Auditor-client Communication:  
A qualitative study on the effects of auditor tenure, feedback, and dissemination of communication.

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Abstract

Communication between auditors and their clients is a big part of the audit engagement. It is therefore contradictory that communication within audit engagements is an under-researched area. More research is needed to understand how it functions and what affects it. By exploring this area, both auditors and their clients will understand each other better which can improve their relationship. The little research which does exist in the area has focused on audit quality, with communication as one element of audit quality. This thesis expands on this by investigating communication between auditors and audited companies, more specifically we look at the effects of three factors: auditor tenure, feedback from the auditor, and dissemination of communication. These factors have been identified by using a deductive approach. This lead to the formulation of the following research question:

*How do the factors feedback, dissemination of communication, and auditor tenure affect the communication between external auditors and an audited company’s team?*

There are rules and guidelines available for the auditor on how to communicate with those in charge of governance of the audited company, such as managers. There are however no rules or guidelines regarding how to communicate with the personnel at lower levels. This lead to the purpose of the thesis being expanded to also investigate the differences in opinions between employees and managers.

To answer the research question, a qualitative study has been conducted with the help of semi-structured interviews with staff members of audited companies in various industries located in Umeå, Sweden. An exploratory approach has therefore been utilized. The interviews were transcribed and analyzed using discourse analysis where patterns in the language were identified.

The findings from the interviews indicate that auditor tenure and feedback from the auditor have significant effects on the communication between auditors and their clients. The particular effects of these factors were identified as well as differences between managers and employees. Dissemination of communication does not seem to have a very large impact on the communication in an auditing engagement, although the internal dissemination was found to be an issue.

**Keywords:** “Audit”, “Communication”, “Auditor tenure”, “Feedback”, Dissemination of communication”, “Audit client”, “Audit engagement”.

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Appendix 1 – Interview Guide
Chapter 1. Introduction
This chapter discusses the background of the research problem and briefly examines existing research in the area of communication within auditing in order to identify possible research gaps. These gaps are used to formulate the research question as well as a description of the objectives and purposes which are the center of this thesis. A discussion of the practical and theoretical contributions which the thesis aims to provide is also included. Furthermore, delimitations of the thesis are described with explanations as to why certain aspects will not be included.

“In God we trust, all others we audit”

-Hubbard & Johnson, 1992

1.1 Background
The idea of this thesis draws some inspiration from a discussion with a friend of the authors who once discussed his experience as a summer intern working in the accounting department of a company as a financial assistant. The authors were intrigued by one small detail brought up in the conversation, namely his colleagues’ negatively preconceived opinions about the external auditing process. These colleagues felt that the auditors were more of a nuisance than anything else. From this the authors got the impression that there was a lack of information about the audit process to his colleagues, which created the tension. This led to the conceptualization of the idea to research further into the role of communication in the context of an audit engagement. Nelson & Tan (2005, p. 60) find that auditor interaction is one of the most under-researched areas in auditing, and as such there may be fruitful opportunities to conduct research with interesting results in this field.

Many companies purchase external auditing services. What makes an external audit different from its internal audit counterpart is that the auditing is performed by an auditor who is not employed by the audit client (Eilifsen et al., 2014, p. 30). By purchasing an audit service from an auditing firm in the form of an external audit, the company as an entity becomes an audit client (ISO, 2011). The relationship between an external auditor and the team of an audit client can take many different forms. The meaning of “team” in this context is the personnel within the audit client that in some way is associated with the audit, or have contact with the auditor. There are rules and regulations that impose limitations on the relationship between the two parties. In Sweden, one example is 17 § in the Law on Auditing (Sw.: Revisionslag) (SFS 1999:1079), which states that the external auditor cannot be related to a member of the client’s board of directors. An example from America is the rule which demands a form of written documentation of understanding between the parties (Gibson et al., 1998, p. 53), which often takes the form of an engagement letter. Many, if not most countries have rules or guidelines similar to these examples. Such rules attempt to guide external auditors and their clients in a way that clarifies what is acceptable or not in the context of their relationship. In a situation where the external auditor and the client have expectations on each other that are aligned with their own idea of their respective roles, the risk for miscommunication decreases.

Even in a case where the external auditor and their client have communicated their expectations of each other in a manner such that both parties feel confident that they understand each other, there is still a risk that this communication does not reach everyone.
within the client firm that could benefit from receiving it. This could affect the relationship negatively as individuals within the audit client team do not understand the value of external auditing as well as their colleagues.

1.2 Framing the research question
Our focus will be on studying the communication of external auditors rather than the internal auditing function. The reason for this is that by including external auditors in the process, the study will be relevant for more entities. If internal auditors had been examined instead, the thesis would primarily be relevant only for companies. By using external auditors the scope of relevance is widened while still maintaining the same area of research. In the same vein of expanding the relevance of the thesis, we will base our research around the opinions and attitudes of both management and employees, the thesis will hopefully yield interesting results when comparing the responses from these parties.

