

Making Things Visible: Audit Quality Control in The UK and the Definition of the Professional Order

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Abstract:

Amongst professional activities, audit has increasingly departed from what the sociology of professions traditionally considered to be lying at the heart of the identity of the members of a professional body: the autonomy to judge the nature and amount of work that is necessary to treat the cases submitted to these members. Indeed, the generalisation of audit standards and the institutionalisation of means of controlling their application have in the last thirty years contributed to externalise and collectivise professional judgement. This paper tries to go back over the consequences of the process of controlling the work of auditors, both for the definition of audit itself and for the definition of the professional community. To do this, the paper takes the example of the operation of an audit monitoring unit that was set by the Institute of chartered accountants in England and Wales (in association with the Scottish and Irish Institutes of chartered accountants) to comply with the 1989 Companies Act that integrated the 8th European Company Law directive in the British legislation. As what regards audit, it is shown that the result of the monitoring process was to reveal a great diversity in the ways of understanding audit practice as well as to stigmatise, not so much ill practice, but rather practices that were distant to the model that had inspired the definition of audit standards and the definition of the way to control their application. Regarding the professional community, it is contended that the monitoring process led to make the hierarchical structure of this community visible whilst rendering a revision of the process necessary, so as to attempt to restore order and unity in the professional body.

Introduction

Up until the end of the 1980's, the link between being a professional accountant and practising in a professional fashion has remained unquestioned in the UK. Of course, from their beginning, accountancy bodies have sought out by all manner of means individual behaviour that is likely to bring professional standards to serious disrepute. As it has been pointed out in the broader context of the sociology of professional groups (Berlant, 1975; Larson, 1977), the eradication of the Unworthy is indeed an integral part of the process of reputation-building that leads to professionalisation. Yet, disciplinary arrangements designed to keep poor work and "cowboy accountants" at bay normally act by exception and in contexts in which the "purely" professional and the ethical dimensions are often closely entangled.¹ In contrast, examinations at the stage of the entrance to the profession have remained for a long time the only collective exercise aimed at assessing practitioners' performance. Once the applicant had become a member of the "community" (Goode, 1957), he or she was supposed to be sufficiently equipped to deal with clients in a "proper and fit" manner. It was in particular practitioners' own responsibility to ensure that they kept their knowledge of both technical and professional matters up to date in order to provide a satisfactory service.

If one limits the scope of our introductory assertion to the auditing part of professional accountants' work, there are at least two reasons for this situation. The first reason lies in the specificity of the development of professional bodies in the United Kingdom. Professions, as many other institutions in Britain, have indeed been built up on the pattern of self-regulation (Perkin, 1989)². The tradition of a weak state (Johnson, 1982) and the development of professional education outside universities (Burrage, 1991) allowed the growth of powerful associations able to restrict the provision of specific professional services to their members solely. Both a cause and a consequence of this process of monopolisation, social closure (Larson, 1977, Macdonald, 1985; Murphy, 1988) contributed to encapsulate British

¹ I will not deal with such arrangements in this paper. For a general overview of the literature on professional disciplinary procedures see Daniels (1995). See in particular Ponemon (1992) for the case of accountants. In the United Kingdom, the reform of professional bodies' disciplinary schemes has obvious connections with the development of quality monitoring procedures. However, the disciplinary agenda is both anterior and has been dominated (Greenside, 1985) by the debate on the liability of firms (as opposed to individual liability).

professionalism in an ideology of gentility and to confer on British professional institutions their distinctive traits as “clubs” for gentlemen (Macdonald, 1989). As a result, functions such as the licensing and the disciplining of professionals or the monitoring of their work that might be shared in other countries with non-professional -and mainly public- agencies, are in the United Kingdom, the exclusive remit of these institutions. Thus, the right to regulate professionals within the limits of law and order in exchange for the accumulation of reputation through strict membership requirements and the eradication of the Unworthy, resulted in a certain form of consubstantiality between professional judgement and professional membership. With regard to audit, the existence of a powerful audit profession has been considered as sufficient to warrant audit quality (Willmott, 1986; Puxty, Willmott, Cooper & Lowe, 1987).

The second reason has to do with the nature of audit practice and its association in the United Kingdom with accountancy professionals. Traditionally, financial audit has been conceived as to attest to the accountability and stewardship of company management. Audits’ primary objectives were initially to detect losses due to error and fraud. However, these objectives have developed over the last 150 years into the verification of financial statements (Flint, 1971; Lee, 1979). Concerning the United Kingdom, it is often said that the pervasive nature of fraud in Victorian business together with the level of failure among early limited liability companies, helped to produce an environment conducive to the professionalisation of auditing. However, recent research (Chandler & Anderson, 1993) has shown that, at least in certain sectors of the economy, the need to provide shareholders with information suitable for investment decisions was appreciated as early as the second quarter of the 19th century. Indeed, the increasing scale and complexity of companies, particularly associated with the development of banking, insurance and the railways, placed greater responsibilities on the audit function and sounded the knell of the ill-equipped shareholder auditor who was typically appointed by early companies. The requirement to have audits performed by both an independent and competent auditor, which has nurtured, ex-post, a substantial theoretical literature based on the principal-agent model (see for instance Dye, 1993&1995), led, in the United Kingdom, to the association of auditing with accountancy professionals. As we have said, the standards set by professional bodies in matters of training and ethics were in fact supposed to stand as a guarantee for both independence and competence. Although there is not sufficient space here to detail the different strategies accountants used to eliminate

² For a more recent and synthetic statement see the chapter on Britain in Krause (1996).

potential competitors (see Matthews, Anderson & Edwards, 1998) and to hold themselves out as the obvious suppliers of audit., Anderson et al. (1996) have provided evidence on the fact that most quoted companies were audited by professional accountants (members of the Institute of Chartered Accountants in England and Wales in their vast majority) as early as 1886, that is to say much before the statutory requirement to appoint professional accountants as auditors was introduced by the 1948 Companies Act.³

This paper rests on the assumption that the relation between accountancy professionals and auditing practice, far from being natural is actually a compound of elements that partake of a different nature but which have been progressively blended in to form an institutionalised practice, that is to say a practice whose reason goes without saying (Douglas, 1987; Bourdieu, 1990).⁴ To describe and analyse this compound, I will appeal here to the notion of “assemblage”. This notion has been introduced by Miller & O’Leary (1994) to characterise the spread of accounting techniques in the factory environment and the use of these techniques as an instrument for government. An “assemblage” is a heuristic tool whose logic is close to that of the “black box” developed by Latour (1989) to describe the solidification of scientific knowledge: objects, humans, facts and ideas are accumulated within networks and progressively made unquestionable. In the case of accounting, Miller and O’Leary show how different -and very often distant- bodies of abstract knowledge, calculative techniques and organisational practices were pulled together in order to rationalise the installation of accounting as an obvious means for managing organisations. The audit institution is therefore presented here as an assemblage of beings (practitioners, clients, the “public” at large), things (the final audit report -but also the intermediary stages in the elaboration of this report, auditing standards), organisations (professional institutes, standard setting bodies and public agencies such as the Department of Trade and Industry), techniques (such as statistical sampling or the so-called “risk-based approach”), but also debates and controversies such as the heated “expectations gap” debate.

