Business School Northumbria University City Campus East 1, Newcastle Upon Tyne NE1 8ST
Telephone	07813 513440
E-mail:	h.watson@northumbria.ac.uk
Description of the broad nature of the research:	I will conduct semi-structured interviews with auditors from each of the four firms who took on Audit Commission staff in 2012, to find out detailed audit staff perspectives on how the audit is conducted.
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:	I will conduct and record semi-structured interviews with participants to obtain their perspectives on the audit work they undertake. I am particularly interested in (1) how has the audit changed since the transfer to the private sector in October 2012? (2) what does audit quality mean to auditors? Each interview is likely to last around 1 hour. I may need to make further contact with some interviewees after the interview, in order to refine my research. This may be via phone, e-mail, or a second interview. Involvement in this additional contact would be optional.

<p>Description of how the data you provide will be securely stored and/or destroyed upon completion of the project.</p>	<p>The data will be stored securely. Hard copies of data will be kept locked away and soft copies on a secure server protected by password access. Data will be anonymised. In the transcription, data analysis and thesis, participants will be referred to as Participant A at Firm B, etc. The key to which participant is which will be kept in paper format, separate from the recordings.</p>
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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.

Participant's signature:

Date:

Student's signature:

Date:

Please keep one copy of this form for your own records

Appendix H Ethics amendment request

Project Name: DBA: Exploring the effect of privatising public sector audit	Date original ethical approval received: 17 July 2015
Principal Investigator: Helen Watson	Department: AFM
Date: 10 February 2017	Project Ref:

Description of Change:

Participants to include not only auditors but also others who have a view or interest in public sector audit; this could include local authority and NHS employee and non-executive directors, and employees of relevant regulators (such as the Financial Reporting Council, Public Sector Audit Appointments and the National Audit Office)

Some interviews to be conducted by telephone rather than in person.

Where interviews are undertaken by telephone, I will not insist on a signed participant form from the participant. I will provide the form in advance of the interview and discuss it with the participant at the start of the interview to ensure that they are happy with it.

Reasons for Change:

During the course of the research some participants have suggested that I could seek further information from clients or from regulators; this was also suggested feedback when I presented my research. Amending my research in this way is consistent with my grounded theory methodology. Telephone interviews are more cost effective and practical than face-to-face interviews where the participants live some distance away. I have potential interviews in London, Reading and Brighton.

Anticipated Implications:

Widening the pool of participants will help me to broaden my research. I do not foresee any ethical implications for this.

It may be more difficult to get a signed ethics form when I have interviewed participants by telephone; however, I can ensure that each participant has access to the ethics form and check that they understand it and are happy with it before I start the interview.

Appendix I Example diagrams and mind maps used for theorising

Figure 18, Figure 19 and Figure 20 are images illustrating how I related codes and concepts to each other. They were created as part of the data analysis process and were not originally intended to form part of the thesis. I decided to include them to demonstrate how I undertook this stage of data analysis.

