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The Translation of International Auditing Standards into Post-Soviet Audit Practice

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Abstract

This paper analyses the use and circulation of international auditing standards within a large post-Soviet Russian audit firm, as it faces up to the challenges of international harmonisation. It describes this process as one of "connecting worlds" and translation. In a detailed field-study based investigation, it traces various attempts to articulate and link Soviet and post-Soviet worlds, old and new imagined audit worlds. The paper underscores the fragile and precarious nature of international standardisation projects. It shows how ideals of audit universalism and international comparability become enmeshed in, and challenged by, global divisions of audit labour, problems and practices of power and exclusion, and struggles for intra-professional distinction, which in turn undermine as well as promote the connecting of worlds through standards.

Introduction

The connecting and integrating of different worlds is at the heart of most international standardisation attempts. Global standards and models are developed with the aim of increasing international comparability, enhancing cross-national co-operation, and facilitating co-ordination (see e.g. Braithwaite & Drahos, 2000; Brunsson & Jacobsson, 2000; Held & McGrew, 2002; Tamm Hallström, 2004). They are deployed with the aspiration of making things work together, of traversing space and overcoming heterogeneous metrics (Bowker & Star, 2000; Drori, Meyer & Hwang, 2006; Drori, Meyer, Ramirez & Schofer, 2003; Meyer, 2002).[1] In accounting and auditing, international standards have been advocated as a way of enhancing the international comparability and credibility of financial reporting and audit work, so as to stimulate the flow of cross-national investment, expand the scope for market-oriented development, and integrate local enterprises into global financial markets (see e.g. Botzem & Quack, 2006; IDW, 1978; Roussey, 1992, 1999).[2] Yet, despite this burgeoning interest in international standardisation projects, apart from a few isolated studies (see e.g. Barrett, Cooper & Jamal, 2005) there has been little research that examines how these standardisation projects are articulated in local settings and interactions, and how these local interactions enable the connecting of worlds through the often intricate and laborious translation of international standards (Callon, 1980; Latour, 1987, 1999).

The literature on transnational governance has paid much attention to the rise and spread of global rules at the international level, but not to their actual involvement in the re-organising and re-defining of local practices. Studies of global accounting and audit regulation have contributed to our understanding of the complex structure of

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[1] Etymologically, the word "standard" was derived from the Latin word "extendere" – to stretch out, to extend, extension (Williams, 1983, pp. 296-299). The word referred to dreams of international expansion and cross-national comparability. According to Williams (1983, p. 296), in modern language the word "standard" is in addition often used to mark a source of authority or a level of achievement.

[2] The first international auditing standard was issued by the International Federation of Accountants (IFAC) in 1979, but it is only since the 1990s these standards have gained considerable attention (Roussey, 1996, 1999). In the 1990s, organisations such as the IMF, the World Bank, the OECD and large multinational audit firms began to promote ISAs against the backdrop of wider debates about global economic governance. Events, such as the Mexican (1994-95) and South-East Asian (1998) financial crises and the collapse of the Barings bank, had led to serious doubts about the regulatory capacities of state-bound command-and-control regimes. International standards, including those for auditing, came to be put forward as a new source and technique of regulation that would help overcome the boundaries of state control and facilitate economic co-ordination and stabilisation at an international level.

transnational accounting governance arrangements (Botzem & Quack, 2006; Bromwich & Hopwood, 1983; Caramanis, 2002; Fogarty, 1992, 1998; Nobes & Parker, 2004), the mechanisms and dreams underlying the diffusion of international accounting standards and audit models (Jang, 2006; Power, 2002; Tamm Hallström, 2004), and the strategies of the IASB (International Accounting Standards Board) and IAASB (International Audit and Assurance Standards Board) to enhance their authority (Loft, Humphrey & Turley, 2006; Tamm Hallström, 2004). But in all of these studies, the primary focus has been on the standard-setting organisations themselves. Much work has focused on the diffusion of global regulation at the macro-level, and on the groups that develop worldwide models and standards. Detailed case studies examining the links and interactions between processes of international rule-setting and local practices are rare.

This paper aims to help remedy this gap in the literature through a detailed examination of the use and circulation of International Standards on Auditing (ISAs) within a large post-Soviet audit firm, as it faces up to the challenges of international harmonisation. The analysis shows that international accounting and audit standardisation is not just a top-down process, as much of the existing literature seems to suggest (see e.g. Drori, Meyer & Hwang, 2006; Held & McGrew, 2002; Tamm Hallström, 2004). It is equally driven by the day-to-day activities of local, peripheral actors, who bring with them dreams and desires of belonging to a better, more prosperous, globally integrated world (Burawoy et al., 2000; Sahlin-Andersson & Engwall, 2002b). Transnational standard-setting institutions play an important role in the globalisation and standardisation of social and economic life. But we need to draw attention also to the networks of actors, instruments and activities that support and shape standardising agendas in local settings. To paraphrase Sahlin-Andersson and Engwall (2002a, pp. 6-7), we need to combine broad contextual and historical investigations with detailed case studies to understand how and why the expansion of global models and standards occurs.

Utilising the works of Latour (1986; 1987) and other proponents of actor-network theory, together with related constructivist approaches to the study of science and technology (Bowker & Star, 2000; Callon, 1980, 1986; Czarniawska & Sevón, 1996, 2005; Hacking, 1983, 1999; Law & Hassard, 1999; Star & Griesemer, 1989), this paper pays close attention to the multiple linkages and webs of interaction through which attempts are made to translate international auditing standards into possibilities for regulatory and professional action. To address "connecting worlds", the theme of this

article, means to open up for investigation the multiplicity of instruments, ideas, actors and activities involved in making ISAs spread and link up with different contexts and processes. The notion of "connecting worlds" refers to the complex of linkages formed between ISAs and Soviet and post-Soviet worlds, local and global worlds, East and West, formal and informal practices, together with the desires and experiences of those enacting ideas and techniques of audit standardisation. It directs our attention to the various ways in which international standardisation attempts are projected and linked to local contexts of auditing practice, and how those contexts in turn are connected to other "worlds".[3] ISAs often come to inhabit multiple, contradictory contexts, which can promote the connecting of some worlds, but also lead to the disconnecting of others. The worlds within which ISAs become embedded are composed of heterogeneous elements and diverse historical trajectories. "Connecting worlds" aims to make space not only for the wider political programmes and rationales (see e.g. Miller & Rose, 1990) that articulate and popularise international auditing standards, but also for the juxtapositions and tensions (see e.g. Czarniawska & Sevón, 1996, 2005; Latour, 1987, 1999; Star & Griesemer, 1989) within which the standards become entangled throughout their translation into localised audit practice.

In particular, the concepts of translation and networking (e.g. Callon, 1980, 1986; Chua, 1995; Czarniawska & Sevón, 1996; Gendron, Cooper & Townley, 2007; Latour, 1987, 1999; Miller, 1991; Robson, 1991; Sahlin-Andersson & Engwall, 2002b; Star & Griesemer, 1989) are useful concepts from which we can start to develop a heuristic facilitating empirically rich and historically sensitive descriptions of the intersecting discourses, practices and techniques that shape and characterise processes of international audit standardisation. As will be shown in more detail later, the notion of translation helps emphasise the constructed nature of the indispensability of international standards, and points to the various persuasive strategies, power plays and relations underlying their diffusion (e.g. Callon, 1986 and Latour, 1987; but see also Chua, 1995; Miller, 1991; Robson, 1991). The notions of networks and networking help us draw attention to the fact that ISAs do not work all by themselves, and do not

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[3] In this respect, the notion of "connecting worlds" is very similar to Miller and O'Leary's (2007) notion of "mediating instruments", although Miller and O'Leary investigate a completely different context. Miller and O'Leary (2007) use the notion of "mediating instruments" to study the roles of "Moore's Law" and "technology roadmaps" in the microprocessor industry. They examine the ways in which these instruments "are used to envision a future, and how they link a multitude of actors and domains in such a way that the making of future markets for microprocessors and related devices can continue" (Miller & O'Leary, 2007, p. 2).

engender processes of organisational change and global harmonisation without support (e.g. Callon, Law & Rip, 1986; Czarniawska & Sevón, 1996; Gendron, Cooper & Townley, 2007; Latour, 1986; Sahlin-Andersson & Engwall, 2002b). In order to turn the ISAs into a connecting device, one needs powerful alliances providing the standards and their users not only with technical resources, but also political influence, identity and legitimacy. The adoption of ISAs requires a series of technical adjustments. But in the case of Russia, it also demands of auditors, regulators and managers that they become comfortable with an identity which, to a large extent, is both offered and defined by the West. By examining how ISAs become inscribed in different worlds of audit action, representation and regulation, we gain insight into the complex processes, activities and controversies underlying attempts to establish ISAs as a connecting device linking up local audit worlds with imagined global forms of audit activity.

The Case of Moskva-Audit

The audit firm studied in this paper was established during the Perestroika period. Throughout the paper, the firm will be referred to as "Moskva-Audit". At the time when this field study was carried out, Moskva-Audit was one of Russia's leading audit and consulting firms. The firm had more than 700 employees, of which more than 120 possessed Russian professional auditing and accounting qualifications. In 2001, the firm's annual revenues amounted to more than 20 Million US-Dollars, of which around 50% was raised by auditing and assurance services (see Russian business journal *Profil'*, 11.03.2002, pp. 78-85). In the Russian audit and consulting firm ratings conducted by the internationally acknowledged Russian rating agency "Ekspert-RA" (an organisation affiliated to the Russian business journal *Ekspert*), Moskva-Audit was consistently ranked amongst the first ten leading Russian audit and consulting firms (in terms of revenue, number of employees and market share) between 1995 and 2005.[4]

Access to the firm was obtained through a two-month long internship which was carried out in Moscow during March and April 2002. During the period spent with the firm, the author conducted participant observations (Spradley, 1980) in the international audit department of the firm and observed the preparation and use of audit programmes,

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[4] Results of the rankings and more detailed information about the largest 100 Russian audit and consulting firms are regularly published in the Russian business journal "Ekspert". See e.g. the issues of *Ekspert* Nr. 35, 16.09.1996; Nr. 14, 14.04.1997; Nr. 42, 09.11.1998; Nr. 11, 22.03.1999; Nr. 10, 13.03.2000; Nr. 12, 26.03.2001; Nr. 12, 25.03.2002; Nr. 14, 14.04.2003; Nr. 13, 05.04.2004; Nr. 12, 28.03.2005; Nr. 12, 27.03.2006. For reasons of confidentiality, more details cannot be disclosed.

working papers and audit files. Access was also obtained to the audit manuals, internal standards and quality control procedures of the firm. In addition to the participant observations, semi-structured interviews (Wengraf, 2001) were carried out with: the Deputy Director of the firm, the heads of internal audit quality control, business development, audit methodology, the international standards department, two audit managers, two senior auditors and one audit trainee. All but one of these interviews were tape-recorded and transcribed. The length of the interviews varied between one and three hours. The formal interviews were complemented with several informal talks conducted during coffee breaks, lunches and dinners. Outside the firm, further interviews were carried out with audit professionals working for other indigenous or international audit firms, regulators, academics, Western consultants and representatives of professional associations. The total number of formal, fully transcribed interviews amounted to forty-eight. Most interviews were conducted in Russian and transcribed in Cyrillic. For the purposes of this article, quotes taken from Russian language interviews have been translated into English by the author. Where the translation of a specific term was ambiguous, the original Russian term has been added in brackets next to the English translation.