Why specifically management and employees were chosen as the subjects for investigation is due to there being significant gaps in regulations for communication with clients at the employee level whilst there exists guidelines and regulations for what, when, and how to communicate with audit clients at a managerial position (AICPA, 2012). Since there are visible gaps in the regulations and guidelines regarding communication with employees it opens up the opportunity to investigate how this communication takes place by looking into real life situations where this type of communication occurs, and if such communication results in tangible benefits for the employees, the company, or perhaps both.

As was mentioned in the previous paragraph, our focus will be on studying the communication between external auditors and the audited company. To elaborate on this, three factors which may affect the communication have been identified based primarily on previous research (see section 2.4). The three factors which were identified will from this point forward be referred to as feedback from the auditor, dissemination of communication, and auditor tenure.

Golen et al. (1997, p. 29) illustrated the importance of an auditor’s feedback. A lack of feedback from the auditor was ranked as both one of the most frequent as well as one of the most severe problems companies experience when communicating with their auditors. The study did not delve deeper into why this was perceived as such a serious problem in the eyes of the clients however, and this will therefore be our focus when investigating the effect an auditor’s feedback has on communication. We aim to investigate how the team of an audited company perceives that the feedback from their auditor affects their communication with them, as such findings can provide valuable insights for both parties on how to maximize the efficiency of their communication efforts.

With dissemination of communication we mean the spread of communication from the auditor to the various hierarchical levels within the audited company. The reasoning for using this as one of the factors which will be studied can be traced back to the conversation with our friend which was laid out in the introduction. Our friend felt that the auditors did not communicate very well with the lower level employees of the audited company and those employees did not feel very motivated to help the auditors as a result. We therefore want to ask the teams of audited companies if they believe that this is an important aspect of their communication with the auditor. We have been unable to find academic articles or similar studies which examines the role of the dissemination of
communication, i.e. how communication between the external auditors and the audited company reaches every part of the audited company. The lack of studies on the topic shows evidence of a gap in the research on communication with the audit client. Guidelines for communication with the managerial level exists (AICPA, 2012). However, we have been unable to find similar guidelines for communicating with other levels of employees within the audit client.

Auditor tenure, the period of time the auditor has worked with a client, is seen as a factor which could affect communication. This is due to previous literature by Junaidi et al. (2012) and Fontaine et al. (2013), which can be interpreted in a way that suggests that the length of an auditor working with a client can result in a stronger auditor-client relationship, and consequently result in better communication between the auditor and the client. The researchers themselves have not tested if this relationship exists due to it not being the main purpose of their study, so it leaves an interesting gap to look further into.

It is important to note that the three factors which have been chosen here do not represent communication between external auditors and their clients as a whole. There are a myriad of potential factors which determines the way auditors communicates with their clients. We have chosen to limit ourselves to studying the importance of a selection of factors in order to not dilute our research in the area. Instead, it will be focused on some selected factors which will allow us to provide more definitive results on their importance for communication in an auditing engagement. Future researchers could either find new variables to examine, or use an inductive approach and attempt to determine the most important factors for effective communication in an auditing engagement.

1.3 Research question
While some of the previous research focuses on the communication in the context of an audit engagement, the factors commonly found when such communication functions well has so far remained an unexplored area. This research gap is what we aim to shrink in this thesis. Attempting to look closer at some of those factors being the goal of the thesis, the research question we have formulated is the following:

*How do the factors feedback, dissemination of communication, and auditor tenure affect the communication between external auditors and an audited company’s team?*

1.4 Research purpose
This thesis will investigate each of the three pre-chosen factors individually, with the main objective being to determine their effect on the communication in the context of an external audit. In addition to studying the effect on communication of these factors, another purpose is to also investigate the reasons why or why they are not seen as important. Do the interviewees simply not care if they receive e.g. feedback or are there other forces at play? We also aim to examine if the opinions on the three factors differ between managers and employees in order to see possible differences between them. Furthermore, we want to review what these two parties believe could be done to improve communication in areas concerning the three factors. Attempting to measure the exact importance of the factors (e.g. ranking them on a scale from 1-10) will not be our focus,
the focus is rather to measure their relative importance to each other as seen by employees and managers.

In regards to dissemination of communication, the purpose is to research the possibility that it could benefit the audit client (as well as the audit firm) that the auditors explain to lower level employees within the client what information and which documents they require from the client and why they need it to facilitate their auditing, even if those employees are not directly affiliated with the auditing process. If such benefits are identified, it would be interesting to follow up on it and to ask those companies if they actually make sure that every level of their organization is included in communicating with the auditors. By interviewing both managers and employees an additional purpose is fulfilled, it creates the possibility to look at how or if different hierarchical levels see and value the determinants differently.