Figure 18 Example diagram used for theorising

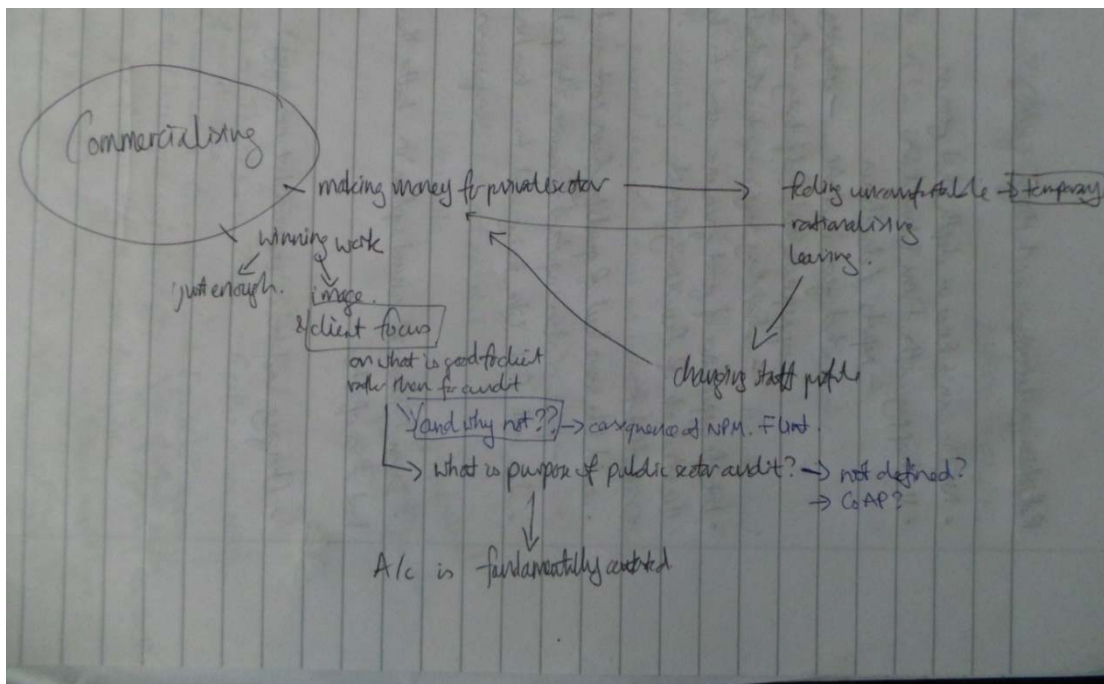
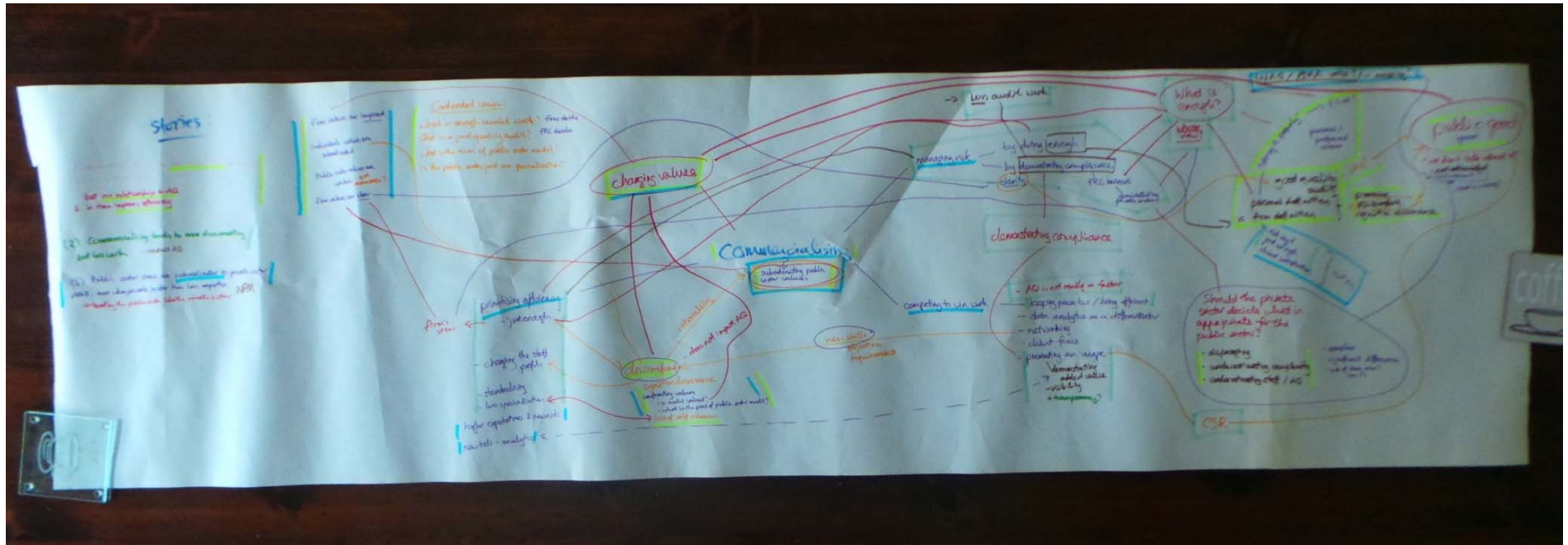