Together, the methods of participant observation, in-depth interviewing and document analysis helped add depth and rigour to this study. Notes taken during periods of participant observation made it possible to compare and contrast responses of interviewees.[5] It was also possible to locate the interviews within the work contexts of the participants, and to interrelate the different perspectives opened up by each method. For the data analysis, text passages derived from interviews, field notes and other documents were grouped and coded in relation to particular themes, problems and questions. The material was, *inter alia*, ordered and analysed in relation to the different dreams and desires that had become attached to the standards, logics and politics of professional representation, competing notions of rule following, and relations between auditing, standards and documentary practices in order to gain a deeper understanding of the complex interrelations and intersections between past socialist inspection practices and new imagined Western audit practices.

The decision to focus on the articulation and circulation of international auditing standards within a post-Soviet audit firm is because it is particularly in peripheral

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[5] Minutes of the observations were typed into a seventy-page long journal.

market-oriented economies that international standards and world organisational models have gained influence and pose particular challenges (e.g. Chamisa, 2000; Lin & Chan, 2000; Meyer, Boli, Thomas & Ramirez, 1997; Sucher, Moizer & Zelenka, 1998). Most international models and standards tend to spread from the centre to the peripheries of capitalist development (Braithwaite & Drahos, 2000; Cooper, Greenwood, Hinings & Brown, 1998; Meyer, Boli, Thomas & Ramirez, 1997). But, it is argued here, this is not a simple matter of uni-directional diffusion. Instead, it is suggested that it is at the peripheries of capitalism that new spaces for globalisation are delineated, and new elements and actors are defined and integrated. Here, international standards and models are taken particularly seriously. They are fundamental to the re-defining of organisational identities and regulatory politics. They are linked to dreams of modern development, and their adoption is seen as a way of linking up with, and becoming accepted by, Western worlds of economic and political activities.

At Moskva-Audit, the adoption of international auditing standards was driven by the desire to belong to "the West". The standards were seen as instruments that can help overcome local differences, develop post-Soviet audit expertise, and gain access to international audit markets. But, as the following analysis will show, the translation of the standards into day-to-day audit practices is not a matter of straightforward implementation. Standards, including international auditing standards, are always in some sense idealised (Bowker & Star, 2000; Power, 2002). They embody goals of practice that are never perfectly realised. International auditing standards express neo-liberal dreams of control and governability, but they do not constitute an instrument that is perfectly suited to organising and standardising audit practice *per se*.

International standards do not constitute a homogeneous class of rules or regulatory norms (see e.g. Bowker & Star, 2000; Brunsson & Jacobsson, 2000). They vary in scope, detail and objectives. Standards can take a formal or informal shape. They can be visible or invisible. They can be used to classify things, to specify production designs, or to determine outputs. They can be aimed at the regulation of processes or the specification of inputs. They can express ideals or refer to already established practices. International Standards on Auditing (ISAs), which are aimed at the international regulation of professional conduct, are very different from well established technical norms setting out paper sizes or defining measurement scales. In contrast to output or product standards and norms of calibration, international auditing standards are

primarily concerned with the regulation of procedures and processes. They do not refer to the immediate work environment of auditors, but to the procedures and plans that auditors and audit firms should develop when performing audit work. To adopt a phrase from Brunsson and Jacobsson (2000, pp. 4-5), auditing standards, like other process standards, do not refer to quality actually achieved, but to the types of administrative processes that are supposed to lead to high quality. Or, to paraphrase Power (2002, p. 195), they are of little substantive content. International auditing standards follow relatively closely the general structure of audit processes, as for example outlined in many Western textbooks (see e.g. Gray & Manson, 2005). For example, the standards deal with such issues as audit planning, the gathering and assessment of audit evidence, internal control procedures and the formulation of audit reports. But neither audit objectives nor the actual output of audit processes is made concrete.

In most Western countries, ISAs typically codify existing audit practices, instead of transforming or reforming them. For example, in countries like the UK or the US, auditing standards constitute an outcome, rather than a starting point, of processes of audit development and professionalisation (Campbell, 1985). In Russia, the situation is quite different. Here, the international auditing standards are introduced into an environment where market-oriented auditing is only in its initial phase of development. In such an environment, the same ISAs that in the West function primarily as a mechanism of codification and symbolic representation become tools for supporting and accelerating processes of post-communist audit reform and economic transition.

Standardisation projects are culturally and strategically complex (Barrett, Cooper & Jamal, 2005; Brunsson & Jacobsson, 2000; Loya & Boli, 1999; Power, 2002). They are aimed at the enhancement of international comparability. Yet, at the same time, they are always articulated and enacted in specific places (for the case of Eastern European transition see also the studies by Burawoy & Verdery, 1999; Cooper, Greenwood, Hinings & Brown, 1998; Stark, 1998; Stark & Bruszt, 1998). Hence, to obtain a deeper understanding of how processes of international audit standardisation work, we need to take a closer look at the different connections that are established between the standards, local practices, people and instruments, as well as the wider networks of actors, expectations and demands involved in defining what it means to work in accordance with international standards. We need to pay close attention to locally specific "constellations" (Burchell, Clubb & Hopwood, 1985) of actors, strategies, instruments,

beliefs, bodies of knowledge and activities. Studying the roles of ISAs within a post-Soviet audit firm helps open up for investigation the complex of political and economic rationales, hopes and desires that accompany the rise and spread of the standards, and how these interact with the localised processes that seek to operationalise and give substance to the dream of global standards.

Translation, Standardisation and the Stabilisation of Networks

This paper suggests that working in accordance with international standards is more than a matter of technical implementation. Studies of technical implementation tend to focus on the tools and processes that are needed to make certain models, rules, concepts or standards operable. Standardisation is seen as a unidirectional process with objectives and outcomes that can be unequivocally defined (see e.g. David & Greenstein, 1990; Gabel, 1987; Grindley, 1995). But, as this study will show, ISAs do not constitute unequivocal, ready-made tools that without further ado can be used and acted upon. Processes of "ISA-implementation" are contested and ISAs play multiple roles in different settings. In order to capture the multiplicity of roles, concepts and practices that become attached to the standards as they journey through and connect different worlds, the paper uses the concept of translation in place of implementation.

Initially developed within the context of sociological studies of science and technology and actor-network theory (Callon, 1980, 1986; Callon, Law & Rip, 1986; Latour, 1987, 1999), the concept of translation refers to the relational and rhetorical work involved in making the development and spread of scientific inventions, calculative practices or models of financial control, such as auditing in our case, happen. Since the early 1990s, the concept came to be used in analyses of accounting (see e.g. Miller, 1991; Preston, Cooper & Coombs, 1992; Robson, 1991, 1994). Robson (1994), for example, used the concept to analyse how issues of national economic growth, the calculation of taxation and wage bargaining became linked to inflation accounting techniques. Miller (1991) used the concept to examine how programmes of macroeconomic government became inscribed in techniques of discounted cash flow accounting. Within organisational research, Czarniawska and Sevón (1996; 2005) and Sahlin-Andersson and Engwall (2002b) have used the notion of translation in the study of processes of organisational change, the global expansion of management expertise and the transformation of global organisational models into local organisational practices. For the purposes of our study, the concept is useful in at least three respects.

First, it points to the *work* that is needed to make the spread of ISAs happen (see e.g. Callon, 1986; Latour, 1987, 1999). The notion of translation makes us aware that international auditing standards cannot be conceptualised as self-contained entities. They need to be actively mobilised. They need to be *made* translatable. They need to be made operable, and this requires a whole set of different people, technical devices and activities. It includes, for example, powerful actors lobbying on behalf of the standards, political agendas stressing their importance, conferences and seminars promoting their usefulness. It includes also a whole host of other 'minor' or more local techniques and strategies, such as their inscription in audit manuals, working papers and organisational control procedures, which ensure that the standards continue to be viewed as desirable and indispensable.

Second, the notion of translation helps us ask how ISAs alter, and are altered by, the contexts or arenas they pass through and connect (for this point see in particular Czarniawska & Sevón, 1996; Evans, 2004; Sahlin-Andersson & Engwall, 2002a; Star & Griesemer, 1989). The concept of translation draws attention to the changes that the standards undergo and produce. In order to take root, the standards have to be adjusted to the environment into which they are brought. They have to be made understandable, applicable and workable, resulting in a series of transformations which affect not only the adopters and their practices but also the standards themselves. In this respect, the concept of translation differs significantly from neo-institutionalist conceptualisations of diffusion. Neo-institutionalist studies draw attention to important sources and institutional pressures that trigger the spread of organisational models and standards (e.g. DiMaggio & Powell, 1983; Strang & Meyer, 1994). But they tend to leave the struggles underlying standardising processes black-boxed. Neo-institutionalist conceptualisations of diffusion are often described in terms derived from the physical sciences, such as notions of saturation, contagion or thermodynamic equilibriums (see e.g. Strang & Tuma, 1993), which tend not to give prominence to the various movements and alterations happening around the spread of ISAs.

Third, the concept of translation highlights the undefined and open nature of the standards. It draws attention to the gaps and indeterminacies accompanying the spread and utilisation of international auditing standards (Czarniawska & Sevón, 1996, 2005; Latour, 1999; Rottenburg, 2003). What constitutes compliance with ISAs cannot *a priori* be fully or precisely defined. Sociological studies of regulation in other areas

have shown that compliance is rarely a static, a priori defined concept. The definition and achievement of compliance is the product of interaction, interpretation, competing demands and principles, as well as the broader social and institutional context within which regulation takes place (see e.g. Hutter, 1997). Neither the objectives nor the outcomes of international audit standardisation projects can be viewed as wholly fixed. This does not mean that the standards are open to all kinds of different interpretations at all times. As we will see later in the paper, interpretations of the standards can become temporarily fixed and stabilised. But such interpretive stabilisations are only to a limited extent determined by the rules themselves. Rather, it is the specificities of the "communities of practice" (Wenger, 1998) within which the standards become circulated that define how ISAs should be used and interpreted.[6]

In order to understand *how* ISAs become translated into, and connect, different worlds, we suggest that it is important to trace the complex networks of actors, instruments, ideas and activities within which they become entangled (see e.g. Czarniawska & Sevón, 1996; Gendron, Cooper & Townley, 2007; Latour, 1987; Latour, 2005; Sahlin-Andersson & Engwall, 2002b). ISAs are translated into audit practice through being linked to, and interdefined with, a range of different, historically and geographically specific concerns and issues (for this point see also Barrett, Cooper & Jamal, 2005; Burchell, Clubb & Hopwood, 1985; Miller & O'Leary, 1994, 2007; Robson, 1991). In the context of this study, the notions of network and the stabilising of networks are used to stress that the translation of ISAs is a relational achievement. As Callon (1998, p. 8) might put it, how ISAs work depends on the "morphology of relations" in which they are involved. What "working in accordance with ISAs" means fluctuates with the structure and dynamics of the relations formed around the standards between different actors, concepts of rule following, audit instruments, expectations and audit activities.[7]

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[6] In this respect, ISAs differ from International Accounting Standards (IAS), which tend to be much more detailed and prescriptive. Whereas International Accounting Standards set out specific requirements for the calculation and representation of certain accounting entities, ISAs are much vaguer. They set out the general structure of an audit process and require, for example, auditors to design their audit programmes and audit tests in accordance with identified audit risk levels (see e.g. ISA 300 "Planning an Audit of Financial Statements" and ISA 330 "The Auditor's Procedures in Response to Assessed Risks"). But the types and mix of tests (e.g. regarding the mix of substantive tests and tests of internal control) are left open to the auditor's judgement.