1.5 Theoretical contribution
Research in the area of communication within the context of an external audit process has so far mainly focused on how communication is used or its importance for audit quality, as will be elaborated on in section 2.4. There seems to be a gap in existing research when it comes to what constitutes effective communication, as such this thesis will utilize this unexplored perspective with the intention of evaluating the effect of three factors on the communication in the context of auditing. Such findings will elaborate on existing research within the field of audit quality by clarifying how to achieve effective communication between external auditors and an audit client team, after the fact that communication skills has been found to be one of the common characteristics of lead auditors (Abdolmohammadi et al., 2012, p. 12). Furthermore, the factor dissemination of communication seem to not have been covered by previous researchers. Other than this one, the factors we have chosen to study the importance of have at some point been mentioned in articles or other research.

While a research gap has been identified and the objective is to explore it, another large contribution of this thesis which deserves to be mentioned is the bridging of the gap between the findings of previous research by connecting several different perspectives, such as the example shown in the previous paragraph where existing findings will be applied to another setting. Furthermore, most of the references cited in this thesis which have studied the communication between external auditors and their clients use the perspective of the auditors. A “reversed external communication perspective” will be used in this thesis meaning that the perspective of the audited company will be used instead, which could reveal results that would not have been possible otherwise.

1.6 Practical contribution
By investigating the effects certain factors have communication both parties in an audit engagement will be able to use this knowledge in order to enhance their efforts in these areas, to get a better relationship between each other and improve the audit quality. The possible difference in opinions between managers and employees on the factors effect on communication will also be examined, which will shed light on a perspective which seems to have remained untouched until now. The thesis consistently utilizes new perspectives on subjects which have already been covered as a result of this double perspective. This creative spirit is also reflected in the case of auditor tenure as we will
focus on how communication is affected, whereas previous researchers have looked at how the independence is affected. Regardless if the results indicate that none, some, or perhaps even all of the factors have a considerable effect on communication, the thesis will have contributed practically to the auditing community as the communication between external auditors and their clients can be optimized by knowing which factors are important and which are less important to focus on improving.

1.7 Delimitations
This thesis will not study the perspective of the auditors in the communication between them and their clients. This fact may seem contradictory when considering that external auditors were chosen in favor of internal auditors as the counterpart to the company. The reasoning for choosing to neglect the auditor’s perspective is that the authors’ brief contact with a CPA in regards to the subject at hand left the impression that this area is sensitive to an auditor. Auditors work under strict restrictions on what information they can share to outsiders and it could therefore prove very difficult to receive relevant information. As such, the research ran the risk of being hindered by attempting to include the perspective of both the external auditors and the audited company, which is why the thesis will focus its efforts on how the audited company interprets the communication between them and their auditor.

Our research will not attempt to explain why the opinions between managers and employees may differ on the introduced factors. Had this been included as an objective, the area of research would have been too wide and diluted, which is why the research purpose only mentions identifying and mapping out possible differences of opinion in the organizational hierarchy. If such differences are found between these parties and they differ by a large margin, an exciting avenue for new research will be opened up where another researcher may focus on this difference and explaining its cause.

Even though an external audit can be both mandatory and voluntary, this will not play a role in our research. We will note if the audited company has purchased external audit services because of legal requirements or their own will (e.g. wanting to appear more credible in the eyes of stakeholders or because of access to consulting expertise within the auditing firm), but we will not analyze it further. Doing so would extend the scope of research beyond what we want to investigate and for this reason we leave this aspect to future researchers if it is deemed interesting to explore.

Another important delimitation to mention is that the thesis will only focus on data gathered in the present and not focus on history. Because the data will be gathered via interviews, it is difficult to find data from the past and thus we are unable to compare if the results found by us today differ from what was found at some previous point in time. It is possible that future research in the area will yield results different from ours because of opinions changing over time, but this is naturally impossible to predict. It is therefore important for the reader to understand the time frame used in the thesis and how the results should be interpreted in the context of that time frame.
Chapter 2. Theoretical Framework

In chapter 2 the concepts and theories, relevant to auditing and communication, which are important to the thesis will be explained in detail in order to build a solid framework. This chapter will also examine previous research in the area of communication in order to further elaborate on the background for the factors we identified in chapter 1.

2.1 Fundamental concepts

A number of concepts and terms are the very essence of the thesis. In order for the reader to understand these key aspects which are repeatedly brought up throughout the thesis, this section will define and explain them in detail.

2.1.1 Communication & business communication

Plenty of definitions of communication can be found, with most of them describing essentially the same thing (Rayudu, 2010, pp. 2-3). One of the more reliable definitions is perhaps the one from the well-established dictionary Merriam Webster, which defines communication as “a technique for expressing ideas effectively” (Merriam Webster, n.d.). Business communication on the other hand can defined as a “process of transmission of information within the business environment” (Gopal, 2009, p. 3). As can be seen there is not a large difference between these two different areas of communication. What can be expressed is that business communication simply is communication that takes place within a business or with external concerned stakeholders of the business (Bovée & Thill, 2008, p. 4).