Figure 19 Example mind map used for theorising



Figure 20 Example mind map used for theorising



Appendix J Illustrative example of initial coding

Table 24 Example of initial coding		
Raw interview data to be coded		Initial codes
Interviewer	What can you tell me about the audit approach for Firm C - how's that been developed and how is it different?	
Participant	<p>We have a different electronic system – so, we had TeamMate in the Audit Commission, which now seems a very long time ago! - and obviously there were some problems with TeamMate, I think you know that there was a lot of repetition to some extent, and it wasn't always clear how that flowed through. Firm C, as a global firm, has a global audit approach, so that's certainly a key difference. And I think what I find working at Firm C is the level of technical guidance, the way that links in to the audit approach, it's very structured in terms of how the file is set out and exactly how you do things. There's.</p>	<p>Using different software</p> <p>Relegating the Commission to the distant past</p> <p>Acknowledging problems with AC way of working</p> <p>Repeating work, Cutting out waste</p> <p>Not being clear</p> <p>Being in a global firm, Having a firm-wide approach</p> <p>Being part of a big firm, Fitting in, Supporting audit staff</p> <p>Being supported with technical guidance</p> <p>Linking to the audit approach</p> <p>Following a process</p>

Table 24 Example of initial coding (continued)

Raw interview data to be coded	Initial codes
<p>lots of mandated forms, for example, you know – significant risks, there'll be a specific form that we fill in, that I think maybe wasn't quite as structured at the Audit Commission. I think the file setup is different, just in terms of how you approach it on the actual electronic audit file – I think in terms of whether we go for a controls of substantive approach – that's still varying per audit really and depending on what we find, but we also at Firm C have IT general controls which I think is a much more structured process than it was at the Audit Commission – I mean there was some work done there, but I think at Firm C there are specific IT teams. There's IT auditors who will just work on that. They're obviously very experienced. And our approach at Firm</p>	<p>Following a process Following mandated procedures Conforming Using different software Following a process Adjusting the approach to the audit Adjusting the approach depending on findings Complying with the firm's approach Reviewing IT controls Following a process Supporting audit staff Using IT specialists Being an expert Being very experienced Conforming Complying with the firm's approach</p>

Table 24 Example of initial coding (continued)

Raw interview data to be coded		Initial codes
	C is that generally we will only do controls – sort of overall control work - if we can rely on the IT controls as well, because that is the only way we can carry assurance forward	Following a controls approach Regarding IT controls as key Complying with the firm’s approach

Appendix K Illustrative example of focused coding

Table 25 Example of focused coding				
Raw interview data to be coded		Initial codes	Focused codes	How I arrived at these focused codes
Interviewer	What can you tell me about the audit approach for Firm C - how's that been developed and how is it different?			
Participant	We have a different electronic system – so, we had TeamMate in the Audit Commission, which now seems a very long time ago! and obviously there were some	<p>Using different software</p> <p>Relegating the Commission to the distant past</p>	<p>Subordinating the public sector</p>	<p>I judged this initial code to be mundane, so did not create a focused code from it.</p> <p>I linked this to other codes about how auditors viewed the Commission and the firms</p>

Table 25 Example of focused coding (continued)

Raw interview data to be coded	Initial codes	Focused codes	How I arrived at these focused codes
<p>problems with TeamMate, I think you know that there was a lot of repetition to some extent, and it wasn't always clear how that flowed through. Firm C, as a global firm, has a global audit approach, so that's certainly a key difference. And I think what I find working at Firm C is the level of technical guidance, the way</p>	<p>Acknowledging problems with AC way of working</p> <p>Repeating work, Cutting out waste</p> <p>Not being clear</p> <p>Doing a good quality audit</p> <p>Being in a global firm</p> <p>Having a firm-wide approach</p> <p>Being part of a big firm, Fitting in</p> <p>Supporting audit staff</p> <p>Being supported with technical guidance</p>	<p>Doing less work</p> <p>Standardising</p> <p>Fitting in</p> <p>Supporting audit staff</p>	<p>'Doing less work' encompassed ideas of not repeating work (here) and doing less testing / being more focused (from other interviews)</p> <p>I tried and then abandoned 'Doing a good quality audit' as a focused code, as other codes were more helpful and informative.</p> <p>'Fitting in' helped me to explore auditors' responses to the change.</p> <p>I elevated 'Supporting audit staff' to a focused code because it appeared in different forms in other places and led to some interesting comparisons.</p>