[7] It should be noted that the notion of network used in this paper is distinct from organisational network theory which tends to focus almost exclusively on the establishment of interpersonal and inter-organisational relations (see e.g. Nohria & Eccles, 1992). The networks described here are not only held together by social and organisational relations. They are also shaped by material things, technical instruments as well as wider ideas, concepts and discursive rationalities (see e.g. Callon, 1998; Hacking, 1992; Latour, 2005; Law & Hassard, 1999; Miller & O'Leary, 1994; Miller & Rose, 1990).

In the case studied here, international auditing standards became involved in, and were called upon to mediate between, very different worlds of auditing and audit professionalism. These worlds were made up of different approaches to rule following, concepts of standardisation and bodies of accounting and audit expertise. On the one hand, ISAs were seen as a vehicle to enhance international acceptance and modernise accounting and auditing in accordance with ideals mainly derived from Anglo-Saxon worlds of audit professionalism. On the other hand, the standards became mixed up with former, socialist traditions of control. They became implicated in paper-based checks of formal accuracy, bureaucratic controls of legal compliance and applications of old accounting rules. The paper traces the various attempts that were undertaken at Moskva-Audit to build linkages and bridges between Soviet and post-Soviet worlds, old as well as new imagined audit worlds. It examines where the introduction of ISAs initiated change, and where it produced conflict, cleavages and resistance. In so doing, the paper underscores the fragile and precarious nature of international standardisation projects. Utilising the concept of translation makes us focus on "the messy actualities of governance" (O'Malley, Weir & Shearing, 1997, p. 504). Or as Miller and Rose (1990, p. 11) put it, it highlights how difficult it is to put into practice the will to govern, which applies as much to international standardisation projects as to other aspirations such as enhancing competitiveness, national efficiency or personal satisfaction at work.

But the paper uses the notion of translation not only to analyse movements from the abstract to the concrete, and to highlight the complex and problematic process of making standards practicable. We pay attention not only to the doings of accounting professionals, but also to the different ideas and concepts that shape their activities. Previous studies have made us aware that seemingly mundane techniques of auditing and audit standardisation, such as sampling, substantive testing or risk and materiality calculations, are deeply implicated in, and conditioned by, specific ways of thinking about the nature and practice of auditing, and control more generally. Power (1992; 1999), for example, has demonstrated that the development of audit sampling techniques in the UK and USA was inextricably linked to the emergence of new perceptions of social control and attempts to rationalise and objectify intuitively based practices. For the case of public sector auditing, Radcliffe (1998) has shown that a reconfiguration of political rationalities in terms of management stimulated the development of efficiency auditing in Alberta. These studies suggest that in order to explain how international auditing standards become translated into post-Soviet audit

practice, we should not only focus on the instruments used to make them practicable. We should also examine how these instruments are shaped by the different concepts and ideals that become attached to them. For example, we can expect that international auditing standards play different roles in contexts with strong emphases on individual expert judgement, in contrast to contexts where audit functions are closely tied to the assurance of legal rule-following. It is one of the central tasks of this study to describe and analyse the different connections drawn between ISAs, audit instruments and specific ways of thinking about the nature and practice of auditing.

It is further important to note that the translation of ISAs is always shaped by plays of power and identity politics. To understand how ISAs work, we also need to look at the struggles, negotiations and dynamics of recognition involved in defining whether somebody is working in accordance with ISAs or not. Work in accordance with the standards needs to be authorised and validated (for a similar line of argument focussing on the authorisation and validation of governmental audit expertise in Canada see Gendron, Cooper & Townley, 2007). Whether or not an audit organisation (or an auditor) is defined as working in accordance with international standards is in large part externally ascribed. In the case of Moskva-Audit, the accomplishment of compliance with international auditing standards was highly dependent on the definitional powers of the West, represented by the Big Four audit firms and multilateral organisations, such as the World Bank and the OECD. To become seen and identified as a firm that is able to provide work in accordance with ISAs, Moskva-Audit had to find allies who already enjoyed worldwide acceptance. It had to build up relations with globally operating audit networks to validate its work. The paper traces the firm's manifold strategies to build up international institutional recognition and discusses the implications this had for the roles and relevance of the international auditing standards.

The remainder of the paper is structured as follows. The next section examines how, at Moskva-Audit, international auditing standards became implicated in agendas of economic and organisational change. Sections three and four trace the involvement of ISAs in two phases of development of the firm. Section three examines how, between 1994 and 1997, the standards became involved in attempts to formalise and rationalise Moskva-Audit's developing audit expertise. Here, the utilisation of ISAs in the establishment of internal control structures and audit methodologies is investigated. It is shown how particularly in the early years of Moskva-Audit's development, the

standards became linked up with "machine dreams" (Mirowski, 2002) of auditing and inscribed in an organising logic that, to some extent, rested on Soviet ideals of scientific management and control. Section four examines how, between 1997 and 2002, the standards became involved in strategies and struggles to enhance the firm's international recognition. Here, the role of ISAs in attempts to gain access to global audit markets and audit communities is discussed. In 2002, the international ambitions of Moskva-Audit culminated in the firm's membership of a large international auditing network and the re-branding of the organisation in accordance with the name of that network. Working with ISAs helped Moskva-Audit to enter such a network, but only by incorporating itself within the network was it possible for the firm to be defined and internationally accepted as "working according to standards". The fifth and final section concludes the paper with a discussion of the implications of this finding with respect to the general prospects and limits of projects of international audit standardisation.

ISAs and Agendas of Change

Moskva-Audit's history is inextricably linked to Russia's move from socialism to capitalism. Like many other Russian auditing firms, Moskva-Audit started off its life as a small, self-financed Soviet consulting firm in 1990. Under Gorbachev, the Soviet government welcomed the foundation of privately organised consulting firms as part of a wider move to encourage market-based economic reform. Firms like Moskva-Audit were one of the ways in which the government hoped to realise its plans of economic decentralisation, privatisation and commercialisation. In 1992, Moskva-Audit began to develop its audit practice. After the fall of the Iron Curtain, government officials as well as academics had begun to promote Western-oriented auditing as a mechanism to imagine and realise governmental schemes of market-driven economic reform (Bychkova, 1996; Danilevsky, 1990, 1991). In 1991, Danilevsky, who at that time headed the major inspection and control division of the Ministry of Finance, for example wrote:

> The presence of enterprises and organisations with different forms of property urgently requires the foundation of self-financed [khozraschetny] control organs, i.e. auditing services. The organisation of a web of audit firms is the beginning of a genuine introduction of economic principles of financial control, which are based on contractual, commercial relations between the auditors and the audited enterprises and other organisations.

> (Danilevsky, 1991, p. 6)

In the same year, two of his colleagues wrote:

> Completely new forms of control should accompany the market economy; one form of those [new controls, A.M.] is auditing. […] In developed countries, audit services make up one of the strands of big business. A thoughtful adoption of auditing services in our country could have a huge social and organisational impact on the improvement of the management of industry in our developing market economy. […] It is necessary to learn quickly and intensively more about Western audit expertise.
>
> (*Bukhgalterskii uchet*, 1991, No. 1, p. 37)

The collapse of the communist system and an envisaged marketisation of economic relations had set the scene for the replacement of the system of Soviet state control with forms of Western-oriented audit professionalism. In 1993, the government adopted the "Temporary Rules of Auditing in the Russian Federation", approved by presidential decree No. 2263, in December 1993, and made audits mandatory for a large number of business entities. Following the decree, audits became compulsory for all public joint-stock companies, banks, insurance companies, investment institutions, joint ventures and companies whose total revenues exceeded 500,000 MS (minimum monthly salaries), or whose total assets were worth more than 200,000 MS (based on net book value).[8]

The introduction of mandatory audits opened up for Moskva-Audit, as for many other newly founded Russian audit firms, important new business opportunities in auditing. But audit objectives and audit functions were still largely undefined, and the boundaries between practices of socialist inspection and capitalist auditing appeared to be extremely blurred. The establishment of Russian commercial audit firms did not automatically lead to recognisable changes in inspection practice. In the beginning, the term "auditing" was primarily used to demarcate a new control area, namely the control of operations carried out by newly established private enterprises, rather than to denote changes in actual inspection *practice*. The term "audit" had been introduced, but the practical meaning of audits, and what made them distinct from inspections, still had to be worked out (see e.g. Bychkova, 1996; Danilevsky, 1990, 1991, 1995a, b). In this context, international auditing standards gained increasing attention.

The standards were discussed as a mechanism through which new audit professionalism could be articulated and demonstrated. They were seen as a device with which to

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[8] In 1997, 500,000 MS equalled approximately 7 million US-Dollars (Enthoven, Sokolov, Bychkova, Kovalev & Semenova, 1998, p. 87).

imagine the unknown. They constituted something tangible, readily available and internationally validated, and which auditors could refer to in their work. At Moskva-Audit, international auditing standards came to be put forward as a device that could help the firm and its clients link up with the Western world, define a new identity and realise dreams of market-oriented development. As one of Moskva-Audit's senior auditors put it:

> For our company ISAs are important, because they enhance our prestige. If a firm offers services in accordance with international standards, I think that this is an entry to a more, well, to a higher level. The business reputation of the firm will be much higher and [its services] more expensive.
>
> (Interview No. 3, 2002)

The Deputy Director and Head of Audit Methodology stated in this respect:

> International standards set an example for best world practice. To show that our audits follow general principles, that they are of high quality, we have to employ international standards.
>
> (Interview No. 1, 2001)

The use and circulation of the standards was reinforced by the strong presence of the big international accounting firms in the emerging Russian audit market. Since the late 1980s, the then Big Six international accounting firms (Pricewaterhouse, KPMG, Coopers & Lybrand, Deloitte & Touche, Ernst & Young and Arthur Andersen) had begun to open up offices in Russia. Soon, they assumed a central position in the developing Russian audit market.[9] The Russian business press portrayed them as "the leaders of the international audit and consulting industry – in the world and in Russia" (see e.g. *Ekspert*, No. 35, 16.09.1996), as organisations "with many years of experience and worldwide prominence, prestige and reputation" (*Kommersant*, No. 46, 22.11.1993). According to the business journal *Ekspert*, in the first half of 1998 the Big Six together earned 250-280 million Russian Roubles (in terms of revenues) in the Russian audit market, representing about two thirds of the revenues earned altogether by the hundred largest Russian audit firms at that time (see *Ekspert*, No. 42, 09.11.1998). By the end of 1998, after the merger of Pricewaterhouse and Coopers & Lybrand, the Big Five held approximately a 70%-75% share of the Russian audit market (*Ekspert*,

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[9] For a detailed account of how one of the Big Six invested in the former Soviet Union see Cooper, Greenwood, Hinings & Brown (1998).

