

Advanced Auditing - Week 2

Michael Kiersten

September 30, 2025

1. The paper states that the psychological mechanism of unconscious and unintentional bias at the point of making judgements is causing a lack of independence. In a world without the restrictions of tight-regulations and business expectations having an auditor make bias-free judgements may be something that is more probable. Given the current way things are conducted, it may be so that an Auditor is unable to make judgements that are not clouded by bias. This is something that can be factored into. Modern businesses, say Google are clearly moving away from a difficult boardroom atmosphere into a relaxed business setting and this may be something for Auditors to think about when having to make calls on independence. A more-relaxed atmosphere may aid a group discussion that could enable there to be better judgements made. This paper was written in 1997 and these updates could be more likely made in to-days corporate world. In summary, making judgements may be easier if there was a low pressure environment in which discussions could be carried out.

2. High competition for clients in auditing means low fees are put forward to wean the client in. This strategy works to on-board the client successfully but they may sacrifice the quality of work to secure the relationship for future years through maintenance of a steady relationship. Less of the total of all of an auditing companies fees are made from audit work, this means having a negative audit puts more on the line than just audit work income. This also ties the auditor to the client slightly and means they may be more lenient with their opinion. This is obviously not good for an independent opinion on the companies financial statements. It marrs the possible level of objectivity that could be provided by the auditor if fees are a consideration. This is where an auditor may struggle when forming their opinion.

3. Audit rotation would stop there being such an enmeshment between the two firms but this can only partially solve the issue of independence as there are other firms that auditors work with so the closeness mechanic isn't probably a strong force, but a weak one.

If firms were to only perform accounting services then more attention would be put on the audit work which would likely mean that the issue of independence was something that was avoided more often due to less interference of other services and less unconscious bias. Also the quality of the audit may improve with more focus being placed upon it. The issue with this tactic is that it hampers auditors ability to make money. They will lose the position of offering other services and possibly dry up in revenue, obviously possibly causing closure of some branches. It is a punishment and restriction of freedom to correct the action of auditors, which might not prove a successful strategy.

Increased liability is a direct punishment for wrong-doing. The fire under the auditor to do better is started here. It would be effective in so far as fear of punishment and a want to do good are motivators. This is highly-effective, but may not have independence become something that is a standard behaviour. Punishment is an excellent motivator but this strategy would have to be used in conjunction with other tactics to have a appreciable impact.

Technology can be used to somewhat cover the issue as it has the ability to have an overview on each part of the audit process. This helps there be less that is done by an auditor and more done purely by process. The paper was written in 1997 and today's technology possibly stands in a better position to cover all tasks, say with agentic AI, but the paper's point is valid. AI and blockchain can measure many parts of the business together, but the removal of an auditor checking internal controls within the business environment is still possibly a long way off. The implementation cost of a full-scale technologically audited business is also probably still very high. As such a large enterprise may introduce it but world-wide adoption seems unlikely.

Government audit is a good one as a nationalised audit would move away from there being so much difficulty in pinning down who auditors were. To return to last week, it would probably become very easy to close expectation gap when audit was part of public services. There would be more funding to use on visibility campaigns and proceduralising of audit for every business. Independence may benefit from the spotlight of it being a public service. The political pressures are to be contended with as it would become something people cared about funding being directed towards, and this could ultimately hamper the audit profession.

Insurance policies could be successful but it seems like an academic exercise that may not be applicable in the industry setting. There seems to be a loss of identity of the auditor. The power structure is changed but this does not seem to be in the best interest of the audit profession.