Table 25 Example of focused coding (continued)

Raw interview data to be coded	Initial codes	Focused codes	How I arrived at these focused codes
<p>that links in to the audit approach, it's very structured in terms of how the file is set out and exactly how you do things. There's lots of mandated forms, for example, you know – significant risks, there'll be a specific form that we fill in, that I think maybe wasn't quite as structured at the Audit Commission. I think</p>	<p>Linking to the audit approach Following a process Following a process Following mandated procedures Conforming</p>	<p>Standardising Standardising</p>	<p>'Standardising' brought together many of the initial codes from this excerpt</p>

Table 25 Example of focused coding (continued)

Raw interview data to be coded	Initial codes	Focused codes	How I arrived at these focused codes	
	<p>the file setup is different, just in terms of how you approach it on the actual electronic audit file – I think in terms of whether we go for a controls of substantive approach – that’s still varying per audit really and depending on what we find, but we also at Firm C have IT general controls which I think is a much more structured</p>	<p>Using different software</p> <p>Following a process</p> <p>Adjusting the approach to the audit</p> <p>Adjusting the approach depending on findings</p> <p>Complying with the firm’s approach</p> <p>Reviewing IT controls</p> <p>Following a process</p>	<p>Standardising</p>	<p>The initial code ‘Adjusting the approach to the audit’ can be considered as the opposite of standardising. I first created a focused code ‘Tailoring’ and then subsumed this within ‘Standardising’ as it proved to be helpful in considering to what extent processes had been standardised or not standardised.</p> <p>Data analytics and use of IT are interesting aspects of my data, but I decided not to pursue this as the main concern of my study. This is a potential area of interest for future study.</p>

Table 25 Example of focused coding (continued)

Raw interview data to be coded		Initial codes	Focused codes	How I arrived at these focused codes
	<p>process than it was at the Audit Commission – I mean there was some work done there, but I think at Firm C there are specific IT teams. There's IT auditors who will just work on that. They're obviously very experienced. And our approach at Firm C is that generally we will only do controls – sort of overall</p>	<p>Supporting audit staff</p> <p>Using IT specialists</p> <p>Being an expert</p> <p>Being very experienced</p> <p>Conforming</p> <p>Complying with the firm's approach</p> <p>Following a controls approach</p>	<p>Supporting audit staff</p> <p>Specialising</p> <p>Standardising</p>	<p>I created the focused code 'Specialising' from some different data, and subsequently assimilated the codes 'Being and expert' and 'Being very experienced' within it.</p> <p>After some investigation and consideration, I decided not to pursue the code 'Following a controls approach' because other codes illuminated the data much better.</p>

Table 25 Example of focused coding (continued)				
Raw interview data to be coded		Initial codes	Focused codes	How I arrived at these focused codes
	control work - if we can rely on the IT controls as well, because that is the only way we can carry assurance forward	Regarding IT controls as key Complying with the firm's approach	Standardising	

Appendix L E-mail to participants to elicit member reflections

Dear [name]

I'm contacting you because I interviewed you several months ago as part of my doctoral research project into the changes in public sector audit following the transfer of auditors from the Audit Commission to firms. I'm currently in the process of writing up my thesis and would like to share my findings with you – see below. I've condensed these as much as possible so that you can read them quickly – I know it is an extremely busy time of year.

I'd really appreciate it if you could read through the below and respond and let me know your thoughts.

Once again, thank you very much for your participation.

Helen

Reconstructing public sector audit

Since the 2012 transfer of public sector auditors to firms, audit has become more commercialised. There is more emphasis on professional image and efficiency, and less on public sector specialisation. The focus has shifted from public interest towards client service. Before 2012, the Audit Commission espoused public sector values but was increasingly influenced by wider commercial values. Since then, public sector audit has more comprehensively taken on commercial values, subordinating (though not disregarding) the public interest.

Audit firms have reconstructed what it means to undertake a good quality audit in the UK public sector, in line with their commercial objectives. Efficiency is incorporated into auditors' understanding of audit quality, such that less work is necessary to do a good quality audit. This is achieved by an increasing focus on fewer risks, and a subtly different view of risk, which considers public sector organisations alongside corporate entities and prioritises risk to the firm.