No. 11, 22.03.1999).[10] In Russia, the big international accounting firms promoted ISAs as guarantors of audit quality and the benchmark of "good practice". The firms referred explicitly to the standards in their own work and audit reports, and they participated actively in the compilation of official Russian translations of the standards. Further, they promoted the ISAs – together with International Accounting Standards (IAS) – at conferences and workshops dealing with matters of Russian accounting and audit reform.

For many of the newly founded Russian audit businesses, the big international accounting firms functioned as role models. The Big Six, which became later the Big Five and subsequently the Big Four, were seen as organisations which had the expertise, international connectedness and economic success that many of the more ambitious Russian audit firms aspired to acquire. Also the management of Moskva-Audit tried to model itself on the big international accounting firms. It wanted to turn the Russian firm into an internationally recognised business; "a real alternative to the big six firms", as the director and founder once remarked.[11] The adoption of international auditing standards was seen as an important step in the realisation of such ideals.[12]

Moskva-Audit began introducing the standards in the mid-1990s. As will be shown in more detail later, a dual functionality was ascribed to the standards. *Internally*, the standards were promoted as templates on the basis of which new organisational hierarchies and structures should be devised. The standards were introduced as a means to organise, demonstrate and rationalise audit expertise. It was hoped that "working *with* standards" would improve Moskva-Audit's measures of internal control and enhance the economic value of the firm's audit activities. The standards were expected to help the management of Moskva-Audit to establish structures that would make it possible for them to turn auditing into an efficient, organisationally manageable process. Further, it was hoped that *externally*, i.e. to outside audiences, such as clients, regulators and

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[10] Out of the Big Five, PricewaterhouseCoopers (PwC) had by far the largest market share. In 1998, for example, the firm earned more than ten times as much as the largest Russian audit firm (in terms of revenues) (*Ekspert*, No. 11, 22.03.1999).

[11] The founder and director stated this in a newspaper article of a popular Russian business paper in 1998. For reasons of confidentiality, the exact reference details cannot be disclosed.

[12] Of course, it should be noted that not all founders of Russian audit businesses modelled their organisations on the big international accounting firms. Especially in the 1990s, before the 2001 Russian audit law was adopted, the Russian audit market was populated by a large number of very small firms which often had only one to ten employees. These firms were locally oriented and provided mainly Russian bookkeeping, tax advisory and statutory audit services to smaller organisations, or they were highly specialised in a specific industry sector and served almost exclusively a couple of larger client organisations (see e.g. *Ekspert*, No. 35, 16.09.1996 and *Ekspert*, No. 11, 22.03.1999).

competitors, "working *according to* standards" would provide Moskva-Audit with an identity that underlined its pioneering role in the development of Russian audit expertise and demonstrated the firm's level of professionalism. It was expected that the standards would provide outside parties with a clearer, internally validated picture of what modern, capitalist auditing was about. ISAs came to be regarded as a core element in a regime of post-Soviet representation, through which Moskva-Audit hoped to overcome the legacies of the socialist past and gain entry to new worlds of Western audit professionalism.

But the rhetorical appeal of the standards did not easily translate into their technical operationalisation. Working with the standards involved much more than putting a copy of the ISAs on the bookshelf. As already suggested, international auditing standards are not effective by themselves. ISAs have to be made to work. And in the case of Moskva-Audit, the standards had to be taken out of the book and actively made part of the organisation. On the one hand, the ISAs had to be provided with infrastructures that would allow people to work with, and have control over, the rules. On the other hand, external parties needed to be convinced that one was working according to standards. Devices and relations had to be created that allowed the firm to demonstrate and communicate compliance with the standards. Such processes of organisational localisation and public certification were not trouble-free, nor could their course be determined in advance.

Firms like Moskva-Audit imagined themselves as a professional community comparable to those in the West, but the realisation of this aspiration was rooted in local specificity and accompanied by heterogeneity and difference. Especially in the early years of Moskva-Audit's development, between 1994 and 1997, the standards became implicated in an organising logic that, to some extent, rested on Soviet traditions of scientific management and ideals of total controllability. In the following, we will investigate how ISAs can become involved in different, locally variable and conflicting standardising strategies. We will also examine what consequences this has for attempts to establish ISAs as a global connection device.

"Machine Dreams"[13]

The first two centres from which the ISAs began to be circulated throughout Moskva-Audit were its Audit Methodology and Audit Quality Control Departments. Here, initial steps were taken to create an administrative system through which the standards could be rendered operable. The international auditing standards were to be embedded in heavily rationalised and formal processes aimed at the objectification and depersonalisation of audit expertise. "Machine dreams" (Mirowski, 2002) of modernisation, rooted in ideals of scientific control, organisational legibility[14] and technical efficiency, accompanied Moskva-Audit's early audit standardisation projects.

The Audit Methodology and Audit Quality Control Departments were created in the mid-1990s, the period when Moskva-Audit had started to take on its first bigger audit assignments. Initially, the Audit Methodology Department was staffed with five people: Yuri Litkov[15] and Alexey Yakunin who had both previously worked for two large international accounting firms in Moscow; Elena Lutskaya who had worked for Moskva-Audit as an auditor since 1992; and two administrative assistants. The Audit Quality Control Department was founded in September 1996. Initially staffed with four people, the Department grew rapidly in the following years. The Audit Methodology Department and the Audit Quality Control Department were located at the interface between the external representation and internal organisation of audit work. In both departments, international auditing standards were promoted as an instrument that could provide the firm with a frame of externally accepted regularity and internally manageable efficiency. The standards were seen as a regulatory tool, through which societal concerns about due professional care could be projected into the firm and, vice versa, the firm's devotion to modern audit technology could be communicated to society – in particular clients, regulators, peers and other international business partners.

Issues of internal quality assurance and demands to explicitly demonstrate professional due care had become all the more pressing for Russian audit firms when – in 1996 – the Central Bank stated its concerns about the quality of bank audits (see e.g. *Finansovaya*

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[13] This heading is borrowed from the title of Mirwoski (2002).
[14] The notion of "legibility" was first developed and used by Scott (1998). In his work, Scott uses the term to describe processes of formalisation, categorisation and standardisation, with the help of which modern states learnt "to see" and "know" their terrain and people. In the context of this paper, "organisational legibility" is used to describe activities of codification and documentation aimed at making audit activities "legible", visible and governable, from the standpoint of the audit organisation.
[15] For reasons of confidentiality, all names have been changed.

gazeta, 1996, No. 43). Standardised audit methodology, explicated in formal rules and procedures, was presented by regulators, academics and the big audit firms as a mechanism through which the quality and professionalism of audit activities could be significantly improved. But as noted earlier, ISAs in isolation are little more than vague textual documents, which neither prescribe nor explain what it would actually mean to use them. Apart from the relatively short working experiences of Litkov and Yakunin in two of the big international accounting firms in Moscow, the people at Moskva-Audit did not have any knowledge of how the standards had been applied elsewhere in the world. In any event, the standards do not form a stable reference system. International auditing standards are frequently revised, updated and changed. The International Auditing and Assurance Standards Board regularly reviews existing ISAs, removes old standards and develops new standards.[16] For the people at Moskva-Audit, the standards represented a moving target, constantly changing and therefore not easy to pin down and stabilise within Moskva-Audit's own structures. Furthermore, at that time there did not even exist an officially authorised Russian translation of the ISAs. When Moskva-Audit began to make use of the standards, the first translation attempts had only just begun, and they were not considered very reliable. One member of Moskva-Audit's Audit Division stated in this respect:

> I remember that when we began to work [in auditing], first of all, it was not possible to find
> the standards in Russian. Some translations existed, but only in a very fragmented way.
> These were terrible translations. It would have been better if these had not existed at all.
>
> (Interview No. 2, 2002)

The professional association titled the 'Russian Collegium of Auditors' was one of the first groups that pushed the Russian translation of ISAs. In the mid-1990s other organisations, such as audit firms and academic institutions also began the process of translating the standards. But it was only in the year 2000 when these single efforts merged into a single, uniform and IFAC-authorised translation.

The adoption of the standards was further complicated by developments in the national regulatory scene. When Moskva-Audit began the introduction of the standards, the Russian government had also started with the development of a set of national auditing rules (Danilevsky, 1994). These rules had been closely modelled on the International Standards on Auditing, but they did not constitute literal translations. Danilevsky,

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[16] For example, between 1999 and 2001 the Board had revised ISA 240 on fraud and error; published a new Auditing Practice Statement on the audit of derivative financial instruments and issued two Exposure Drafts with revisions to ISA 700, *The Auditor's Report on Financial Statements*.

Ostrovsky and Guttseit (2001, p. 11), three state servants who were involved in the drafting of the first set of the Russian standards, stated in this respect:

> The underlying principles of ISAs were almost automatically incorporated in Russian standards. But, of course, one could not do without changes and amendments. […] Localization was sought at the outset, which manifested itself both in the wording of the Russian equivalents of ISAs and in audit rules that do not have ISA prototypes.

When Moskva-Audit began the adoption of the standards, the national audit rules were still in the process of being drafted and had not yet been officially endorsed. But it was expected that they would become mandatory in the near future.[17] All of these faltering developments disturbed the stability of the standards. On their journey into and through the Russian auditing world, the ISAs began to connect up a variety of different contexts and actors, each of whom accorded them differing importance and interpretations. As a consequence, the auditing standards became a rather blurred and multiplied reference point. The people at Moskva-Audit had to deal with this confusion. They had to find a way through the different interpretations, Russian translations and governmental regulations that had been attached to the standards, so that they might work 'according to the standards'.[18]

Moskva-Audit's Audit Methodology Department tried to deal with the duplication and local differentiation of the standards through a concentration on the similarities of the audit process steps described. Standards that were specific to and internal to the firm were created, in attempts to fuse the Russian and international rules. Instead of juxtaposing Russian and international audit standards, they were re-joined. In the opening paragraphs of Moskva-Audit's internal audit standards, explicit reference was made to both the international *and* Russian audit standards. The internal rules were built on excerpts taken from both the Russian standards and the international rules. To emphasise international similarity, all texts were permeated with Western audit terminology. Reference was made to the conduct of "analytical procedures" [analiticheskie protsedury], "tests of internal control systems" [testy sredstv

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[17] With the adoption of the federal audit law in August 2001, national auditing standards have to be followed when conducting Russian statutory audits. The new national auditing standards follow closely the text of the international standards, but they still do not constitute exact one-to-one translations. The national auditing rules, for example, differ in terms of length, detail and added legal requirements. For example, they include detailed regulations about educational requirements for auditors, legal rights and obligations of audit firms, procedures for the conclusion of audit contracts and recommendations for the performance of tax audits (Remizov, 2001, pp. 5-21).

[18] For an insightful, more general discussion of the nexus between accounting, language, culture and thought see Evans's (2004) analysis of "Language, Translation and the Problem of International Accounting Communication".

vnutrennogo kontrolya], "levels of audit risk" [urovny auditorskogo riska] and "materiality thresholds" [urovny material'nosti].