³ The external audit requirement for limited companies in general was introduced by the 1900 Companies Act.

⁴ The notion of assemblage is by no means particular to auditing in the United Kingdom. Actually it can be, I think, fruitfully applied to other national contexts. For instance, France, in contrast to what has happened in Britain, is a clear case of a problematic association between accountancy and auditing. Up until the end of the 1960’s the profession of auditor (which was rather a “function” in that time) enlisted, apart from a -albeit substantial- minority of accountants, a motley collection of individuals ranging from retired civil servants or bankers to engineers and lawyers. Even nowadays when, as a consequence of the reforms that were introduced in 1966 and 1969, more than 90% of the auditors are also *experts-comptables*, the two professional bodies that represent accountants and auditors remain institutionally separated. See Ramirez (2001).

I argue that the association of accountancy practitioners and auditing could take place precisely because, within the assemblage that makes up the audit institution, the notion of “being an accountancy professional” and the notion of “audit” itself have remained unquestioned until very recently. The point I make is that their unquestionable character derives from their actual “invisibility”. By invisible I mean that the belief in the reality and in the homogeneity of categories such as “accountancy professional” or “audit” has obfuscated the existence of different ways of being a professional accountant and different conceptions of what an audit should be. Of course, my argument can be challenged by bringing to the fore facts such as the actual existence of professionals on the basis of their membership to professional institutes or the fact that the development of audit standards has largely contributed to the definition of what audit consists in. However, the advertisement of ideal-typical versions of the accounting practitioner or the codification of generally accepted practice are most certainly an institutionalisation of best practice and never an indication of what actually happens in practice.

There are several ways to study how professionals and audit practices have been “effaced” (Power, 1993) behind the categories that represent them. Writing up an historical account showing how the audit black box has been progressively set up and closed is one possible option. Such an account would break down the different strategies and alliances between the aforementioned actors of the audit assemblage, the way they have combined objects and techniques so as to solidify audit as an institution and to establish the belief in audit as what audit practitioners do. In this paper I have decided to explore another direction which consists in analysing a typical episode during which what has taken so long a time to be effaced becomes suddenly visible. This episode is the implementation of audit quality monitoring procedures which has taken place in the United Kingdom in the last ten years.

Among the changes the British accounting profession has experienced during this period, the implementation of the reform of audit regulation represents indeed a substantial part. The reformed regulation is applicable to any member of the several accountancy bodies practising in the reserved area described in the Companies Act 1989. As far as audit is regarded, Companies Act 1989⁵ was purposed to introduce in British law the provisions of the 8th European directive on the education training and qualification of auditors. I will not deal in detail with the rationales behind the drafting of the directive and the bargaining that took

place both at the European level and at the British level (between the different professional bodies and the Department of Trade and Industry) as this has already been carried out to a certain extent by Puxty & alii (1996). I am rather insisting here on two characteristics of the enforcement of the regulation that are of interest for the initial goal I have set out to reach. The first one is that the full regulation is applicable irrespectively of any consideration for the size of the professional firm. Although this philosophy is consistent with the conception of professional bodies as homogeneous entities that we have singled out earlier on in this introduction, the enforcement of the new rules created considerable commotion in the, especially small, practitioners community. The regulation implied indeed the setting up of monitoring procedures to ensure that audits were carried out according to standards of good practice and competence. When the first report of the monitoring assessment was presented by the professional institutes to the Department of Trade and Industry in 1994 it appeared that only one of four auditors inspected by regulators passed all the new audit requirements without any challenge.⁶ In turn, disgruntled small practitioners vociferously uttered their discontent complaining about the “heavy-handed and unwarranted enquiry of audit regulation inspections” which were obviously ignoring “the deep sense of pride in both our qualifications and our work for clients”.⁷ The second characteristic lies in the fact that the representation of small practitioners as “malpractitioners” has principally become an issue and has turned a regulatory problem into a professional problem because the monitoring procedures have been organised and carried out by the professional institutes themselves. Indeed, similar profession-based frameworks to control the quality of the service delivered by auditors have existed for a longer time in other European countries.⁸ Still, in the British context, the introduction of such a requirement has been considered as a novelty.

In the following three sections I am drawing on these two characteristics to show how the implementation of audit quality monitoring procedures at the level of the whole practising community of one of the professional institutes has led to make visible 1/a growing heterogeneity among the membership of this Institute and the related diverging conceptions of

⁵ Part II and Sch 11 and 12 of the Act.

⁶ Auditors fail to meet all standards, *Financial Times*, 20-12-1992, p. 19.

⁷ “Small firms flock to SPA” *Accountancy*, 11/96, Page 16.

⁸ A broad categorisation of the audit quality controls in the European Union has been established by the Fédération des Experts-Comptables Européens in terms of those who conduct the review (see Continuous Quality Assurance. Statutory audit in Europe, Fédération des Experts-Comptables Européens, April 1998). The first category encompasses countries which apply a monitoring system (i.e. by full time staff employed by the review organisation). The UK, Spain and Germany fall into this category. A second category is constituted by

the production of expertise, 2/as one of my interviewees put it, the fact that, before the enforcement of the 1989 reform, “nobody actually knew what an audit really was”. I am choosing to treat the case of the Institute of Chartered Accountants in England and Wales (ICAEW). My study could have encompassed the other major body of professional accountants practising in the same geographical area, the Association of Chartered Certified Accountants (ACCA). It could also have been extended, beyond England and Wales, to Scotland and Ireland. I took the liberty to think that the ICAEW offers a more interesting case in its own right because it has the advantage to register a very diversified population, both within the share of this population working in commerce and industry as well as within the share of members who operate in practice. As far as the latter is concerned, the Institute enlists high street practitioners but also high profile international firms (the well-known “Big 5”). What is likely to emerge from the action of monitoring procedures is therefore very different in the case of the ICAEW than, for instance, in the case of the ACCA which, as far as practitioners are regarded, does not partake of such a diversity. Heterogeneity and diverging conceptions of what ought to be done in terms of audit work are more commonplace in the ICAEW.

Thus, the following three sections provide an account of the application of audit quality monitoring procedures by the ICAEW to its registered auditors between 1991 and 1996. This account tries to show how the assumption that “audit is what professional auditors do”, which cements the different elements of the audit “assemblage”, was made questionable and, what is more, that it was made questionable because what lies behind “professional auditor” and “audit” became visible. Section 1 explores how heterogeneity progressively developed in the membership of the ICAEW, prior to the enforcement of the monitoring procedures, weakening the substantiality of “the professional accountant” category. To characterise this development I am introducing the model used by Luc Boltanski and Laurent Thevenot in their *Economies de la Grandeur* (1991) to analyse the way social actors justify their behaviour and I am applying it to the case of the chartered accountants community. Section 2 is devoted to the first stage in the setting up and the application of the audit quality monitoring procedures and the implications this first stage had for the definition of an audit and for the representation of different conceptions of being a member of the ICAEW. Again, I am resorting to Boltanski and Thevenot to envisage this first stage through the lens of the

those countries applying a peer-review system, that is to say by authorised and experienced practitioners on a part-time basis, organised and supervised by full-time staff in the review organisation.

notion of “trial” (*épreuve*). Finally section 3 describes how the disruptions that had been created within the audit assemblage by the monitoring procedures were eventually mended thanks to the introduction of new elements able to restore the assemblage and to re-solidify the belief in the relation between audit and professional auditors.