FRC reviews are taken extremely seriously. Auditors aim to construct an audit file that will pass AQR. Very tight budgets mean there is no time for extra work and little scope for variation. Thus, the FRC plays a significant role in constructing the standard to which all auditors work. Audits at all firms are tending towards the same standard. This standard is now in the control of the private sector, via firms and the FRC.

Some auditors' personal views of what is a good quality audit, or what is enough work, differ from their employer's view. Tight budgets do not allow for individuals auditing to their own personal standards. This can lead to

frustration and discomfort. Auditors either accept the new way of doing things, or leave, to be replaced by trainees who can be socialised into the firms' way of working. Both options lead to embedding the firms' interpretation of what is a good quality audit.

Appendix M Quality criteria

This table is organised according to Malsch and Salterio's audit-specific quality questions (Malsch & Salterio, 2016), but also references Tracy's eight quality criteria (Tracy, 2010) and how these are met.

Table 26 Quality criteria and how they are met in this research			
Quality questions (Malsch & Salterio, 2016)	How academics suggest this can be demonstrated	How this is evidenced in my work	Link to evidence in my work
<p>1. Is theory mobilized in a credible and meaningful way? (Malsch & Salterio, 2016 p. 10)</p> <p>This relates to Tracy's concepts of meaningful coherence, and rich rigour (Tracy, 2010).</p>	<p>There should be a good methodological fit between research method and theory (Malsch & Salterio, 2016)</p> <p>Theory should be used as an interpretive lens for making sense of field observations. (Malsch & Salterio, 2016)</p> <p>Sufficient, appropriate and complex theoretical constructs are used (Tracy, 2010)</p>	<p>Following Charmaz's (2014) constructivist grounded theory methodology helped to maintain epistemological and methodological coherence.</p> <p>The 'field story' arising from the data (Locke, 2001) was connected to appropriate literature and existing theory towards the end of the research process, using the codes from the grounded theory process as a guide. For example, the key concept "doing just enough" arose directly from the data, and exploring its properties and changes led me to the Bourdieusian concept of symbolic violence. At the end of my study, I reviewed my substantive theory in the light of Bourdieusian formal theory.</p>	<p>Sections 3.2 and 3.3</p> <p>Section 3.16</p> <p>Chapter 7</p>

Table 26 Quality criteria and how they are met in this research (continued)

Quality questions (Malsch & Salterio, 2016)	How academics suggest this can be demonstrated	How this is evidenced in my work	Link to evidence in my work
<p>2. Does data collection reflect an “in-depth” investigation? (Malsch & Salterio, 2016 p. 11)</p> <p>This links to Tracy’s concept of rich rigour (Tracy, 2010 p. 840-841)</p>	<p>The data represent the complexity and richness of the field (Malsch & Salterio, 2016). The study uses sufficient and appropriate data, time in the field, sample(s), context(s) and data collection and analysis processes (Tracy, 2010). Jonsen, Fendt, and Point (2018) advise quantifying some aspects of the research in writing up; for example, disclosing the length of interviews and the number of pages of transcribed data.</p>	<p>I conducted 23 in-depth interviews of up to 110 mins in length, all with experienced professionals, most with auditors who directly experienced the transfer from the Audit Commission to the firms. The sample included diverse contexts within this setting: all four audit firms, and seven different locations. Data collection and analysis followed the principles and procedures of constructivist grounded theory (Charmaz, 2014) and used the grounded theory concept of theoretical saturation (Charmaz, 2014) to determine when to stop collecting data.</p>	<p>Section 3.6</p> <p>Section 3.7 and Appendix E</p> <p>Section 3.9</p> <p>Section 3.7.3</p>