Further, the Methodology Department tried to re-enforce the uniformity of the standards by embedding them in standardised, machine-like audit practices. The elusiveness of the standards was addressed through the establishment of a well-structured apparatus of formal rules. Auditing became couched in a mathematical language of planning and control. Excel sheet templates, for example, were developed to aid the mathematical modelling of audit risk. Algorithms were designed to standardise the calculation of materiality levels. And detailed statistical sampling procedures were set out to formalise the selection of audit samples.[19] Thus, the standards became embedded in a very specific strategy of rule following. They became implicated in a strategy that focused on procedural orderliness, accurate documentation and the formally rational appearance of audit activities. Litkov, Head of Audit Methodology at Moskva-Audit between 1996 and 2001, described such a formalistic-mathematical approach to auditing and audit standardisation in the following way:

> Audits should require a minimum of creativity [judgement] and a maximum of formality.
> […] Auditing is only a technology, a process similar to an assembly line, where specially
> drilled [nataskanny] staff perform a set of procedures related to a certain algorithm within
> short time and to the required quality. The [audit] process contains a lot of recurring routine
> elements that can be highly automated. […] Standards make it possible to create an
> efficient system of coherent procedures for [such] audit staff activities.[20]

In the auditing literature, the approach that Litkov describes has been described as "mechanistic". Dirsmith and McAllister (1982), for example, distinguish between "mechanistic" and "organic" audit approaches. According to them, mechanistic audit approaches rely heavily on formalised procedures, whereas unstructured, organic approaches provide more scope for judgement and individual practical reasoning. At Moskva-Audit, the mechanistic images of auditing and audit standardisation were grounded at least in part in the former professional backgrounds of Litkov and his

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[19] It should be noted that such mathematical approaches to auditing and audit standardisation were prevalent in many Russian audit firms at the time when this field study was carried out. When people began to redefine audit practices in accordance with Western audit models and standards in the early 1990s, much attention was generally given to "mathematical" audit issues, such as statistical audit sampling, the mathematical modelling of audit risk and calculations of materiality levels. This interest in the mathematical modelling of auditing is also reflected in academic and professional journal articles. Since the early 1990s, accounting journals, such as "Bukhgalterskii uchet" [The Bookkeeper's Account] and "Auditorskiye Vedomosti" [Auditing News] have been publishing a large number of articles discussing the mathematics of audit risk models, the pros and cons of different sampling technologies and issues connected to materiality level calculations.

[20] The quote was taken from an article Litkov had published in 1999.

group, together with the established traditions of Soviet scientific management and control. Especially in the 1960s and 1970s, Soviet economic planning accorded great significance to administrative science and mathematical modelling (see e.g. Conyngham, 1982; Thompson & Vidmer, 1983). Subjects, such as cybernetics and linear programming, were seen as promising approaches through which, at least in theory, scientific control of the Soviet economy could be achieved (Thompson & Vidmer, 1983, p. 79). Litkov had obtained a degree in mathematics and administrative science during the Soviet period. Before his career as an auditor, he had worked as a programmer for the Soviet military. Yakunin, his colleague, had worked in economic planning for one of the Soviet branch ministries.[21] These experiences reinforced beliefs that auditing standards could be concretised and pinned down with the help of a set of well-defined procedures and algorithmic decision tools. As Litkov expressed it in an interview:

> I think that it is quite easy for mathematicians and programmers to adapt to the auditing sphere. For us it is quite easy to deal with such issues as risk analysis, sampling technologies, the calculation of materiality levels etc. […]. Everything which concerns auditing, well, that doesn't have any national cores. That is a technology, a science; you have plans; you have instruments.

> (Interview No. 1, 2001)

The adoption of a mechanistic approach to auditing and audit standardisation was further stimulated by the extreme levels of institutional uncertainty surrounding Moskva-Audit. During the early 1990s, government as well as non-state organisations and individuals experimented with a range of different economic and regulatory models with the aim of furthering economic and political transition. The transition period was a period in flux. Processes of privatisation, liberalisation and deregulation had moved post-Soviet Russian society into a state of extreme structural instability and institutional uncertainty. As Elster, Offe & Preuss put it (1998, p. 34), society was "felt to be in a state of disorder and fragmentation". In this context, excessive proliferation of rules can be seen as the outcome of the desire for order and stability (Elster, Offe & Preuss, 1998). As Litkov described it in an interview, activities of rule development became associated with stability and certainty:

> Our auditors want to have rules and standards that describe in detail what they should do, and what they don't need to do. The international standards show you how you should

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[21] The cases of Litkov and Yakunin are not unique. Many of the bigger Russian audit firms hired former natural scientists, engineers and state bureaucrats for the development of their audit methodologies.

think. Our [internal] rules show you how to think and what to do in concrete situations. […]
If I had to show you all our internal documents, that wouldn't be just two or three books, as
in the international firms, but several cupboards full of paper.

<div align="right">(Interview No. 1, 2001)</div>

As with the international auditing standards, Moskva-Audit's internal rules were organised according to a series of standardised process steps, beginning with rules on audit planning, the assessment of audit risk, the formulation of audit engagement letters and then leading on to the collection of audit evidence, the documentation of audit processes and the formulation of standardised audit reports. In addition, internal audit manuals, methodical instructions and audit risk templates were developed to delineate explicit spheres of audit action.

Codifying Compliance

The definition and evaluation of compliance with standards was grounded largely in paperwork. In this respect, one could say that Moskva-Audit embraced the standards in a way similar to many Western audit firms (see e.g. Power, 1999; Van Maanen & Pentland, 1994). The basis for matching work to standards became the collection and storage of standardised "documented representations" (Garfinkel, 1967/1999) of audit work. It was believed that standardised, documented audit accounts would enable participants to re-construct past courses of action as "showcases" of proper auditing. On the other hand, we can observe that the collection and storage of such showcases became embedded in a very specific, locally distinctive way of thinking about auditing and audit standardisation. New, Western-oriented "form-giving" devices (Thévenot, 1984) were adopted to aid the planning, control and documentation of audit work, but the application of such Western-oriented routines, to a large extent, was still rooted in control and management practices stemming from the Soviet period.

One of the core technologies adopted from one of the big international accounting firms to aid the operationalisation of international auditing standards took the form of a standardised, fifty-nine-page long documentation index. Originally, the documentation index had been developed by one of the then Big Five firms for their own internal control and documentation purposes. The documentation index was imported by Moskva-Audit from a big international firm, not only to aid control but also to demonstrate international openness and enhance similarity with Western firms. The Western origin of the index underlined its authoritativeness and alleged adequacy.

The indexing system compartmentalised the audit process into sections of audit planning, the evaluation of audit risk, the auditor's knowledge of the audited business, the description of internal control systems, results of performed audit procedures, etc. Each audit activity was provided with a number. Under numbers from 1,000 to 1,199, for example, activities concerning audit planning were reported. From 5,000 to 5,999 the audit of assets was documented. Indices ranging from 6,000 to 6,999 were used for reports on the audit of liabilities. Attached to the indices were special instructions, for example for the determination of audit risk, and models of working papers.

The indexing system provided the auditors with a frame of objectification that helped them establish a predictable, routinised environment for auditing, an environment that could be ordered and controlled largely independent of the specificities and complexities of actual audit objects. In so doing, the indexing system constituted much more than a neutral, technical device aiding the production of accurate accounts of "what happened". The indexing system itself was a central part of a bigger organisational apparatus of charts, rules, lists and other form-giving devices that did not just reflect, but made it possible to *perform* work in accordance with standards.[22] The documents collected and stored with the help of the indexing system became constitutive of work in accordance with standards in a way that reinforced Moskva-Audit's focus on descriptive accuracy and administrative orderliness. Especially in the early 1990s, at Moskva-Audit, much attention was paid to the checking of single operations. The audit tests focused on detailed transaction testing. In comparison with Western contexts of audit activity (see e.g. Power, 1999), much less attention was paid to analytical procedures or the audit of the control systems of a business.[23] Work in accordance with standards came to be associated with images of rational bureaucratic order and formal rule-following. Emphasis was placed on the disciplinary character of audit rules. It was believed that the application of standards could be ensured through enhancing the level of control over individual practitioners and reducing the scope for individual judgement. As the Head of the International Audit Department at Moskva-Audit described it:

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[22] The performative role of instruments like the indexing system is not just a specificity of our case, but has been documented elsewhere as well. See e.g. Power (1999) and van Maanen and Pentland (1994).

[23] The ISAs define analytical procedures as "evaluations of financial information made by a study of plausible relationships among both financial and non-financial data" (IFAC, 2006, p. 228). Tests of control are performed to check "the operating effectiveness of controls in preventing, or detecting and correcting, material misstatements" (IFAC, 2006, p. 248).

> The quality of audit work should not depend on the personality… on the person that came
> to work for the organisation. We only have a great deal of certainty that everything is done
> with quality, if a person works in accordance with standardised programmes.
>
> <div align="right">(Interview No. 6, 2002)[24]</div>

Such projects of formal standardisation and codification were reinforced by the demands of outside parties. Western agencies, such as the World Bank or the European Bank for Reconstruction and Development (EBRD), would only award audit contracts to firms who could explicitly demonstrate that standardised, publicly visible, systems of internal quality control had been installed. Also, Russian regulatory authorities, when carrying out audit quality controls, were primarily interested in determining whether detailed administrative procedures had been established by the audit firms. When this case study was conducted, Russian auditors had not been sued for professional negligence. But observing the court activities of their international counterparts, Russian audit firms imagined that this could be the case in the future and therefore saw the establishment of formal controls and documentary mechanisms as an important step in preparing themselves for such events. As Moskva-Audit's Deputy Director commented in an accounting newsletter in 1999:

> Audit rules should become the most important argument in the review of court
> investigations against audit organisations with respect to allegations of professional
> negligence.[25]

Parallel to the indexing system, Moskva-Audit's Quality Control Department developed a numerical compliance code.[26] With the help of the code, expertise was represented in a standardised format, allowing it to be ranked, compared and evaluated. The code consisted of a list of thirty-six different criteria which audit quality controllers had to take into account when assessing compliance. The criteria had been subdivided into three main sections. The sections focused on the correctness and completeness of audit work with respect to: audit procedures performed; audit reports written; and audit files

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[24] It should be noted, that such a prescriptive approach to audit standardisation is not only a Russian specificity. The recent "clarity project" of the IAASB (International Audit and Assurance Standards Board) shows that the auditing profession in Europe is generally divided about the level of prescription to be established by auditing standards. As we can read in a recent article of the journal Accountancy: "Some take the view that audit quality is likely to be improved by having detailed prescriptive standards […]. Others, including the APB [British Audit Practices Board], favour a more principles-based approach recognising that many of the key features of good auditing are dependent on auditor experience and judgement" (Grant, 2006, p. 84).

[25] For reasons of confidentiality more precise details about the source of the quote cannot be disclosed.