The concept of communication is not solely the expression of an idea to another individual or entity, it also requires the other party involved to act and respond in some way to the idea (Gopal, 2009, p. 12). How communication is taking place, for example, written or orally all depends on what the situation at hand looks like. To achieve effective communication one must find the most suitable way to share the ideas and information at hand, optimally all parties involved in the communication should have the same ideas and information (Bruckmann & Hartley, 2002, p. 5). Effective communication within a business environment is important due to its many benefits it brings to the company. Some examples include the stronger business relationship it creates, and the reduction of misunderstandings both within the company and with parties outside the company. This is due to the fact that without proper communication the person receiving information puts his own assumptions into what is meant by the communicated information (Bruckmann & Hartley, 2002, p. 23). Even though good communication is important and comes with many benefits, it is still easy to find examples of it not working as it should (Bruckmann & Hartley, 2002, p. 2).

Three factors have in this thesis been identified as possibly having an effect on the communication in an audit engagement, and as such the research conducted will determine if these factors affects the abilities of each party in an auditing engagement to express their ideas effectively in accordance with the definition from Merriam Webster. The concept of expressing one’s ideas effectively can be interpreted in more than one way however, and it is therefore important to apply the meaning consistently on the three factors in order to avoid this pitfall. It may prove difficult to measure the extent of how much a factor affects communication. To measure the effect of each factor on communication on a scale would quickly become too abstract to understand, and we will
therefore only attempt to determine if it has a significant effect after considering the larger picture from the interviews conducted and comparing answers between different interviews. Significant in this context does not mean statistically significant, but rather significant from the perspective of the staff of the audit client.

2.1.2 Internal and external communication
How to communicate largely depends on who is involved in the communication and what the person or party that starts the communication wants to achieve by it, therefore it is of significance to know with whom one should communicate and through which channels (Gopal, 2009, p. 13-14). One aspect that influences which people are involved in the communication is if it is internal communication or external communication. Internal communication “takes place between people inside a company” (Bovée & Thill, 2008, p. 4), whereas external communication “takes place between a company and outside parties” (Bovée & Thill, 2008, p. 4).

Internal communication takes place at and between all levels of hierarchy at an organization. Subordinates communicate with superiors and the other way around, there is communication between the departments, and there is communication between colleagues in similar positions as each other. It is naturally important to get all these aspects of internal communication to work well in order to promote harmony within the company (Gopal, 2009, p. 7). If this is put in relation to the audit, it becomes evident that internal communication is something that is important to have in order to get a well-functioning audit procedure. The right persons need to be granted access to the information which the auditor provides in order to be able to take action and adhere to rules and regulations which concerns matters of the audit.

External communication, however, as described previously takes place with the involvement of a person or persons outside of the company. A typical situation in which external communication is key, is the communication between a supplier and a client. Businesses have to deal extensively with external communication to keep their operations running. Without external communication it would not be possible to attract or retain customers. There would be problems managing the most basic things for the business, such as negotiating deals for leases and purchasing inventories amongst other (Large, 2005, p. 431). In the perspective of the auditor and the client, external communication is essential to be able to listen to the customers’ need, and also to keep the client informed throughout the audit. Without communication between the client and the auditor the audit would soon lose its value.

Both internal and external communication can take place with formal or informal methods of communication. Formal communication is when the communication is planned beforehand and takes place through channels which facilitates formal communication such as conference calls, meetings, reports, and many more. Informal communication is when the communication is more casual and spontaneous. Informal communication often takes place through methods such as emails, face to face conversations, and phone calls. It is worth mentioning that emails often is a communication tool both in informal and formal situations, it all depends on how the email is worded and the content of it. It is important to find the appropriate way to communicate, to utilize the best form of communication to convey your intended communication correctly (Bovée & Thill, 2008, p. 5). If it does not function properly the concerned party does not know what they are
supposed to do or why. Because of this they will not perform according to the expectations or take the right necessary actions (Bruckmann & Hartley, 2002, p. 2).

This study will consist of looking into both external and internal communication, since it will be looked into how the audited company's team communicates with the auditor and how this communication is spread within the company. It is therefore of importance that both the internal and external communication functions well in order for the communication to reach all the relevant individuals within a client's company.

2.1.3 Auditing

A widely used definition of the concept is the following: “Auditing is a systematic process of objectively obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between those assertions and established criteria and communicating the results to interested users” (Eilifsen et al., 2014, p. 12). Variants with slight deviations of this definition can also be found (Hubbard & Johnson, 1992, p. 10), (Dassen et al., 2005, p. 11). In other words, this definition suggests that auditing is used to increase credibility for purchases, sales, and other events the company claims to have during a fiscal year. This is done by examining evidence which confirms these events and examples of such evidence can be receipts and invoices.