Table 26 Quality criteria and how they are met in this research (continued)			
Quality questions (Malsch & Salterio, 2016)	How academics suggest this can be demonstrated	How this is evidenced in my work	Link to evidence in my work
<p>3. Are the findings “trustworthy”? (Malsch & Salterio, 2016 p. 12-13)</p> <p>This is similar to Tracy’s concept of sincerity (Tracy, 2010), which she splits into self-reflexivity and transparency.</p>	<p>The researcher should use data from multiple sources. Tracy (2010) suggests the term “crystallization” as a relativist equivalent to the realist “triangulation” suggested by Malsch and Salterio (2016), representing the aim to produce complex, multi-dimensional findings.</p> <p>The researcher should demonstrate negative case analysis (Malsch & Salterio, 2016)</p> <p>Findings should be shared with the groups from whom the data were originally obtained (Jonsen et al., 2018; Malsch & Salterio, 2016). Tracy (2010) refers to this as member reflection.</p> <p>The research should be reflexive and transparent (Tracy, 2010).</p> <p>Gurd (2008) emphasizes the importance of setting out clearly how the data collection and analysis has been done.</p>	<p>Crystallisation is achieved through interviewing different individuals via theoretical sampling. I interviewed auditors from four different firms, seven different locations, grades from team lead to director, some who were still working for the firm they transferred into and some who had left, as well as clients and non-executive directors. There was a split of male and female, full time and part time auditors. Negative cases were analysed through constant comparison.</p> <p>I undertook ‘member reflections’ during and after later interviews.</p> <p>I used memo writing to record my thoughts and reflections throughout the data analysis period.</p> <p>As well as describing the coding process, I have included an interview excerpt to demonstrate how this has been applied.</p>	<p>Section 3.6 and Appendix E</p> <p>Section 3.9.2</p> <p>Section 3.15</p> <p>Section 3.9.3</p> <p>Appendix J and Appendix K</p>

Table 26 Quality criteria and how they are met in this research (continued)			
Quality questions (Malsch & Salterio, 2016)	How academics suggest this can be demonstrated	How this is evidenced in my work	Link to evidence in my work
4. Does the manuscript report the richness of the empirical material in a convincing and appropriate manner? (Malsch & Salterio, 2016 p. 14-15) Tracy (2010) links this to credibility, which is evidenced by demonstrating that the researcher has experienced the field and done a sufficient quantity of work.	<p>The researcher should show the reader the data through appropriate use of carefully selected detailed quotes (Golden-Biddle & Locke, 1997; Malsch & Salterio, 2016; Tracy, 2010). These should show the rich detail of data by including contradictions and counter-views (Malsch & Salterio, 2016; Tracy, 2010).</p> <p>Some quantifications, e.g. number and length of interviews, can be useful to demonstrate the depth of the research (Malsch & Salterio, 2016; Tracy, 2010). Careful writing is necessary to convince the reader (Golden-Biddle & Locke, 1997; Malsch & Salterio, 2016; Tracy, 2010).</p>	<p>I have included excerpts from interviews to support the findings and demonstrate a multiplicity of views.</p> <p>I have provided some appropriate quantitative details about my data collection.</p>	<p>Quotes support the research throughout chapters 4, 5 and 6</p> <p>Section 3.6 and Appendix E</p>

Table 26 Quality criteria and how they are met in this research (continued)			
Quality questions (Malsch & Salterio, 2016)	How academics suggest this can be demonstrated	How this is evidenced in my work	Link to evidence in my work
<p>5. Does the analysis of the field material help understand the global issue that sent the researcher to the field? (Malsch & Salterio, 2016 p. 15-16)</p> <p>This links to Tracy's (2010) concept of resonance, which she defines as having an influence on readers, and her concepts of a worthy topic and significant contribution.</p>	<p>Research can be situated in a local context but needs to be linked to broader settings and theory (Malsch & Salterio, 2016).</p> <p>Aesthetic, evocative representation can help the reader to identify with the research (Tracy, 2010).</p>	<p>This research is situated in the context of the UK public sector audit and specifically the 2012 transfer of auditors to the private sector. The findings are linked to relevant academic work on New Public Management, the commercialisation of audit, and audit quality, among other areas. At the end of the research, the substantive grounded theory is related to Bourdieu's theory of symbolic violence (Bourdieu, 1977).</p> <p>I have included sufficient detailed descriptions that readers should be able to apply them to other settings, for example, commercial audit.</p> <p>The contributions of the research are specifically highlighted.</p>	<p>Chapters 4, 5 and 6</p> <p>Chapter 7</p> <p>Quotes included throughout chapters 4, 5 and 6</p> <p>Section 1.4 Sections 8.3 and 8.4</p>