[26] In the development of internal controls and documentary mechanisms, the Department based itself largely on ISA 220, the international standard dealing with "Quality Control of Audit Work" (IFAC, 2001, pp. 158-162). The compliance code had been developed by the Quality Control Department from scratch and, unlike the documentation index, had not been taken on from other international institutions.

assembled. The control criteria ranged from general questions asking, for example, for an overall assessment of the correspondence of the contents of audit procedures, audit reports and audit files with internal rules and Russian laws, to more specific questions addressing issues of documentary uniformity and formal accuracy. Quality controllers had to consider questions such as: does the structure of the audit report comply with the structure provided in the standards; are sentences clearly formulated; is every remark of the auditors backed up with evidence, e.g. source documents; does a memorandum on audit planning exist; has a statement on the independence of auditors been attached; have materiality levels been correctly calculated; does the selection of the audit samples correspond with the firm's internal sampling rules?

The audit quality controllers ranked the extent to which each criterion had been met on a scale from zero (for non-compliance) to one (for 100% compliance). In the second step, the ranking given for each criterion was added up to give a total score. The results were entered into a table. On the basis of the table, diagrams were created visualising the quality of audit work delivered by each audit team. Regularly, these diagrams were forwarded to the director and owner of Moskva-Audit to inform him about the performance of his workers. In so doing, the codification system *actively* helped configure compliance. The compliance scores, which stood at the end of each quality assessment, helped attribute individual acts of judgment to the outcome of rule-following. They made it possible for controllers to conceal difficulties related to processes of quality assessment and supplied them with a grid that made compliance legible from the standpoint of the organisation. To quote Power (1999), the system made compliance with the standards "auditable". It helped the quality controllers at Moskva-Audit arrive at a common representation of diverse audit practices.[27] The control system might have intersected poorly with the day-to-day realities of audit work. Nonetheless, it provided an important reference point that enabled the organisation to embed standards within its internal regulatory systems, and to demonstrate to regulatory and other bodies that audit standards were being realised.

But how far did these dimensions of regulatory conformity take Moskva-Audit? To what extent did the "form-giving" devices described above help turn the international auditing standards into a connecting device making it possible for Moskva-Audit to link

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[27] The above-mentioned points describe general functions of grading and performance measurement. For an insightful analysis of grading practices in schools see Kalthoff (1996). For a more general discussion of the objectifying qualities of quantification see Porter (1992).

up with Western audit worlds? As will be shown in the next section, although the standards had been turned into a pervasive, circulating point of reference within the firm, they did not constitute a narrow "obligatory passage point" that could be easily controlled and utilised to generate international acceptance. According to Latour (1987, p. 150), "obligatory passage points" are constituted by things, events, persons and activities which people *have to* pass if they want to belong to a certain group of actors (e.g. the accounting profession) or a specific network of activities (e.g. auditing practices). "Obligatory passage points" refer to the means and processes by which things, ideas or standards in our case, are turned into stable, "indispensable" entities (Callon, 1986; Latour, 1987, 1988). In the case of Moskva-Audit, attempts had been undertaken to incorporate and stabilise the standards within its audit manuals and methodologies, but working *with* the standards did not automatically translate into the firm becoming defined and classified as *working according to* international standards. It is this issue that we now turn to consider.

Struggles for Recognition

The indexing system and the compliance code contributed to the creation and stabilisation of an administrative control system that reinforced images of orderliness and regularity. This led to an increased appearance of internal consistency and conformity, but it did not automatically bring about higher external acceptance, especially not at the international level. At Moskva-Audit, ISAs had become linked up with very specific, localised strategies of rule following and ideas of what an auditing standard is. These were not easily compatible with Western, in particular Anglo-Saxon, ideals of auditing and audit standardisation. What counted as "working in accordance with standards" was contested. It was challenged by the differing beliefs, demands and expectations within which Moskva-Audit operated. A British audit partner who had worked for several years in a large international audit firm in Moscow remarked in this respect:

> There is a lot of debate. […] At one end of the spectrum you have the former Finance
> Ministry controllers [revizory] – their view of internal control is to re-perform everything.
> If you get the same out of it, you are probably right. And then you get the other end of the
> spectrum, which I guess would be the Big Five [now Big Four, A.M.] trained professionals
> with experience. These two got such absolutely opposite views of everything, and yet they
> are all part of the same profession.

<div align="right">(Interview No. 33, 2001)</div>

Moskva-Audit was operating in a differentiated environment. There existed different views on what counted as auditing, on how to approach it and what its outcome should be. Views differed, for example, with respect to the detail of regulation needed to ensure audit quality. Views differed also with respect to the objectives that audits should serve. On the one hand, auditing and auditing standards were promoted as a means to enhance state control and stimulate compliance with Russian taxation and accounting laws. Such perspectives were especially propagated by the Ministry of Finance and the Russian taxation authorities (Danilevsky, 1994; Krikunov, 2001). Here, auditing standards were seen as an instrument of juridical regulation that could guide state authorities in the establishment of a coherent system of regulatory oversight.

On the other hand, there existed more capital market-oriented views, which regarded auditing as a control mechanism that was called upon to enhance the information content of financial statements for economic decision makers; in particular private shareholders. Here, ISAs were regarded as broad principles in need of being grounded in individual expert judgement and Anglo-Saxon cultures of self-regulated professionalism. Such views were in particular articulated by the big international accounting firms operating in Moscow and multilateral agencies, such as the World Bank, OECD and EBRD. At Moskva-Audit, the international auditing standards had become implicated in faithful, machine-like applications of rules, which high-ranking members of the big international accounting firms in particular sneered at. As the following dialogue between two British audit partners who worked for a large international accounting firm in Moscow illustrates, Western, especially Anglo-Saxon, audit professionals saw auditing as something which cannot be learned from a book or the text of international standards:

> *Audit Partner 1:* How many of them [international auditing standards] have you read this
> week [audit partner 1 addresses audit partner 2 with a smile]?
> *Audit Partner 2:* I can't remember. It would be embarrassing, if I tried to remember what
> order they are in.
> *Audit Partner 1:* You know, that just does not make sense. I could never cite all the
> standards by their title. This is something you just know. […]
> *Audit Partner 2:* You can't learn auditing. That is something you got to grow into. Auditing
> is a particularly psychology-based study; you don't learn that from a book.
> *Audit Partner 1:* A good auditor never looks at the law; never looks at the standards. He
> knows it, in its blood. He drank it from his mother's milk as it were. Ahm, law and

regulations all they do is formalise that, but if the basic culture is not there, then you have a big problem.[28]

No doubt this is an idealised and stereotypical Anglo-Saxon representation of audit expertise. Nonetheless, this mirage of audit expertise as something that needs to be grounded in individual experience and judgement, rather than adherence to rules, clashed with post-Soviet ideals of regulation and financial control. This disparity was further reinforced by the different accounting worlds Russian and Anglo-Saxon auditors were operating in. In contrast to Anglo-Saxon accounting worlds, Russian accounting was and still is much more focussed on compliance with tax regulations and government decrees. It is centrally regulated, and the Chart of Accounts provides detailed guidance on how to comply with Russian accounting rules (see e.g. Bakaev, 2001; Kondrakov, 2004). In addition, we need to take into account that formal structures travel more quickly than knowledge and expertise anchored in individual experience (Drori, Meyer & Hwang, 2006; Westney, 1987). The formal texts of the auditing standards may have reached Russia quickly. But the connecting of worlds is much more than the arrival of formal standards. There is further to go before one can say that the standards exist within an internationally accepted realm of auditing practice.

The Russian and Western audit worlds did not exist side by side, on the same horizontal plane. They were embedded in a hierarchical relationship. The breakdown of communism within Eastern Europe, and the attendant de-legitimisation of Soviet institutional structures, put Western audit firms and audit professionals in a position that allowed them to present themselves as superior to their Russian counterparts. The supposedly successful capitalist societies of Western Europe and the United States had become important reference points for what post-communist Russian society aspired to become (see e.g. Pickles & Smith, 1998). The creation of new market-oriented political and economic structures, including the establishment of commercial auditing, relied to a great extent on the imitation and transplantation of Western patterns. This strengthened the positioning of Western audit firms and professionals in the Russian audit market, who had knowledge and experience on their side. By definition, their Russian counterparts were lagging behind.

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[28] This dialogue was observed by the author during an informal meeting where the audit partners discussed the usefulness of conferences on international accounting and auditing standards prepared and delivered by Western expatriates to Russian accountants and auditors. The interchange quoted above was prompted by a comment that the author made regarding the great popularity of such events.

These continuing differences between Russian and international audit worlds thus placed the specific regulatory traditions and local accountability styles of the Russian audit world in a curious and inferior position relative to the actors and agencies that had entered from the 'outside', from the West.[29] In particular, the presence of the big international accounting firms on the Russian audit market contributed to the creation of further axes of local differentiation and particularisation. The international firms claimed to be doing "truer" and "better" audits than their Russian counterparts on the grounds of their longstanding experience, worldwide interconnectedness and general reputation. During interviews that were conducted with partners from Western audit firms, respondents frequently made distinctions between the kind of audits "we, the internationals" do, and the kind of audits "they, the Russians" perform. This depended on a contrast between the "experienced" Western application of international standards on the one hand, and the "inexperienced" Russian applications on the other. The following quotes illustrate some of the differences that were ascribed to Russian auditing by Western practitioners. A British senior audit partner who had worked for several years in a big international firm in Moscow, for example, pointed to the different levels of experience:

> What they are trying to develop in Russia has taken decades, if not centuries, in the West. I think there is a pretty genuine interest in looking at how it's done in the West and saying 'We must do this' or something like it. But you cannot do it overnight, if there is no culture of having done this. […] In the Western world, you have years of experience. You have thousands of practitioners. Here, you don't have that. […] What's missing is the experience and maybe the common sense.
>
> (Interview No. 32, 2001)

Another senior, but Russian, audit partner who also worked for a big international firm in Moscow emphasised differences in professional approaches:

> When talking about Russian audits and international audits, one needs to be careful to distinguish between them. If you take the [Russian and international] audit standards, in principle, they are not much different from each other. […] But you find differences in their practical adoption, in the practice of auditing. […] They [the Russian firms], for example, don't understand this concept where, during the audit process, you look at the financial statements as a whole. For them only the individual transactions are very important.
>
> (Interview No. 35, 2002)

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[29] Cooper et al. (1998) make a very similar point about the constitutive effects of national stereotyping. Analysing the behaviour of managers in multinational accounting firms, they aptly illustrate the complex and problematic nature of the idea of an 'international' orientation.