The eighth European directive and the changing nature of accountancy bodies in the UK

In this section, I am giving a brief account of the evolution of the ICAEW in the last 30 years . I will put a special emphasis on the development within the professional community of divergences between the different components of the membership. I am particularly insisting on the figure of the small practitioner as it plays an important role for the understanding of the functioning of the monitoring procedures (see section 2). Subsequently, I am trying to see how the model developed by Boltanski and Thevenot in *Les Economies de la Grandeur* can be applied to characterise the changes in the nature of the professional community that were implied by the transformation of the ICAEW into a regulatory body.

ICAEW's “democratic deficit”

While interfirm differences in terms of size and fees were not exaggerated until the middle of the 1960's, by 1975 a growing gap had started to be created between both ends of the ICAEW. It is to this conclusion that an enquiry on the Institute's small firms launched that very same year came to (Singer, 1976). The concerns that the wide consultation had brought to the fore were indeed signalling an increasing distance between the Institute and its small practitioners and the feeling of a weaker integration of the latter in the professional community. In terms of partnership successions the enquiry accepted “the widely held belief that certified accountants may eventually take over the smaller practice field unless the importance of the smaller practice is seen to be recognised by the Institute and the training of students” (op.cit., p. 3). In terms of training of members and technical matters (p. 4) the report admitted that “while there should be no reduction in accounting and auditing standards, consideration should be given to differentiating in future legislation between the requirements for stewardship in proprietary companies and to the desirability of laying down a standard form of qualified report for small companies whose records do not comply with the

requirements of the companies Act”. Also “more publications and courses specifically aimed at the smaller practitioner should be provided”. In terms of training (p.5) the report stated that there were serious misunderstandings about the ICAEW policy, in particular in what regarded the project to turn the profession of chartered accountant into a graduate profession.⁹ “The Institute should make a special, well publicised declaration that it wishes smaller practitioners to continue training students in the long term” (p. 4).¹⁰

The gap that the enquiry was mentioning had an objective dimension. This dimension was constituted by the trend of the bigger firms towards gigantism that had stepped up in the 1970’s. The translation of this dimension into the impression of a growing distance between the political centre of the Institute and its periphery was inherent to the distribution of power within the professional community. The institute had indeed emanated in 1880 from the ancestors of the current leading firms and the latter had always been intimately associated in its direction. Setting up close links with the financial and the political establishment, the major firms had thus become the *de facto* representatives of the whole profession. In particular the major firms represented the profession at the Accounting Standards Committee (ASC, later Accounting Standards Board) and at the Audit Practices Committee (APC, later Auditing Practices Board) within which drafting of standards concerning the activity of any professional took place.

On the other hand, most of criticism and disrepute affecting the profession had originated in major public scandals which involved the big firms. Although the history of the involvement of accountants in large scale corporate failures in Britain dates back a long time (Matthews & alii, 1998), the scandals that broke in the end of the 1970’s and the beginning of the 1980’s were associated to a series of challenges that had put at stake the capacity of the profession to maintain the objectives of self-regulation in the defence of the public interest. Among these challenges were the (small, in majority) members’ rejection of proposals to integrate the accountancy bodies (1970) and the apparent failure of the auditing and accounting standard setting process that had started, also after the disclosure of some major scandals, in the late 1960’s (Robson & alii, 1994). As the threat to the privileges of self-regulation that the whole profession was enjoying in exchange of looking for the public

⁹ This option was recommended by the Solomons report in 1972.

¹⁰ The introduction of a “training record” which increased substantially the width of training was thought to be “largely unrelated to the need’s of small firms’ clients” (p. 4).

interest were actually focused on its elite, the top “Big 8” firms, an enduring resentment against the ICAEW’s establishment had emerged. The feeling of a sort of “democratic deficit” was by no means limited to the small firms tier but also concerned other subdivisions of the institute such as chartered accountants working in industry and commerce or student members.

Governing the Institute

The answer the ICAEW authorities gave to the emergence of this democratic deficit was to set up a major review of its institutional arrangements. Two reports entitled “Governing the Institute” were published in 1983 and 1985. The first report was commissioned by the ICAEW’s Council in 1982 to a professor in political science, Robert Tricker (Tricker, 1983). It was followed in 1985 by the Worsley report (Worsley, 1985).¹¹ Although the second report was intended as an assessment of the main findings of its forerunner, it proposed actually very different directions to resolve the “governance problem” that had arisen in the Institute (Robson & alii., 1994). In his summary Tricker had described this problem in the following terms: “There is less homogeneity in interests across the membership. The unanimity which was associated with a shared set of expertise and common interests has been lost. Members no longer have the same aspirations in their professional qualification, nor the same expectations in the Institute”. (Tricker, 1983, p. 5) The focus of the Tricker report was thus upon internal segmentation of membership: in general the members employed in industry and commerce and the small practitioners were reported to be suspicious and resentful of an Institute which they perceived to offer them little or no representation. Tricker considered several options available to the professional body to try to resolve the difficult dilemma of recognising different approaches to being a chartered accountant without going too far in this recognition. The option that was recommended advocated the setting up of specific bodies to represent specific shares of the membership. This option was presented as providing for the process of specialisation in professions in recent years and as allowing members to be grouped by special interests, with a substantial measure of devolved power. Consistently, the Tricker report also advocated the creation of “Subject Conferences” within which members would coalesce according to their main speciality (such as taxation or insolvency). Thus the Tricker report was trying to improve representation in professional life by acknowledging the subdivision that had

emerged between, on the one hand members in practice and members in industry and commerce, and on the other hand between top practising firms and small practitioners. This way of reorganising the ICAEW's constitutional arrangements had its own merits: clear subdivisions, especially if they were technically grounded, made it easier to represent members because they provided a robust taxonomy to allocate them. Technical subdivisions were indeed more innocuous than those which could be more encompassing but that, albeit being based on none the less objective traits, proved by their fuzziness to be less operational.

Tricker's programme to run the Institute was however not followed by the Worsley report. According to Robson & Cooper (1990) this rejection was fostered at the Institute's head by the fear that, if the profession was to come under the threat of an hostile public opinion and adverse public authorities, technical subdivisions would jeopardise the façade of unity on which the privileges attached to self-regulation rested. The idea of a membership based on speciality only was criticised on the basis that it might encourage the lost of members to other and more specialised professional bodies such as the Association of Corporate Treasurers. Instead of crystallising subdivisions in a clear and institutionalised definition, Worsley (p. 25, quoted by Robson & Cooper, 1990) recommended to improve communication with the members and to educate them about their latent professional interests. While acknowledging that "the effectiveness of the discourses developed by Council on behalf of the members rests upon the fact that they are perceived as authoritative expressions of opinions by those with specialist expertise" (op. cit., p. 20) the report was calling for a "more open style to administration, to greater readiness to discuss issues openly and to the practice of serving members in a way which makes them feel that it is their Institute" (op. cit.p.58). The idea to form practitioners groups according to their technical interests was retained and "Faculties" (such as the tax and the audit faculties) were created. However, another system, based on the establishment of "Boards" , was set up alongside the faculties to represent members' interests. The report recognised the "natural" division existing between members working on an independent basis and members working on a salaried position in industry or commerce. Worsley therefore recommended to install a Board for Members in Industry and a Practitioners' Boards. Although he had suggested to create two different Practitioners' Boards for large and medium sized firms and for small practitioners, it was eventually a single General Practitioner Board that emerged from the institutional reform. Thus, the members of this board would range from the very large to the

¹¹ Jock Worsley was a member of the ICAEW Council. He later became president of the Institute.

very small firms. Rather than seeking to represent practitioners by defining what they are and setting up the adequate policies to cater for their needs (which was the Tricker report's essential recommendation), the board system tried to achieve this goal by inviting members to participate in the ICAEW's affairs.