4. True auditor independence may not be possible given the poor psychology/behaviour of auditors but it certainly isn't something that is literally impossible. Auditors may have difficulties in establishing a firm and fair relationship with clients in order to not break independence, but this could be done. The goal is clear and the breaking of independence is avoidable. There may be much re-working required to find an equitable way for independence to come about, whether overt or not, but it probably shouldn't be abandoned all-together as something that is too lofty an ideal. Bounded rationality here seems to be irrelevant. The audit report's credibility might be impaired currently, but this will strengthen if the audit profession continues to improve. Isolated incidences of lacks of independence may do harm to the credibility of the audit report but, these can be manoeuvred past and they can be obliterated. Overall, the movement here seems to be as long-term a goal as having a professional expectation of a good-working psychology, it isn't something that can be implemented once, but, the current obstacles can be gone past in the ultra-long-term.

5. There are 3 levels to the construction of meaning through social interactions that are looked at in the paper, Micro, Meso and Macro. I think it is important to firstly put down that the construction of meaning through social interaction is what is being looked at here. Construction is a personal process and it is what is being studied. Meaning is a thing shaped by each individual if they choose to do so.

Micro level construction of meaning through social interaction looks at how someone might construct meaning through social interaction on an individual level or self-reflexivity. Though the author notes an idea of self, which isn't very clear, self-reflection and self-awareness are the important terms that are looked at here. It is built as how can the practitioner take in from his experience and his thinking to arrive at what independence is. The individual level is concerned with interpreting symbols and meanings and empathy.

The Meso level consists of interactions within the team and at the level of the organisation. This is related to business conduct and performance of duties. It pertains to the actions of the organisation. It is learned in the business and passed down by those who are in a senior position in the business.

The Macro level is concerned with politics, socio-economic structures and culture. It is the environment the business operates in and the governing ideology of the area. It guides the governance of the business and its interactions with the world. They are important to inspect as it gives an idea of how one might construct meaning during their lives given the political and socio-economic and cultural state of there place of work. This relation to audit is important as it means there is a view of how each of these interplay to shape the values and beliefs of each practitioner, and their views on independence.

It is useful to be able to inspect the construction of meaning at each of these three levels for insights.

6. Institutional differences mean there may be a difference in emphasis of what audit independence is, but this does not intrude on the concept of auditor independence in principle which is universal. Institutional and economic systems are differing in how they present audit. This leads to some differences, say possibly in construction of meaning through social interaction, and construction of perceptions of the audit position each professional holds. An auditor is someone who has a quantifiable position and a service they provide. The service may be spoken in different languages and done in different attires across the globe but the essential essence of auditing is the same.

7. This type of paper, i.e interpretive, has thus far in the course (i.e Sikka) set out some broad definitions of reality and then used them to guide discussion on Audit concepts. This allows the writer room to inspect auditing and helps the reader gain perspective. It sets down some basic structures and then goes through how they may highlight audit ideas. It is something that can be thought of as significant given that it might change the understanding that a person had of the subject. This connotes value and a contribution to readers. An ability to interpret the reality around us in succinct ways means that there is space for the reader to make their own judgement s about reality and bring forward their own ideas that may align with or challenge what has been presented. This helps people learn subject matter in a deep way as they are considering a broad range of arguments and ideas within the given context and refining them into cohesive points.

8. The two firms take differing views on how best to conduct themselves. This leads to differences in construction of meaning through social interaction and overall differing views of independence. This point is similar to the model differences in question 6. with more or less differing views building up to there being different ways of viewing what is essentially the same thing. This can help auditors navigate the profession in a holistic way, with their businesses guiding their conduct. There may be difficulties here if the practitioner is of a different mindset than the business. Having the meaning built form within the business has obvious advantages. These include having workplace cohesion, ability to create competitive advantage and a sense of workplace spirit/pride that can guide the conduct of the auditors.

9. The paper has a part in the discussion of consistency of global standards given that there is consideration of both interpretivism and a case study of two companies in one country. This adds to the discussion by highlighting the power structures and values of Saudi Arabia as it stands currently and letting the user take the first part and apply it to the country and then possibly elsewhere. This means that difficult ideological concepts can be moved by the reader and let them have a better understanding of how they can be applied. The ease of writing on the second half lends itself to a deeper analysis for any interested party to have a full grounding in interpretivist ideas and therefore consistency of standards. and where it is from.