Looking back on his time in Russia during the early 1990s, a British ex audit partner, who also had worked for a large audit firm, reflected more critically:

> Russian auditing grew as a business in the time I was there. But it was held in very low esteem when I first went out. It was very much a pure compliance exercise, nobody really cared about it. […] And we [the Westerners] were quite ignorant.
>
> (Interview No. 41, 2002)

These quotes are not offered as a way of testifying the "actual" realities of Russian auditing. Whether based on first-hand experience or stereotypes, in both cases the above remarks reflect and contribute to the creation of "an ideology of difference" (Said, 1985), which frustrated the connecting potential of the international auditing standards. Work conducted in accordance with international standards came to be rooted in divisions of global and local, Western and post-Soviet audit labour. Discourses about local specificity furthered the incorporation of the standards in hierarchies of expertise that were promulgated by the big international accounting firms and their networks. As a consequence, practices of Russian firms claiming to perform work in accordance with international auditing standards were de-legitimised. Work in accordance with international standards came to be marketable only for those firms that were already internationally connected and enjoyed worldwide recognition. Also, Moskva-Audit came to feel the power of the big international firms. For many years, Moskva-Audit's audit division stood in the shadow of the activities of the big Western firms. As the following remark of a senior auditor from April 2001 illustrates, the area of international auditing was neither a lucrative, nor widely accepted business:

> Usually, ISA-audited financial statements are required by clients who plan to sell shares abroad, who go for the international markets. But unfortunately, in these cases the big international firms prevail in the market, because their stamp counts for much more than ours does. Because [abroad] nobody knows what [Moskva-Audit] is. And consequently, if one talks about international audits, usually the Big Five are chosen.
>
> (Interview No. 6, 2002)

The quote indicates that working with international auditing standards had not been enough to enhance Moskva-Audit's international acceptance. The international standards did not fulfil their role as a mechanism for connecting the firm and its clients with international markets. Or at least they were insufficient on their own. To become widely accepted on an international scale, Moskva-Audit had to do much more than adopt standards. To become part of the international audit world, Moskva-Audit had to find allies who already enjoyed worldwide acceptance. As Mary Douglas (1987, p. 59)

argues, "sameness is not a quality that can be recognised in things themselves; it is conferred upon elements within a coherent scheme." Analogies have to be agreed upon. Sameness, at least to a large extent, is conferred and fixed by the institutions that comprise cultural conventions, shared belief systems, common cognitive schemes and other social and cultural structures (Douglas, 1987, pp. 45-67). To be widely recognised and able to overcome local boundaries, Moskva-Audit needed wider institutional support. It had to re-connect itself and the standards that it worked with to the wider sets of ideas, belief systems and institutional contexts within which the ISAs had been developed, and through which they had been propagated in the first place. For Moskva-Audit's management, this meant it had to create further linkages to the international world, through international co-operation, the achievement of external accreditation and other internationally oriented activities.

To achieve this, amongst other things, Moskva-Audit founded in 1997 the "Department for international audit activities". For the running of the international audit department, people were hired who were fluent in English, had been trained in the West or had been enrolled in internationally recognised training programmes which were offered locally, for example by associations such as the ACCA (Association of Chartered Certified Accountants). A defining feature of the Department became its international accounting expertise. People had been taken on board who had had experience with the application of International Accounting Standards (IAS), American Generally Accepted Accounting Principles (US-GAAP) and British Generally Accepted Accounting Principles (UK-GAAP). One of the main services that the Department began to offer consisted in reconciliations of Russian financial statements with US-GAAP or IAS. In addition, members of the international audit department gave presentations at internationally oriented accounting and audit conferences and established close connections with the International Centre of Accounting Reform (ICAR) in Moscow, a Western agency which had been set up to further the reform of accounting and auditing in Russia.[30] Members of Moskva-Audit's international audit department regularly wrote articles for ICAR's accounting newsletter and participated in ICAR's project of creating an IFAC-endorsed Russian translation of international auditing standards (IFAC, 2000).

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[30] ICAR had been set up in 1998 by the European Bank for Reconstruction and Development, the American Chamber of Commerce, the Foreign Investment Advisory Council and the British Department for International Development in cooperation with the Russian Institute of Professional Accountants to provide guidance to the Russian government and other entities concerned with the transition towards international accounting and auditing standards.

With the newly acquired, internationally oriented accounting expertise, the aggressive marketing of it and its relations with ICAR, Moskva-Audit became able to participate successfully in bids for audit assignments from international agencies, such as the European Bank for Reconstruction and Development, World Bank and the subsidiaries of Western multinationals. In addition, it became actively involved in the conduct of Tacis-funded[31] accounting and audit reform projects, usually jointly run by local and international audit firms. Initially, these involvements did not bring much revenue, due to their small size and number, but they were considered to be very prestigious and, hence, important for the further development of Moskva-Audit's international reputation. Through these audit assignments and its active participation in accounting and audit reform projects, Moskva-Audit managed to build more direct contacts with the international, western audit world and made itself widely known amongst Western agencies and organisations operating in Moscow.

But the new international audit department did not replace Moskva-Audit's old "Russian" audit department. Rather, a new world began to be created *next* to the old. With more than 150 members, Moskva-Audit's old "general" [obshy][32] audit department, which had been founded in 1991, continued to be the firm's largest department, whereas the new international audit department, which had started off working with seven people, expanded only to about a dozen members. With the foundation of the international audit department, Moskva-Audit's audit practice began to become divided, as did the use of the firm's internal methodological guidelines and compliance codes. Both departments made reference to international auditing standards and they used the same internal methodological guidelines, indexing systems and compliance codes, although they did this in very different ways. The auditing activities became split into "Russian" and "international" audits [russkiye i mezhdunarodnye audity]. Moskva-Audit's old audit department continued to carry out the so-called Russian audits. These were highly formalised and standardised audits which were

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[31] The Tacis-Programme Initiative was launched by the European Commission in 1991. Through the Tacis Programme, the EU seeks to provide grant-financed technical assistance to countries of Eastern Europe and Central Asia. The Tacis Programme provides support for projects of institutional, legal and administrative reform. As a rule, Tacis-funded projects have to be carried out in consortiums with at least one local project partner. Between 1991 and 1997 and 1999 and 2005, the EU had launched ten different Tacis-funded accounting and audit reform projects in Russia.

[32] In Russia, a distinction is made between general and specialised audits. Specialised audits are statutory audits carried out in specific service sectors, such as the banking and insurance industries. General audits are statutory audits carried out in all other sectors and not subject to sector-specific regulations. Moskva-Audit's general audit department was responsible for the conduct of general audits. More specialised audits, such as bank audits, were carried out in other divisions.

overseen by the Ministry of Finance and primarily aimed at the checks of compliance with national tax and accounting regulations. Much emphasis was placed on formal accuracy and detailed transaction testing. The ways in which materiality levels were calculated and audit programmes designed were highly standardised and the quality control department checked meticulously whether auditors' working papers complied with the firm's indexing system, guidelines and methodologies.

In contrast, the international audit department became responsible for the conduct of so-called international audits. Here, "working according to international standards" became linked to the application of Western accounting principles (e.g. IAS or US-GAAP) and the conduct of audits that were not subjected to any specific national regulatory authority. More emphasis was placed on individual expertise and judgement, than on the following of detailed rules. Because the auditors were operating outside the realm of Russian law, they had more freedom to decide what checks to carry out. As one senior Russian auditor with an ACCA qualification put it:

> You have many requirements and instructions which you need to follow when carrying out a Russian [statutory] audit. It is much easier to audit in accordance with international standards. […] In a Russian audit you have to check the enterprise in accordance with various instructions, which are issued by the individual regulatory bodies. Checks that follow these instructions take up much time. I just remember now, that we had to fill in all those forms, which were quite long. Sometimes they were even 10 pages long. […] An international audit [i.e. an audit of financial statements prepared in accordance with a non-Russian accounting framework; A.M.] gives you more freedom and autonomy [samostoyatel'nost'].

(Interview No. 4, 2002)

Moskva-Audit's international audit department used the firm's indexing system and compliance codes as a starting point in structuring its work. But the department was accorded much more freedom by the internal quality control division in deciding on how to follow the internal rules. Much less standardisation was required in the preparation of working papers, and auditors had much more freedom in deciding where the main focus of the audit should lie. The audit quality control department adopted a "comply or explain" approach when checking the audit files from the international audit division. Deviations from the indexing system and compliance codes were allowed, if the auditors noted down reasons for these in their working papers.

Between 1997 and 2002, the old audit department continued to be Moskva-Audit's main breadwinner and pillar in the Russian audit world, but the new international department

was central for Moskva-Audit's international presentation. It made it possible to build up an international client base and become more directly exposed to Western accounting and audit expertise. Although the department remained small in terms of number of employees, it became an important window and point of contact to the West.

In 2000, Moskva-Audit's international efforts culminated in the official accreditation of its international audit department by the World Bank. Apart from Moskva-Audit, only seven other Russian audit firms managed to become officially accredited by the World Bank as World Bank auditors. The accreditation was based on a survey that World Bank employees carried out in more than 50 Russian audit firms during July 2000. The survey's aim was to test to what degree the firms complied with international standards. The survey was carried out on the basis of an inspection of the firms' audit files. Specific attention was devoted to the documentation of work processes, internal quality control procedures, adherence to independence requirements and the composition of audit programmes. Further, the employees' knowledge of international and US-American accounting standards was tested. Out of the fifty firms tested, only eleven firms, including the then Big Five accounting firms, were considered to comply with international standards. For Moskva-Audit, the results of the survey were of great importance, as accreditation by the World Bank added enormously to the firm's international credibility, and helped to consolidate Moskva-Audit's network of international support.

But this was still not enough. To become part of the globally operating audit world, Moskva-Audit had to find additional allies. Its ISA-compliant audits were still not marketable on a worldwide scale. On international stock exchanges, a firm like Moskva-Audit was not able to compete against the kind of resources and reputation that the large multinational audit firms had. International capital markets distinguish between audits carried out by small and medium-sized local firms, such as Moskva-Audit, and audits carried out by large multinational audit firms – such as PwC, KPMG, Ernst and Young, Deloitte – or second tier firms such as BDO, Grant Thornton and PKF (see e.g. Teoh & Wong, 1993). As the study by Wolk, Michelson and Wootton (2001) shows, by 1999 smaller accounting firms had virtually been eliminated from the NYSE market, and over 98% of the companies listed on the NYSE had been audited by the then Big Five accounting firms. Beattie, Goodacre and Fearnley (2003) draw a similar picture for the UK. That is, the Big Five firms audited 82.6 per cent of all companies listed in the UK,

100 per cent of the FTSE 100 firms, and 97.8 per cent of the FTSE 250 firms in 2002 (Beattie, Goodacre & Fearnley, 2003, p. 257).

After having explored various ways of showing itself to be 'western' or 'international', Moskva-Audit's management decided in 2001 to apply for membership in one of the large international audit networks.[33] At that time, most of Moskva-Audit's Russian counterparts had already joined one of these international audit networks and, as Gendron et al. (2007: 105) would put it, anchored their claims to expertise through their membership of one of these. For most of these firms, membership of these networks had opened up significant new international business opportunities. Seeing this, Moskva-Audit now sought to do the same. In choosing a possible network partner, Moskva-Audit was looking for a network whose brand name was already internationally well known and established. For the firm, it was important that the network would be of considerable size, with an interesting portfolio of large multinational clients and good connections to the international regulatory scene (e.g. through membership in IFAC's' "Forum of Firms").[34] To attract the attention of such an audit network, Moskva-Audit hired a marketing manager with international experience and education (MBA) to present and "sell" Moskva-Audit's international orientation, its work force, methodological rigour, contributions to local audit reform initiatives and wide-ranging Russian client-network. Following a series of meetings, talks and negotiations, in 2002, Moskva-Audit managed to become fully incorporated into one of the largest international audit networks. Soon after joining the network, Moskva-Audit changed its name to that of the network. It became part of the network's brand and, thereby, significantly enhanced its position within the international division of audit labour.[35] The Director and founder of Moskva-Audit commented on what membership of the network meant:

> Our accession to the international audit network marks a new stage in the development of
> our company. We have always emphasised our commitment to national business and

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[33] Examples of such globally operating audit networks are: BDO International, Grant Thornton and PKF International. These networks form the world's second tier of large audit firms after the Big Four.