Regulation and the changing nature of the professional body

The Worsley report was suggesting to invite members to participate more actively in their Institute's affairs and to foster their representation through the setting up of appropriate committees. The results of the ICAEW's program of constitutional revision were thus underpinned by the assumption that the professional body was still a community within which members were sharing a common "world of reference". Though differences existed, a shared principle could nevertheless govern the harmonious ordination of these differences and allow, for instance, the existence among practising chartered accountants of very big and very small firms.

This "world of reference" can be described in several ways. Functionalist sociologists, in the wake of Durkheim saw professionalism as an efficient and morally desirable solution for the organisation of social life (Carr-Saunders & Wilson, 1933, p. 283; Parsons, 1968). The progressive "professionalisation of everyone" (Wilenski, 1964) could result in the advent of an harmonious society where subordination and oppression (which generated class struggles) would be eradicated (Carr-Saunders & Wilson, 1933, pp. 502-503). The professional communities, whose epitome were the medieval liberal arts such as medicine and the law, would be organised in the form of groups of peers within which competence and worthiness would be guaranteed and independence, dignity, and responsibility would be cultivated. This approach to the study of the constitution and functioning of professional groups became heavily criticised by subsequent research as a tendency to naturalise professional discourse by taking for granted professionals' claims to legitimacy and rewriting them in scientific terms. "Critical" studies¹² shifted indeed the focus of their attention to the strategies professionals deploy to secure their social positions and the different struggle they fight, both within and outside their community, to corner substantial market shares.

Even though the reference to the professional community as an ideal group of peers might just be an ideological argument, it is nevertheless used to justify actions and decisions, as we have seen it in the case of the reflection on the governance of the ICAEW and of the will to preserve its unity. The different resources actors use to legitimise their behaviour, the way they combine references to beings, things and ideas to reach a situation which can be deemed just because the different elements that make up this situation are “adjusted”, is precisely what Luc Boltanski and Laurent Thevenot investigate in their *Economies de la Grandeur* (1991). Boltanski and Thevenot see the social world as being divided between the “Big” and the “Small”. They nevertheless refuse to interpret this division in terms of a mere dominant/dominated pattern which would simply rationalise post-hoc established facts instead of actually analysing the whole process of legitimisation the actors are engaged in. To conduct this analysis, Boltanski and Thevenot make use of a series of concepts and notably of those of *Cité* (which we translate here by “world of reference”) and of *épreuve* (which we translate here by “trial”). The authors rely on six major works in political philosophy (Augustine’s *De Civitate Dei*, Bossuet’s *Politique*, Hobbes’ *Léviathan*, Rousseau’s *Du Contrat social*, Smith’s *The Wealth of Nations* and Saint Simon’s *Système industriel*) to characterise six “worlds of reference” that have successively been described in History (the world of inspiration, the world of the domestic, the world of the opinion, the world of the civic, the world of the commercial, the world of the industrial). Boltanski and Thevenot contend that each and every of these worlds is underlain by a common principle (*principe de bien commun*) which serves to ordinate things and beings according to their respective greatness (*Grandeur*) and to make sense of actions and decisions. The general principles posited by these political metaphysics are translated into the everyday life through different media and the authors take the example of the business literature to see how the organisation of economic life can be influenced by references to creativity, domesticity (e.g. the case of paternalism), success, civics (e.g. the case of industrial relations), competition or rationality and efficiency (e.g. the case of the development of scientific management).

Les Economies de la grandeur also focuses on situations when actors need to justify themselves. For Boltanski and Thevenot, these situations occur when things and beings that pertain to different “worlds of reference” are present in the same situation, which creates the difficulty of arranging them according to a common principle. As a result, actors

¹² See Saks (1983) for an overview.

need to engage in a “trial” (*épreuve*) whose purpose is to test the relative greatness of the elements (animate and inanimate) that are present in the situation in order to reach an agreement according to which these elements become “adjusted” to a common principle and the situation becomes “natural”. The advantage of this interpretation is that it allows one to consider technical and scientific dilemmas (“dis-adjustments”, “dys-functionalities”) and ethical dilemmas (conflicts, “un-just” situations) as being consubstantial.

There is not sufficient space here to discuss to which one of the worlds of reference presented by Boltanski and Thevenot, the fact of being and acting as a chartered accountant refers to. It can nevertheless be stated that the reforms that affected the accountancy profession at the end of the 1980’s introduced for professionals new sorts of situations which could possibly constitute a “trial” in the sense this authors give to that word. The 1989 Companies Act, which, as we have said, served to introduce the provisions of the 8th European directive in British law, is actually part of a whole regulatory scheme that was intended by the Conservative government to make possible, paradoxically enough, the liberalisation of financial services (Clarke, 1986, Gamble, 1994). The Insolvency Act and the Financial Services Act, passed in 1986, also imposed registration and monitoring procedures on those individuals or entities practising in the reserved areas described in the Acts.¹³ Puxty & alii (1996) in the case of audit and Cooper & alii (1994) in the case of financial services, have brought some evidence on the considerable difficulties that were created by the involvement of professional institutions in these procedures. During the negotiations that took place between the accountancy bodies and the Department of Trade And Industry (DTI) , the direct enforcement of licensing and monitoring by the DTI itself was used as a bugbear (Davison, 1987) to force professional bodies to take upon themselves the organisation of the whole control scheme (Puxty & alii, 1996). At a time when the audit industry was booming, threats such as the possibility to constitute an independent body to regulate auditors in combination with the curtailment of the sale of non audit services in order to strengthen the independence of auditors towards clients, alienated the professional bodies and especially the ICAEW. Indeed, the threat of a reduction of auditors freedom to market lucrative consultancy services along with statutory audit mainly regarded the bigger firms.¹⁴ In exchange for the preservation of the privileges attached to self-regulation,

¹³ On the regulation of the British “free-market” economy and the actual necessity of a tightening up of rules to allow liberalism to operate, see in particular Gamble (1994).