The purpose of the increased credibility an audit provides is to reassure stakeholders of the audited company that the financial numbers presented by the company are truthful (Dassen et al., 2005, p. 3). An example is that stockholders use audit reports to examine how their funds are being handled by the company they invested in (Hubbard & Johnson, 1992, p. 10). To use another example, let us say a company asks a bank for a loan. The bank wants to determine the risk of the company not being able to repay the money borrowed, and therefore takes a look at the company’s financial statements. In the case where those financial statements have been approved by an auditor, the bank will find it easier to trust that the company will be able to repay the loan if their financial statements suggest that they can do so. Furthermore, a study by Blackwell et al. suggests that audited companies even receive lower interest rates on their bank loans than companies which have not been audited (1998, p. 63). An audit can be a very large process and dividing it into several stages can make it easier to understand. Eilifsen et al. suggests to divide the process into the following smaller parts:

- Client acceptance
- Preliminary engagement activities
- Planning the audit
- Consider internal control
- Audit business processes and related accounts
- Complete the audit
- Evaluating results and issue the audit report (2014, p. 18).

Dividing the audit into steps such as these helps both the auditor and outsiders to overlook the process in a more understandable way which is easier for the observant to digest. As we can read from these steps, a considerable amount of the auditor’s work is preparation for the actual audit which does not take place until the fifth step. The actual audit is only a step in the process. It is however in a majority of cases the most time consuming part of the process (Eilifsen et al., 2014, p. 19).
2.1.4 Internal and external audits
The International Organization for Standardization (ISO) separates audits into internal and external audits, and even further into first-, second-, and third party audits. Internal audits are first party audits, where the firm audits itself for internal purposes such as management review and improvement (ISO, 2011). While internal audits only includes first party audits, both second- and third party audits are considered external audits by ISO. Second party audits are performed by entities with an interest in the company such as customers, while third party audits are performed by separate and independent auditing organizations (ISO, 2011). External audits are in many cases synonymous with third party audits, and from here on forward this will be the case in this thesis unless otherwise specified. The important distinction between internal and external auditing is the independence of an external auditor, which is required in fact and in appearance (Hubbard & Johnson, 1992, p. 28). This means that the external auditor must ensure that his or her independence is not, even in appearance, compromised in the eyes of external observers as these are the people who ultimately puts their trust in auditing as a profession. If the general public do not trust the opinions of auditors the entire profession effectively becomes useless as the audit report would not increase the credibility of the items being audited.

2.1.5 Voluntary and mandatory audits
Companies have historically been able to choose themselves if they want to purchase audit services or not, but this has changed in recent times (Dassen et al., 2005, p. 47). Most countries have imposed laws requiring certain types of companies to have their financial statements audited, with such laws often targeting companies with large amounts of money in circulation. Governmental units are also often required by law to be externally audited (Hubbard & Johnson, 1992, p. 10). Laws regulating audit engagements have become more prominent in recent years. After the highly publicized auditing scandals at the beginning of the century involving, among others, the companies Enron and WorldCom and which brought forward the demise of the auditing firm Arthur Andersen & Co., the Sarbanes-Oxley Act of 2002 was passed in the United States which heavily reformed the rules regarding auditing and auditing firms (Dassen et al., 2005, p. 66). Some firms which are not legally required to have their financial statements audited still do so regardless as they believe that the benefits from receiving an unmodified audit report outweighs the monetary cost of the service. Blackwell et al. concluded that the money saved from lower interest rates on bank loans as a result of being audited could cover upwards of 50% of the audit fee (1998, p. 68). Companies may also enjoy other benefits from being audited, such as a preventative effect on errors as employees know that their work will be scrutinized (Hubbard & Johnson, 1992, p. 11).

2.1.6 Audit quality
The thesis will study how communication can be used to increase audit quality. To define audit quality is rather difficult as many different definitions exist with a very wide range of interpretations (Laitinen, E.K., & Laitinen, T., 2015, p. 1). Such definitions often use the perspective of the auditing firm which makes them inappropriate for research conducted from the perspective of the audited company. For this reason we have chosen to develop our own interpretation of how our research will contribute to audit quality, which is that studying the effects on communication of certain factors in an auditing
engagement will improve audit quality by providing all involved parties with knowledge of how to more effectively express their ideas.

### 2.1.7 Employee & manager

As introduced earlier, this thesis will look at the opinions and attitudes of employees and managers in companies. These terms are used throughout the thesis to simplify for the reader, managers are obviously also employees in the company but the two positions need to be separated from each other in some fashion. To further elaborate what the authors mean with the terms ‘manager’ and ‘employee’ they will now be explained in more detail. Employees and managers will occupy different positions within the company in regards to their role dealing with the external audit and auditor. Managers will have a role that to some extent includes governance of external auditing within the company (AICPA, 2012). Employees will have a role that does not include governance but rather the roles of lower level accountants in the financial department. This person will mostly have contact with the auditor in forms of providing information to the auditor. Of course, it may vary between firms depending on how they are structured and organized. The important part is that the employee and the manager in a certain company have different levels of responsibility in order for us to compare their answers.