[34] The Forum of Firms (FOF) was launched in January 2001 "to bring together firms which perform transnational audits and involve them more closely with IFAC's activities in audit and other assurance-related areas" (FOF Constitution, p. 3). The FOF conducts its business primarily through the Transnational Auditors Committee, an IFAC committee whose members have been nominated by the members of the Forum.

[35] Moskva-Audit was not a unique case. By the end of 2003, most large Russian accounting firms had been integrated into international audit firm networks. Examples of such firms are: FBK, who became a member of the PKF network; UNICON, who became part of the BDO group and Russaudit, who became a member of Baker Tilly International.

priorities, but we have never hidden our aspiration to gain access to the world community and expand the stage of our professional activity by adding an international dimension to it. Now we have attained this goal. […] With the integration into the international network we can efficiently assist our clients in their entry to the world capital markets, IPOs or fundraising from Western financial institutions. […] Until recently, international audit was the exclusive domain of the Big Four. Now we can make it possible for our clients to have their IAS-compliant financial statements certified with a "stamp" of an internationally recognised auditor.[36]

Moskva-Audit's incorporation into the international network provided the firm with greater chances of being seen and identified as a firm that is able to provide work in accordance with international standards. *Inter alia*, the membership enabled Moskva-Audit to register with the US-American Public Company Oversight Board (PCAOB) and to carry out audits for companies listed on the New York Stock Exchange. Thereby, the firm could not only strengthen its international connections, but also further extend its already strong position in the local Russian audit market. Ultimately, Moskva-Audit's director became a member of the network's international council, which allowed the firm, for the first time, to explicitly exert influence at an international level, rather than just react to Western directives and standards.

What had made it possible for Moskva-Audit to join the network? Working with international standards had been a necessary, but by no means sufficient condition. What had attracted the network's attention was not only related to Moskva-Audit's adoption of international standards. It was also linked to the general reputation that the firm had managed to build up in the Russian audit market, the recognition it had gained from the Russian World Bank office, the co-operation with ICAR, and its contributions to local accounting and audit reform projects. In addition, Moskva-Audit had a portfolio of interesting Russian clients, which it could bring into the network, and good relations with national regulatory institutions.[37] Thus, joining the network and becoming defined as "working in accordance to standards" had required much more than investments in form, organisational structure and audit methodology. It had also involved hard representational work, the establishment and cultivation of public relations, the management of diverse expectations, and the formation and maintenance of a balanced network of different local and non-local allies. And with the joining of the international

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[36] The quote was taken from Moskva-Audit's website in November 2003. For reasons of confidentiality, website details cannot be disclosed.

[37] Members of Moskva-Audit, for example, were actively involved in the work of the Audit Expert Council, which had been set up by the Ministry of Finance to further the cooperation between government, audit firms and professional associations.

audit network, finally, Moskva-Audit had begun the process of connecting the multiple and diverse 'worlds' of international auditing standards.

Discussion and Conclusion

To make an audit compliant with international standards means satisfying multiple conditions. It depends on much more than 'proper' technical implementation. It is equally linked to a firm's position within hierarchies of credibility, and its ability to generate acceptance across many different frames of reference, regulatory contexts, political programmes and economic circumstances. For Moskva-Audit, the decisive step in becoming recognised as working in accordance with international standards was the joining of a large international audit network, and the re-naming of the firm to that of the network. The ISAs turned out to be of lower value than the names of the international audit groups. The legitimating and marketing potential of ISAs had become closely linked to the names and ranks of already established, large western audit firms. The application of international audit standards on their own did not have the capacity to constitute an international audit. International auditing expertise had become the territory of the big international firms, and international auditing standards had been turned into an exclusive label for them.

In a way, the ISAs had come to lead a double existence. On the one hand, the standards had been propagated as a universally applicable, civilising measure. They had become implicated in dreams of auditing as a uniform set of procedures, and desires to create an internationally homogeneous whole. In particular, regulatory authorities and multilateral organisations, such as the World Bank, the OECD and IFAC, had promoted the standards as a means of increasing the quality, uniformity and international comparability of audit practice. As a consequence, especially for developing and transitional economies seeking trans-national investment and political acceptance, adherence to international standards came to be seen as a crucial factor for the establishment of international recognition and legitimacy. The ISAs became regarded as an entry point for modernisation and achieving equivalence. Underlying their spread had been universalising and homogenising semantics of the inclusion of everyone (Meyer, Boli, Thomas & Ramirez, 1997).

On the other hand, the standards had come to acquire global authority only in a very specific realm. The ISAs had been incorporated in a hierarchy of credibility led by the

large, globally operating audit networks. The standards had become involved in strategies of the big international firms seeking to stabilise and protect their occupational monopoly, for example, with respect to services provided to companies listed on Western stock exchanges, such as the New York or London Stock Exchange. These firms had used the rules to reaffirm *their* leading market position and credentialise *their* audit practice. The universality of the standards had become confined to a specific locus. Ideals of audit universalism and international standardisation had become attached to a particular group of audit firms and their activities. Dreams of sameness had become enmeshed in problems and practices of exclusion. What standardisers in post-Soviet Russia had considered to be modern was seen as outdated in the West. The politics of international entrepreneurial networks, to a large extent, had come to determine the legitimising and connecting potential of the standards.

Also in the case of Moskva-Audit, adopting the brand name of an international audit network had led to higher *international* institutional recognition than the organisational incorporation of the standards. To become modern in Western terms, the management of the audit firm had to establish an explicitly internationally oriented audit department with a new generation of auditors holding Western accounting qualifications and possessing knowledge of Western accounting rules. The international auditing department provided Moskva-Audit with the possibility of creating small, confined pockets of reform, which the firm could use to reach out to the West and develop a network of international support which, finally, led to its membership of the international network.

But Moskva-Audit's integration into the global audit network did not lead to a complete dissolution of local differences. On the contrary, the brand name of the international audit network had made it possible for Moskva-Audit to achieve both, to become defined as working in accordance with international standards by the West whilst maintaining at least some of its local specificity. Divisions between its Russian audit department serving the Russian audit market and its international auditing department serving international markets, for example, continued to exist – at least up to the point when this paper was written. The joining of the network had made it possible for Moskva-Audit, and the ISAs respectively, to continue to inhabit *multiple* contexts and audit cultures, old and new, local and global, Western and post-Soviet worlds of audit activity. With the name of the global audit network local differences had become

legitimate and, moreover, internationally marketable. Joining the international audit network had been important for Moskva-Audit, as it allowed the firm to join the "world community" of audit firms. Thereby, the firm could significantly enhance its international reputation, open up new business opportunities and get closer to the methodologies of internationally established audit expertise. But equally Moskva-Audit constituted a strategically important partner for the network. Through Moskva-Audit's membership, the network became able to create closer linkages with the Russian audit world, delineate new spheres of audit activity and expand its global business territory. The "connecting" of worlds is the process of forming such multiple linkages, including the various detours and experiments that Moskva-Audit had to undertake before it could finally stabilise its connections – at least for a while.

In the long run, Moskva-Audit's integration into the global audit network may stimulate the harmonisation of its audit approaches with those of the other member firms of the network. But it is very unlikely that this will lead to the reproduction of a monolithic and unitary 'Western' audit culture. As the study by Barrett, Cooper and Jamal (2005) has shown, the homologies that international auditing standards help to produce, for example in areas of audit methodologies and process structures, are always accompanied by difference, even at the level of large international audit networks. These differences, *inter alia*, arise out of the locally specific accounting frameworks, economic interests, political contexts and regulatory cultures within which the auditors and their clients are operating.

From this it follows that processes of audit standardisation can hardly be closed or finalised. International auditing standards do not have a clearly bounded existence. Processes of international audit standardisation oscillate between sameness and difference, universalism and particularism. They move back and forth between ideas of cross-national comparability and contexts of local specificity. To paraphrase Brunsson (2000), we have to be careful not to conflate standardisation and uniformity. The value and applicability of ISAs can be strategically renegotiated by those who claim to work with them, or who try to regulate auditing in accordance with them. Although the adoption of ISAs is often motivated by attempts to imagine and create auditing as a uniform, internationally homogeneous whole, differences between the local and non-local, between the big international and the smaller indigenous audit firms, can never be completely erased. Ideals of audit universalism and international comparability become

enmeshed in, and challenged by, global divisions of audit labour, problems and practices of power and exclusion, and struggles for intra-professional distinction, which in turn promote as well as undermine the connecting of worlds through standards.

International auditing standards constitute a pervasive, but by no means unequivocal reference point. The firm we investigated tried to stabilise and concretise international auditing standards, initially through the establishment of machine-like internal rule systems and work processes. Although these rule systems, to some extent, resembled those of large international firms, their creation was not enough to enhance Moskva-Audit's international acceptance. The attractiveness that the standards came to enjoy was rooted in beliefs that they could be used as a connecting device to become accepted by, and integrated into, Western world of audit business. But the integrative power of the standards was undermined by existing divisions of audit labour, processes of intra-professional differentiation, and discrepancies between different local accounting and accountability cultures. International auditing standards stimulated the production of uniform representations of audit work, for example with respect to written audit reports, working papers and audit files. But this uniformity alone did not lead to greater acceptance and international integration.

Hence, one needs to be careful to distinguish between standard forms of carrying out a process and standards as an abstract concept, a goal or benchmark which actors aspire to. In the case of Moskva-Audit, international auditing standards were translated into standard forms of carrying out audit processes, but this did not result in the transmission of uniform, clearly identifiable audit ideas. International Standards on Auditing might have the capability to produce harmony in form, but they are still far from being able to increase convergence with respect to professional approaches, programmes and ethical attitudes to actual audit work. Whether or not international auditing standards arrive at a certain place, and whether or not they are "successfully" translated, is always prone to debate. ISAs evoke ideas of similarity and compatibility, but they do not constitute a universal yardstick against which auditing practices can be easily measured or compared. What standardisation means is constantly remade and traversed. Although international auditing standards make reference to concrete audit techniques, for example with respect to sampling or testing procedures, they do not entail very precise definitions of the objectives and outcomes of an audit.

As this paper has shown, the ambiguity of the standards is both their strength and their weakness. To be connectable to a variety of different situations, worlds, dreams and ideals, ISAs necessarily have to maintain a level of abstraction that can only be made concrete by the users themselves. The text of the standards is formulated in an abstract manner, so that it can embrace a variety of meanings and interpretations and, thereby, make the standards attractive to a wide range of people and institutions. On the other hand, the vagueness of the ISAs makes it difficult to hold them in place. International audit standardisation agendas are implicated in a range of heterogeneous interests, mechanisms and instruments which can undermine their interconnecting and reform-engendering function. Hence, rather than assuming that ISAs function as carriers of "best practice", this paper draws attention to the open and fragile nature of processes of translation and standardisation. It shows how the standards became embedded in, and were made to mediate between, multiple arenas of audit action and representation. Studying the micro-processes of audit standardisation in post-Soviet Russia can help direct our attention to important issues and problems connected with the promulgation of Western audit models and standards and how these depend on multiple processes of "connecting worlds".

Acknowledgements

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