¹⁴ See Accountancy, 11/90, pp.23-30

professional institutions concerned by insolvency, financial services or audit Acts had to become “Recognised Supervisory Bodies” (RSB). They had now to play a “dual-role”, to be both “gamekeeper and poacher”, that is to say to be the representative body of their members at the same time as their regulator.¹⁵

The regulatory turn in the history of the accountancy profession in the United Kingdom, proved to be an even more dramatic one in the case of audit as this activity had constituted, from the beginning, the backbone of the professional identity for many practitioners (Matthews & alii, 1998) The minutes of the numerous special meetings that were held at the ICAEW during 1985 and 1990 on the ongoing negotiations with the DTI and the organisation of the future monitoring scheme, all insist on the fear that the application might alienate wide sections of membership. Indeed, assessing the competence of members rested on the assumption that the interpretation of what competence is about was evenly shared by all the professional accountants. Before the ICAEW became a “gamekeeper and a poacher” objective differences among the membership had been recognised and problematised by programmes such as the “Governing the Institute” constitutional exercise. Yet, differences in size between international partnerships and high street accountants could harmoniously exist by reference to a common principle, which referred itself to the professional body as a community of peers. According to this principle “small” professionals were not those practising in firms with only one or a limited number of partners. Size did not matter to acquire the status of “great” within the community of peers. “Small” professionals were those who, by their misdemeanours and unethical behaviour, brought disrepute on the whole community. Under this common principle unprofessional and unethical behaviour were confounded. With regard to audit, the coexistence within the professional community of different conceptions of what ought to be done to reach a satisfactory final audit report, constituted, as yet, no threat to the solidity of the audit assemblage. The belief in “audit is what audit professionals do” could still rely on the univocal relation between audit professionals and audit. This relation is going to be called into question with the first results of the monitoring procedures. It is to the examination of these procedures that I now turn.

Learning by inspecting: audit monitoring as a “trial”

¹⁵ Accountancy, 01/95, pp. 2-3.

In this section I am using a series of interviews that were conducted in 1999 with personnel from the ICAEW audit monitoring unit (JMU) and with chartered accountants practising in a small firm environment. I am also relying on documentation provided by the monitoring unit or collected in the professional press. What I am trying to grasp is the philosophy of the quality control process with reference to what is supposed to be constitutive of professionalism and to what is supposed to be constitutive of an audit. Expanding on the concept of “trial” that I have presented in the previous section, I detail what was made visible in the audit assemblage that led to make questionable the relation between audit and auditors and the definition of audit as what auditors do.

The genesis of the monitoring process and the installation of the Joint Monitoring Unit

In 1984 the European Commission issued a directive (known as the 8th Company law Directive) which required each member state to make provisions in order to ensure that national rules met common standards for the education, training and qualification of auditors. In particular it required that all auditors be licensed, monitored, disciplined and regulated by independent bodies. As we have said, the Eighth Directive’s provisions were introduced in British law through the 1989 Companies Act. Four separated bodies, the ICAEW, the ICAS, the ICAI, the ACCA and the Association of Authorised Public Accountants (AAPA) became Recognised Supervisory Bodies (RSB). According to the regulation, a professional or a professional firm could not describe themselves as auditors unless they had registered with an RSB. To obtain a practising certificate as an auditor, professionals had to comply with all rules and regulations issued by the RSBs, including of course those rules regarding professional qualification. Qualification here has to be understood as education (which means that regulated professionals need to receive professional training) but also as the regular assessment of professional qualifications throughout the entire career as a licensed auditor. Assessment of professional qualifications implies the performance of audit expertise “according to due standards of good practise.”¹⁶

The instrument to monitor compliance with these standards is the Joint Monitoring Unit (JMU). The JMU operates as a limited company owned 80% by the ICAEW and 10%

¹⁶ Report of the ICAEW, ICAS and ICAI to the Department of Trade and Industry, HMSO, 1997.

each by ICAS and ICAI.¹⁷ It was established in 1987 to monitor the compliance of firms authorised to conduct investment business under the Financial Services Act 1986. In 1991 this role was extended to include the work of registered auditors under the Companies Act 1989. Monitoring involves the conduct of inspection visits to the firms and the reporting of the results of visits to the Audit registration/Investment Business Authorisation Committees of the Institutes. In addition, each year the Institutes produce a report on regulation to the DTI. The fundamental objective of the JMU is to monitor firms in their conduct of audits and investment business and to report its findings to the relevant committee of the appropriate Institute. The JMU does not make judgements concerning the fitness or otherwise of a firm to continue a particular regulated activity, except in cases where it believes that the firm's actions are to the detriment of the public and/or its clients. Then the JMU will immediately report the facts and its concerns directly to the appropriate Institute committee who may suspend the firm's activities. A second declared -and important- aim of the JMU is to provide guidance and tuition to the firms visited so that they may improve their methods and procedures to ensure better compliance with the regulations.

The obvious ambiguity between the JMU's role as "the profession's policeman" and its role as educator resulted in a misunderstanding, especially among the smaller tier of the profession, of its way to proceed. Indeed, from 1991 when the first visits were completed until 1994, when the professional institutes had to report to the DTI their first results and provide a "picture of the audit industry in the United Kingdom", the JMU operated full visits. This means that the scope of the visit was unrestricted. Although the purpose of the inspectors was to ensure compliance with the audit regulations by the direct scrutiny of audit files, they could require access to any record that they thought to be relevant. Therefore the visit was perceived as less educational than cumbersome. Some practitioners felt even brutalised and treated as if by some "professional Gestapo" (as one of my interviewees indicated). Between 1993 and 1995 the section of *Accountancy* (the ICAEW 's official monthly publication) devoted to members' letters started being filled up with complaints about the monitoring process.

¹⁷ It is therefore important to note that the JMU is not a peer-review system. Although it employs chartered accountants as inspectors, the latter are not practising members of the ICAEW, ICAS or ICAI. Also note that other professional bodies such as the ACCA run their own monitoring unit independently.

It is interesting to note that most of these letters emanated from small practitioners having to confront inspectors who were in theory chartered accountants, just like them, but who behaved as “nit-picking people coming from a distant bureaucracy”.¹⁸ The elements collected during the interviews with both the inspectors and the inspected show that the monitoring visit is however more than just a stressful test designed to evaluate competence in the auditing craft. It is not only the matter that the holy sanctuary of the professional judgement, the one that defines the professional with respect to the layman, was violated, creating great anger and resentment. The JMU inspection brought actually together two representatives of the same body but with different “worlds of reference” concerning this body. Thus, the monitoring visit was also a “trial” in the Boltanski and Thevenot sense. I will now explain in detail what is at stake in this trial and how some of the elements of the audit assemblage were made visible.