Managers in some companies were the owners while in others they were the head of the financial department. In some companies they were accountants, which is a title that some of the employees shares with them in other companies. Employees tend to either be accountants or financial assistants. It is therefore clear that it depends a lot on the size of the firm, how it is structured, and what competencies the staff have. What is important is that in each company the two interviewees have different work tasks and different levels of contact with the auditor in order for us to compare their opinions. While arranging each interview we ask the potential employees to describe how their work differs from the other person at the company in order to ensure that they are suitable for our study.

### 2.2 Literature review

Communication between external auditors and clients, and more specifically its implications for audit quality have intrigued researchers for some time. Bobek et al. (2012) have investigated how external auditors used communication with both their colleagues and with their clients to resolve problems that arose between these parties, such as the client not meeting deadlines or the client pressuring the auditor to ignore relevant accounting regulation (Bobek et al., 2012, p. 31). This study found that in cases where challenges in the auditor-client relationship had been overcome successfully, the auditors often reported that extensive and time consuming discussions had taken place with their clients where these issues were worked out (Bobek et al., 2012, p. 39). A similar result was found by Trotman et al. (2005, p. 364) where a deeper understanding of the client’s position through negotiations led to a lower risk of earnings management.

While we aim to research the role of communication between external auditors and their clients, our focus will lie in studying the attributes of communication which enable it to perform its task as effectively as possible, and the perceived benefits of receiving such communication. The research performed by Bobek et al. (2012) provides evidence of the importance of communication in an audit engagement, which sheds light on the opportunity of expanding on their work by further investigating the role of communication and its impact on the relationship between an external auditor and its client, albeit from a different perspective.
In another study on audit quality, Abdolmohammadi et al. (2012) had the goal to find out what attributes are most commonly found in top industry auditors. The research found that interpersonal skills are of importance to the relationship auditors have with their clients, colleagues, and subordinates while also being an area in which top auditors excel. It is further elaborated that communication skill is one of the attributes within interpersonal skills that the top industry auditors have shown to be well versed in. Although communication skill is mentioned as a common and well developed attribute there is limited information in this case and limited research within the field of auditing which dives into what the effects and value of communication skills can be between external auditors and clients (Abdolmohammadi et al., 2012, p. 12).

The research done by Fontaine et al. (2013) investigates reasons behind why clients change audit firms and the perceived value of the audit service by interviewing CFOs of firms who buy audit services. The results in this study highlights a healthy auditor-client relationship and audit service quality as important factors behind the retention and satisfaction of clients of audit firms (Fontaine et al., 2013, p. 12). Communication is often brought up by the CFOs as an important aspect because good communication creates stronger auditor-client relationships and better audit service quality. Evidence of this exists in a few examples in the study, three relevant examples include:

1. Good two way communication being able to counter poor audit service quality as existing issues can be found and fixed.
2. CFOs highlighting the value of personal chemistry between them and lead auditors.
3. That it can be relied upon that important issues will be communicated (Fontaine et al., 2013, p. 9-10).

If this is connected to the article by Abdolmohammadi et al. (2012) which was previously discussed, it shows the importance of auditors having good communication skills in order to facilitate to the needs of the clients. Both studies lack to show the effects of communication between external auditors and clients on more than a general level because of them not having communication as the main focus of the study, it is rather a by-product.

Junaidi et al. (2012) investigates the possibility that long audit tenures have a negative effect on audit quality. This is argued to be due to several reasons, one especially interesting reason being that the relationship between auditor and client becomes too close and auditors become less able to give critical appraisal (Junaidi et al., 2012, p. 308). However, there also exists contradicting evidence from research which argues that audit quality is increased with longer audit tenures, such as the research by Geiger & Raghunandan (2002). This contradiction is also noted by Dassen et al. who mentions the “mixed results” found by various researchers on the topic of how auditor tenure affects audit quality (2005, p. 51). The research on this subject has one thing in common, that is, with longer audit tenures the personal relationship between auditor and client grows with time, but the consequences of this relationship is unclear based on the contradictory results of research. By using the assumption that longer auditor tenures create stronger relationships between the auditor and its client and relating it to the research by Fontaine et al. (2013), which brought forward that strong auditor-client relationship enables good communication, one can see that there is a potential for length of auditor tenure to have a positive effect on communication.
Another interesting aspect of the auditor-client communication process is the feedback provided by the auditor. Golen et al. (1997) surveyed which barriers to communication were experienced by clients of auditors. The issues which were considered the most detrimental to the communication with their auditors were in most cases not one of the most frequent issues as well, although four issues were ranked top 10 in both severity and frequency (Golen et al., 1997, p. 29). Failure from the auditor to provide feedback was one of these four, amongst tendency not to listen, personality conflicts, and “either-or” thinking. Feedback from the auditor is important for the client, if an auditor gives appropriate feedback it enables an even more efficient relationship with their clients. By giving feedback the auditors are better able to convey their perspective of the decisions they make. Clients are then able to understand why they have to do as they are told and change certain aspects in their processes. It is important for the clients to understand that it is a necessary change and not a change just for the sake of it (Golen et al., 1997, p. 33).
Chapter 3. Methodology

In this chapter the views and values the authors have regarding social phenomena and what constitutes knowledge will be explained. The ontological philosophy of constructionism is chosen while we subscribe to the epistemological philosophy of interpretivism. The chapter will also go through how the subject for this thesis was chosen and what approach of reasoning the authors use in this regard. In addition to this a description on how secondary sources were chosen and evaluated will be included. The decisions made in the previously mentioned categories are then used to describe which research design approach is chosen. This information will provide the reader with tools to better understand the thought process of the authors and choices that are made throughout the paper.