In search of the logic of audit practice

We had to provide the DTI with the picture of audit work in this country. We had to go and find it. In the first two years we did what we called full audit visits. That was 3 or 4 days looking at what the firm was doing. So we had to look at all the firm was doing, the regulations, the audit standards, so I think that did scare them a bit. In the early days we found there had been a lot done in their heads, not a lot done in their papers, and obviously when you monitor you want to see things on the paper, you can not scan brains. So in the early days we put a lot of emphasis on procedures, arrangements etc. and that did scare the smaller firms. (JMU Inspector)

In his *Le Sens pratique* (1990) Bourdieu observes that ethnologists wishing to understand the logic of the practices they observe often have to inscribe this logic into a pattern that might very well be extraneous to the way the locals conceive of their own practices, for “the logic of practice can only be perceived by the use of instruments that destructurate it as such [...] Practice excludes the mastery of the logic it contains”. Therefore, the analysis of practice always implies questions that are never raised by the actors of practice, simply because practice excludes them and because analysis encompasses in a single movement meanings that have been constituted bit after bit by practice. In the case of audit practices, elements such as the time it takes to build an audit relation with a client, which might render some procedures pointless (or even disagreeable, as one of my

¹⁸ The monitoring visit was for many small practitioners the first contact they had with their institute since they qualified as chartered accountants.

interviewees pointed out), or a strategic understanding of the use of professional judgement are very difficult to grasp by the logic of explaining and accounting for, especially since, in many small firms, they are not written down. Thus, the most surprising point in the implementation of audit monitoring is not that inspectors did find massive evidence of poor or malpractice, which would require the sharing of a similar conception of what an audit is. It is that they could not find the elements that were necessary, in their mind, to constitute a judgement on audit practices. As one of the administrators of the ICAEW technical department put it to me:

What was going on in audit files was a mystery. Nobody would know what an audit was about, except maybe the bigger firms because they had a systematic approach to it. The small practitioners did not understand what an audit was about...the opinion they would form about the records would not be considered as what a people would define as an audit. They were very competent at setting accounts, but, records of the audit were lacking, certain procedures would not be undertaken... this is not surprising given that the SME [small and medium entities] world is different...There is also another problem, firms that are partnerships are often a congregation of sole practitioners with their own clients rather than a single firm, so each and every partner had his own conception of the work. The JMU had also to cope with this.

The first results of the monitoring process, during which some practitioners felt “pilloried for things they did not even know they had done wrong” could be interpreted as a mere opposition in styles of auditing. In fact, the opposition between judgmental and more procedural approaches is by no means an opposition between “audit in small firms” and “audit in big firms”. Works such as Cushing & Loebbecke (1986) or Dirsmith & Haskins (1991) have shown that judgmental areas were preserved even in hyper-formalised environments, for this areas constitute the space within which professionalism can be deployed. Actually, the situation that arose from the first visits of the JMU inspectors constitutes more than the confrontation of two ways of conceiving of audit practice. Since the inspector and the inspected practitioner each partake of a “world of reference” where the distribution of states of “greatness” and “smallness” follows different rules, this situation can be analysed as a “trial”.

The small practitioner can be said to be representative of a profession in which each and every member by the very same virtue of his/her membership is equally endowed with the capacity to deem what is to be done to reach an audit judgement. Such practitioners do

not systematically need to bring into the situation objects such as check-lists, intermediary reports, internal quality control procedures, etc. In these practitioners' world of reference such objects obviously exist, but they are adapted to the nature of specific audits (the audits of large organisations) and certainly not to the assessment of the quality of audit work in general. In this world of reference, what makes the good (or the "great") auditor can not be measured in terms of the quality of what has been done, because practitioners themselves are the only judges of the quality of their work. Thus, the only way to rate an auditor in this world is not excellent, average and bad but simply good and bad, bad being defined by the failure of the auditor's client after an unqualified audit report.

In the world of reference of the inspector, the accounting profession is an accountable profession. In this world, debates such as the "expectations gap" debate (the feeling that auditors are performing in a manner at variance with the beliefs and desires of those for whose benefit the audit is being carried out) do exist and are brought into play in audit situations. Audit quality has to be attested and objects such as the ones that have been mentioned in the previous paragraph are essential to demonstrate quality. Great auditors in this world are accountable professionals, that is to say, professionals whose work is traceable (hence the importance of "paperwork") and whose judgement can be justified. "Small" auditors are those who are un-efficient, that is to say, according to the etymology of "efficient", those who do not "achieve"; those who -however "inspired" they might be- judge without actually "doing" anything to justify their judgement. Of course, this world does not preclude judgement, but it nevertheless channels it by introducing the notion of "audit standard". Before we move on in the next section to the way the trial between the inspector and the inspected practitioner was eventually resolved, we need to realise what has been made visible, and therefore questionable, through this trial, in the audit assemblage

Making things visible

The JMU inspection could be first of all interpreted as a disciplinary exercise. Foucault (1977) has analysed the transition operated by modern societies in the conception of deviance from criminality to abnormality. He shows (Foucault, 1977, p.193) the role played by the micro-technologies of surveillance, judgement and examination to discipline behaviour and to operate a connection between power and knowledge (particularly those human sciences 'employing the root "psycho"). As far as examinations are concerned, the

gradual supplementing and displacement of oral examinations by written ones, and the increasing evaluation of performance via numerical forms render humans “calculable persons” and ensure that writing is privileged as the means of (objective) truth and subjective meaning. Regarding audit, “normality” is actually a very recent notion. In the United Kingdom, for many years, the leaders of the accounting profession were reluctant to issue guidance to practitioners, apparently in the belief that procedural matters were best left to the professional judgement of the individual (Humphrey, 1991). The lack of standards entailed therefore the development and consolidation of different styles of audit practise in accordance with the size and nature of the firm and of the client. As shown by Power (1997), large firms quickly adapted to the highly procedural and sample-based nature of auditing for large entities by setting up standardised work programmes and a hierarchical organisation of the production of expertise. Although the ICAEW had engaged in the process of standard setting by the issuance in 1961 of -advisory rather than mandatory- statements (the “U-series” statements), it was not until 1973 that a formal standard setting committee was created, the Audit Practices Committee, later (1991) replaced by the Audit Practices Board.

The whole logic of inspecting which sets audit practice as normal practice contributes in the first place to make visible the fact that behind “audit” and its final “visible” mouthpiece, the audit report, there are many ways to reach an audit judgement. This is in part inherent to the nature of audit itself. Audit requires a certain form of “obscurity” to be performative (Power, 1997). In the case of the “expectations gap” debate, Power (1997) has demonstrated how the existence of a gap is an integral part in the performance of the audit ritual. Belief in the fact *that* auditors do something instead of knowledge of *what* they do, buttresses the legitimacy of audit procedures and the production of assurance. Playing on the invisibility of what lies behind audit, the inspection trial imposes a definition of audit that is precisely amenable to inspection and evaluation. Audit is now the art of complying with audit standards. The definition of audit as what auditors do, which is bolstered by the audit assemblage is questioned. Audit is now what compliant auditors do.

The fact that non compliance with audit standards was reported as being essentially prevalent in the small practitioners world, sheds light on a second element of the audit assemblage. As the reader shall remind, Boltanski and Thevenot establish a parallel between unjust situations and dis-adjusted situations. It is therefore natural that situations that

the inspectors found to be dis-adjusted (because of the lack of the elements that compose a “natural” situation in their world of reference) were also found unjust by the inspected small practitioners. The aggregation of the results of the inspections carried out in the smaller firms produced an image of something that everybody knew as existing but which nobody could define precisely: small practice as a professional category. Of course, as we said in the first section, a reflection on the differential nature of the small practitioner had been conducted and occasionally some “representative” small practitioners had even been asked to describe their professional lives and to comment on their particular problems. However, the action of the JMU, because it involved all the parties to the small practitioner question,¹⁹ created a focal point towards which diverging conceptions of small practice could converge. On the basis of the image produced by the JMU, a whole set of attitudes, ranging from apathy to active and organised dissidence could develop to actually represent (in the three meanings, cognitive, statistical and political, of this word)²⁰ small practice. At the beginning of 1996 the Small Practitioner Association (SPA) was created by a reduced group of, mostly, sole professionals. It is worthwhile noticing that the SPA has been set up as a lobbying association with a clear anti-audit position. One of the objectives that is stated in its advertising brochure is that it will put pressure on the DTI for the raising of the audit threshold.²¹ This position is all the more surprising since audit had been for many years advertised as being the bread and butter of the small firms, especially since it was very often associated with the commercialisation of accounting services.²² The emergence of alternative forms of representation of small firms than the only ICAEW makes visible the heterogeneity behind the professional accountant category and questions the solidity of the link between audit and professional auditors (insofar as, especially in the case of small companies, auditors and accountants are one and the same professional).