3.1 Choice of topic
In the beginning phase of this thesis the authors decided that it would be interesting to somehow compare the perspectives of employees and their supervisors in a company on a certain subject, with the objective to find out if there was a difference in opinion between them as this seemed as a topic capable of generating worthwhile contributions if dug deeper into. Since both authors study accounting, this area naturally became the focus of research. More specifically the authors recently studied a course in auditing, this course was quite interesting and helped to further increase the interest of the authors in the field of accounting and auditing, as such the idea to write a thesis within the field of auditing came into fruition. The idea to study communication in an audit engagement was influenced by the author’s discussion about the experiences the mutual friend which was described at the beginning of the thesis. Thus, these aspects were combined and the original idea of investigating both an employee and a manager was applied to auditing communication. In the auditing course a professional auditor was a guest lecturer at many of the lectures, the authors turned to him with some of their potential research topics to get some feedback on them. The feedback proved valuable in terms of finding out what was not a suitable direction for the research to take, thus helping in limiting the direction in which to do the research within audit communication.

3.2 Perspective of the thesis
This thesis will only focus on the perspective of the audited company, as all interviews and contact will be with audited companies. This is not to say that only the audited company can find useful information from the results which will be derived. The results of the study will be based on interviews with teams at the audited companies and the factors which may affect communication will therefore reflect their opinions. Naturally, since the results are derived from the audited companies, audit clients are most likely to be interested in the results since they will be able to directly apply this knowledge in their contact with auditors. However since this research will examine the communication between audited companies and their auditors, the latter are also likely to be interested in the outcomes. It could be valuable for future researchers to look at it from the perspective of the auditor.

3.3 Ontological philosophy: Constructionism
Ontology concerns how one views social entities, and more specifically if one considers social entities as existing externally from social actors or not (Bryman & Bell, 2011, p.
Two main views exist in regards to ontology, these are objectivism and constructionism (Saunders et al., 2009, p. 110). Objectivism argues that social phenomena exist independently and without the influence of social actors. Such a view of the world is directly contradictory to that of constructionism, which instead claims that those same social phenomena are affected by social actors and continually evolve because of their influence (Bryman & Bell, 2011, p. 21-22). In the context of this thesis this would mean that an objectivistic approach would argue that the three factors which have been identified came to existence by themselves, as if they were a law of nature. A constructivistic view would instead claim that those same factors exist because of the input from those affected by communication in an audit engagement, and that this environment with time can change which factors will affect communication. The authors will in this thesis subscribe to the constructivistic view of the ontological philosophy. The reason for this is that it seems illogical that the factors that affect the way communication works in the context of an audit engagement are “set in stone”, if the way in which the auditor communicates with its client changes over time then so should the factors which have an effect on communication also change.

3.4 Epistemological philosophy: Interpretivism

Epistemology concerns knowledge in various forms, such as what it constitutes and how a person can claim to know a certain thing (Fumerton, 2006, p. 1). Different epistemological positions tackle such questions differently, and it is important to discuss the subject as it will provide the reader an understanding of the nature of any knowledge claims that the thesis will present (MacIntosh & O’Gorman, 2015, p. 59). One epistemological position is positivism, which argues that similar methods can and should be used for natural sciences and social sciences research (Bryman & Bell, 2011, p. 15). Positivism therefore favors a more objective approach to study knowledge where the researcher separates his or her own feelings from the knowledge generated. In contrast to this, interpretivism is the belief that the model for natural sciences cannot be applied to social sciences as these two areas are too fundamentally different (Bryman & Bell, 2011, p. 16). Social sciences study people and their institutions, which is quite different from the subjects studied in the natural sciences and this issue is too significant to overcome according to interpretivism, and a different research model is therefore argued to be necessary. Furthermore, while positivism aims to establish laws, interpretivism instead observes trends. This is because the latter point of view argues that the freedom of choice which humans possess discourages establishing laws of behavior, as they cannot be guaranteed to last (MacIntosh & O’Gorman, 2015, p. 65).