¹⁹ I.e. the small practitioners and those who claimed to represent all the practitioners, including the small ones.

²⁰ See Desrosières & Thevenot (2000).

²¹ That is to say the threshold (in terms of turnover) under which companies are not required to have their accounts audited (see the following paragraph). “Audits for us are the exception...whereas the Institute because of its majors [the bigger firms] involved with the public companies doesn’t understand what we are talking about and therefore they are against it [the suppression of the audit requirement for small companies] because it is their bread and butter, while at the end of the scale it is a superfluous activity. In an owner-managed company there is nothing to learn from the process. (Interview of Peter Mitchell, head of the Small practitioner Association).

²² In other countries such as France, the provision of accountancy and auditing services by one professional to the same company is forbidden on the grounds of the necessity for auditors to remain independent. See Mikol (1993). The SPA position is justified by the cost for small practitioners to comply with the new regulation of audit.

There is one last thing that the inspection trial contributes to making visible, by illuminating simultaneously audit and auditors. It is the hierarchical structure of the professional body. We have seen that the JMU inspections were based on the compliance with standards of good practice. Yet, standards of good practice are not neutral. They are produced by committees which are supposed to represent the whole profession but which are actually dominated by the ICAEW top firms (Willmott, Sikka & Lowe, 1989) and by concerns driven by the audit of large and mainly listed companies. Evidence of this can be found in the way the problem of the audit of the smaller company has been dealt with. Indeed, since the drafting of a Green paper by the DTI and the Audit Practices Committee on the verification of small companies accounts (1979), the debate on the need for different standards in a small “environment” has been deviating to be encompassed by the issue of the lifting of burdens on small businesses (Page, 1991). As far as audit is concerned, the development of this programme fostered by the Tory administration in the 1980’s has ended in the resolution of the small company audit issue by raising the audit threshold (i.e. the limit in turnover and/or number of employees below which a company does not need an audit) and not by setting a different auditing framework for the auditor of the small company. Therefore, one is an auditor or one is not: if one falls within the first category it has to apply the same standards of practise whatever the client. Thus, while the differential nature of small companies audits has been recognised, it has not entailed any differential treatment for the small auditor. Standards of good practice are therefore oriented by the conceptions of the audit practice that dominate in bigger auditing firms and that are conveyed through the elaboration and implementation of these standards.

This last argument might seem to be in contradiction with what Boltanski and Thevenot argue about the need of domination to be always legitimated in order to become operative. The inspection process could indeed be interpreted as the means the large firms have to surreptitiously impose their conception of professionalism to the remainder of the professional body. To take into consideration such argument Boltanski and Thevenot suggest the following case : in a world where slaves would be confined to a state in which their possibilities to criticise would be reduced to the minimum, masters could become gods and show their will without any sort of justification. However, the introduction of a radical discontinuity between the dominants and the dominated would abolish the situations in which the dominants’ power is exerted, and, the sense of superiority of the masters would be lost. The construction of a world within which the rationality of action can be challenged by

criticism implies the sharing of a minimal “equipment” between the components of this world. Big firms can only exist as “great” firms because they are part of the same world of reference as small firms. The particularity of the JMU inspections is that they established a link between accountants that were normally very distant parts of the professional body (as I have said, the JMU was sometimes the first contact some practitioners had with their institute since they had qualified). If the domination of the big firms was to be preserved, if it was still to make sense, the JMU monitoring procedures could not keep with the “brutal” and inquisitive line they first took. The audit assemblage had to be rebuilt around another set of elements and another style of regulation had to be defined.

Auditing the auditor: the second phase of the JMU and the restoration of professional peace

After 1994 and the achievement of a full round of visits, the JMU was able to provide the DTI with a picture of audit compliance in the UK. On the basis of this picture, a special report on the means to improve the monitoring process was redacted by professor Moizer (Moizer, 1994).²³ In response to the concern the first inspections had raised, especially among the small practitioners community, the report advised a radical change in the design of the monitoring procedures. Auditors rather than audit should now become the focus of the revamped visits. In this section I am showing that this new conception of inspecting was more than simply a change in the way the regulation was enforced. It also meant a reconstruction of the audit assemblage that would establish again the belief in the relation between audit and auditors.

Auditing the auditor: the learning curve

After the Moizer report, the philosophy of JMU inspections underwent a severe transformation. In association with a change at the head of the monitoring body²⁴, the initial inquisitive approach was dropped and replaced by a risk-based analysis of compliance with

²³ Moizer also assessed the ACCA monitoring procedures and found that they had met a much greater acceptance among this body’s membership. This is not surprising given that the membership of the ACCA is essentially a membership of small firms and that, therefore, inspectors were coming in their majority from a small firm background.

²⁴ Jo Holden was replaced by Stephen Thomas, a former Coopers & Lybrand partner. Rumours spread that Holden had been sacked by the Institute because he was perceived as being too closely associated with the first and tough period of the JMU. (Accountancy, 0296,p.24).

audit standards and on a verification of the firm's own quality control procedures. The JMU started working by identifying "risk factors" on the annual returns (that is to say, the questionnaire every firm has to fill annually on its licensed activities). These factors included significant changes in the profile of the firm's audit clients and their distribution amongst principals and staff; audit appointments which were the subject of specific regulation (for instance life companies or banks) and material changes in the level of audit fees from one year to the other. The "risk-based" approach set the pace of the visits: to identify and deal with certain situations which are perceived as carrying risks or to take into account the public interest. Thus firms which audit a number of listed companies are reviewed every 3 years, with an annual interim update visit. Those with fewer listed clients are reviewed every 5 years. Instead of examining audit files the JMU also changed its strategy to an indirect quality control based on the assessment of the practitioners' control of their own files. Firms had to compromise to install internal control systems such as "cold file reviews" (review by the auditor or by a partner in the firm or else by a peer outside the firm). The safety and efficiency of these control systems would be in turn tested by the JMU inspector. Thus, in a sense, the inspection work would become collectivised within the profession.

Although the Moizer report presented the new philosophy as a more economical way to monitor compliance (visits would take less time and involve a lower rate of inspectors by firm), a lot of emphasis was put on the advertisement of the new JMU approach as an educational process. Articles were written in the professional publications, road-shows were organised to introduce the proactive side of the monitoring process. Somehow, the education of the practitioners had already begun during the first phase of the monitoring, especially in the smaller firms. In the absence of written procedures the inspectors had indeed to learn about the "natives' audit culture" in order to be able to conduct visits based on the compliance with standards. This is why the inspectors I have interviewed often mention the metaphor of the "learning curve" to describe the monitoring process:

The JMU has been learning by inspecting, and defining progressively what an audit was about. The small firms were good at preparing financial statements, at keeping the books. They had a strong sense of independence and ethics. Ethical standards are very important for the small practitioners, they are taken seriously. So, indeed there has been an evolution in the JMU as they were learning about the small practitioner's world [...] Yes, I think you can call that "a learning curve". Now, it's been 6 years since the enforcement of the regulation and the JMU has proved efficient and the standards have gone up a

lot. They have perceived their role and they have adopted an educational stance. (JMU inspector).

Once the inspectors had learned how to cope with the sort of audit cultures that were most distant to their own, the possibility of a compromise could emerge. Inspectors had the possibility to be less nit-picking and to understand that, for instance, in the small company environment many things do not require to be written to become visible, because of the mutual trust that is produced by the face-to-face relation with the client. Yet, according to Boltanski and Thevenot, compromises are fragile makeshifts. They will not stabilise the allocation to a “world of reference” of the objects and beings at play in the situation. Within the situations created by the brutal and inquisitive first stage of the JMU, practitioners were still at the exclusive mercy of the inspectors’ decision whether to be understanding. In particular they had no participation in the constitution of the final evaluation of their audit practice. In a system in which audit quality is a product of audit monitoring rather than of audit itself, this meant that small practitioners had no resources to build themselves as “great” practitioners, outside of the decision made by the JMU inspectors. If “professional peace” was to be preserved, small practitioners had to be given this possibility. A modification of the audit assemblage was required in order to allow this assemblage to support again the belief in audit as what auditors do.

Auditors as auditable objects

On the other hand, you also have people that have made money from the regulation selling packages of what should be a proper audit and how to comply with the JMU requirements. (ICAEW official).

As it has been said, the new monitoring visits are based on a control of the firm’s own internal control procedures. Thus, new visits partake much more of a fully fledged audit than of a process of inspection.²⁵ Practitioners have to learn how to apply audit standards. To reach such a goal, a new set of objects is brought in the audit assemblage: “be a good auditor” or “all about the JMU” packages, check-lists, cold file reviews, consultation arrangements etc. The initial regulatory style raised fear and anger because it unveiled the logic of small practice by trying to impose on small professionals a system of representation that was completely extraneous to their way of conceiving of audit practice. The new regulatory style has soothed

many of the small professionals worries and complaints and the outrage that was expressed in earlier times about audit monitoring has substantially subsided. Indeed, the revamped procedure of assessing the professionals' performance precisely proposes to reconstruct the audit assemblage. It allows the small practitioner to be constituted as an auditable object, that is to say within a procedure that defines at the same time the object and its measurement (Power, 1993). "Auditing the auditor" conveys a representation of the small practitioner as matching the new monitoring requirements (which are, once more, based on the existence and good functioning of an internal control rather than on the direct assessment of standard compliance). It therefore operates a decoupling (Powell & DiMaggio, 1991) of the inspection procedure from the actual audit work. It also makes the small practitioners participate in their own representation as good and compliant auditors.

Thus, in the new audit assemblage small practitioners and large firms become "commensurable", that is to say that they can be measured within a same space and identified by the use of common notions. The new version of the monitoring procedures restored peace by creating a world of reference in which small firms can also be "great" firms. However, in this respect, the supreme irony of the new audit monitoring regime is that its proactive and helpful image is based on the small practitioners becoming in a way the audited clients of the JMU. As the Moizer report recalled in 1994 (p. 4): "the purpose of the visit was not primarily to improve the practices of the firm visited but to improve the practices of the general population". This improvement has indeed been the consequence of a complete subjection of the small practitioner to a similar pattern of producing expertise (or at least of accounting for expertise) as the one that is characteristic of bigger firms, that is to say by the most complete denial of what used to be the small practitioner's own way to work.

Some concluding comments

The aim of this paper was to analyse the impact of the implementation of professional quality control procedures for the performance of audit itself. I have tried to demonstrate that this analysis can not be separated from the problem of the definition of professional identities. What emerges from this short journey into the recent history of the British accountancy profession is the essential fuzziness of the notion of professional

²⁵ See Power (1997) for the different modalities of evaluating in general and in particular for the difference between an audit and an inspection.

accountant (and auditor) and of the notion of audit itself. Monitoring procedures certainly contribute to establish more firmly what an audit is (or ought to be). Still, this process of establishment carries the cost of making visible what lied behind the audit assemblage and which, because it remained invisible, produced the belief in audit as what auditors do. To re-establish this belief at the same time as to restore professional peace, a new process of making things invisible has to take place. This is exactly what is achieved by the “second JMU” and the redefinition of audit regulation.

Two sets of conclusions can be drawn upon this situation. First, the JMU and other professional monitoring institutions are probably symptomatic of a new era in professionalism when pressures for greater accountability coming from the outside have to be managed by professional bodies. If we believe Elliott Freidson (1986), professional power (or professional autonomy as he prefers to call it) derives from the ability and the privilege of professionals to control the content of their own work. In the case of the accounting profession in the UK, this is no longer true. The days of the sanctified professional judgement seem to be gone as the definition of professionalism is becoming more external to the professionals themselves, to their own judgement and subjectivity. The definition of what is a good professional or what is an efficient professional used to depend on this professional judgement which was supposed to be equally shared by every professional and left to the individual to decide. It seems now to derive from these technologies and programmes through which efficient and good practice are made visible.

Another set of conclusions appears however to be more important. It concerns the way professional power and dominance is exercised within the professional community. The big accounting firms might be decried by some politicians and some members of the accounting academic community as controlling the profession and making the small practitioners foot the bill of their major sins. However it does not seem sufficient unto itself to pillory these firms (Fabian Society, 1991) to account for the kind of domination they exert over the profession. Much more powerful therefore seems to be the enforcement of standards of good practice as being neutral and disembodied when they actually betray the fact that expertise in standard setting and applying has for a long time been the preserve of the bigger firm. To the regulator, what the technology of representing and evaluating the individual auditor makes visible is the individual auditor him or herself (and the JMU inspections have been described to me by many of my interlocutors as a means of

monitoring but also literally as a means of “knowing what was going on down there”). To the social scientist, this technology might also render visible the hierarchical organisation of power and legitimacy within the profession and the way dominant and dominated conceptions of professionalism and of the value added by the professionals are therefore likely to be enacted. As underlined by Miller and O’Leary (1987), calculative norms and standards that aim at representing are not neutral. “Through such norms and standards the inefficiencies of the person were rendered clearly visible” (ibid., p.239). What I have tried to show in this paper is that these standards and norms do not only make individuals and things visible. They also contribute to naturalise categorisations and classifications. As Bourdieu points it out “power is never as arbitrary as when it is ignored as being such”: the power to assign individuals to a certain category, whatever the degree of “objectivity” of this category does also lie in the apparent neutrality of the instrument of power, in the denial of power much more than on its assertion.

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