At their core, positivism aims to explain principles while interpretivism aims to understand relationships (MacIntosh & O’Gorman, 2015, p. 59). While these two concepts are located at opposite sides of the spectrum, there are other positions in between them. Realism is a third approach which exhibits influences of both the previously mentioned views, and can be divided into empirical realism and critical realism (Bryman & Bell, 2011, p. 17). Critical realism argues that there is a reality which is not affected by our perceptions of it, but these perceptions guide our decision making and therefore shapes the world nevertheless (MacIntosh & O’Gorman, 2015, p. 62). Empirical realism also argues that reality can be understood, but the difference between empirical and critical realism is that critical realism believes that the categories and terms used to describe the reality around us will change with time whereas empirical realism does not (Bryman & Bell, 2011, p. 17).
In addition to using constructionism, an interpretivistic philosophy will be used for creating knowledge. Such positions seem appropriate for the type of research this thesis is directed towards as the goal is to understand the role of communication in an auditing engagement rather than explain its principle, which would be the case if a positivistic philosophy was used instead. In that case, the thesis would be focused on describing in detail how auditors communicate with their client, but such information is not what we are interested in finding. Furthermore, we believe that the relationship of communication between these two parties is not a law of nature as objectivism would argue, but rather affected by social actors. It would come across as rather naive to believe that auditors and their clients have always and will always communicate in the same fashion, and constructionism therefore suits our research philosophy better than objectivism.

3.5 Research approach: Deduction

Induction and deduction are two different approaches to conducting research. While deduction uses a theory to produce hypotheses and examines if these are true or not, induction can be said to work in reverse by using observation to produce a theory (Bryman & Bell, 2011, p. 11). The observation in induction can be studying patterns in behavior, which prompts the researcher to theorize that such behavior is not random. One does not use a purely inductive or deductive approach when researching, instead influences from both aspects will be found in a research project (Strauss, 1987, p. 12), (Saunders et al., 2009, p. 127). The two methods can however be said to work in opposite directions, where inductivism operates from the specific to the general while deductivism operates from the general to the specific (Adams et al., 2007, p. 29). Put in other words, deduction attempts to explain causal relationships between variables (Saunders et al., 2009, p. 125). Some would say that deduction leans closer to positivism while induction leans towards interpretivism, but lumping the terms together in this fashion can also be misleading (Saunders et al., 2009, p. 124). There are no rules that forbids deduction from being used in combination with interpretivism, as we will do in this thesis.

Using an approach focused more towards induction is a possibility for this thesis. By using an inductive approach, the research purpose could instead of evaluating three factors have been to identify what the factors could be. A deductive approach was chosen in favor of an inductive because of the nature of our research. To conduct an inductive study, the results would be based on what factors the team of the audited company believes to be important, but there is a large risk that their answers will not be very well thought out due to the time limit of an interview. Moreover, they may not consider their performance in our interview with them very important, and therefore not spend much effort on their answers. As such there is a risk that the results of an inductive study would only be able to scratch the surface and not contribute much new knowledge as a result. By using a deductive approach, each factor is selected from previous research in the area and considerably more time has been spent on formulating them than what would be possible in an inductive study as they would then be thought up on the spot. A deductive approach therefore suits our research better and increases the chance of generating useful results.

3.6 Research design: Qualitative

The two dominant ways of approaching research is with either a quantitative or qualitative design (Adams et al., 2007, p. 26). The qualitative design puts value in the experiences
of people and data collection is based on interaction with the respondents (Creswell, 2004, p. 4). Data collection and analysis therefore use non-quantitative methods such as interviews or observations (Adams et al., 2007, p. 26). By trying to understand the point of view of the respondents, qualitative research is different from quantitative research in the way that quantitative puts emphasis on creating a distance between the researcher and respondent in order to remain objective, and embraces this by using quantitative methods for data collection and analysis (Bryman, 1984, p. 78). Additionally, the two designs have different views on how to define what is seen as acceptable knowledge. The qualitative design views knowledge through interpretivism, which aims to understand reasons and occurrences behind a phenomenon and understands that people's opinions this will vary, this makes the qualitative approach more flexible (Creswell, 2014, p. 8). The quantitative design in contrast have a positivist view of knowledge which values objectivity and that one cannot be truly positive about claims that concern human behavior (Creswell, 2014, p. 7). The approach which is most appropriate for a specific study depends on the research problem, choosing a quantitative or qualitative method will give different amounts of information and knowledge depending on the research problem at hand (Kothari, 2004, p. 33).

This thesis will be using the qualitative design. The reason as to why a qualitative design is chosen is due to one of the purposes, in addition to finding out how the three factors affect communication, another purpose is to find out why these are seen as significant from the perspective of the audited company. Interviews facilitate further discussion regarding this in a way that quantitative methods do not allow, by looking at solely numbers one could discover what the factors are but it would be hard to investigate further into the underlying reasons. Furthermore the ontological and epistemological positions the authors have in the form of constructionism and interpretivism are common attributes in qualitative research which gives further credibility to the choice of the research design (MacIntosh & O’Gorman, 2015, p. 59).

3.7 Nature of research: Exploratory
In conducting research there are three prominent ways to handle information depending on the purpose of the research, these three methods are: exploratory, descriptive and explanatory (Saunders et al., 2009, p. 138-139). When conducting exploratory research one seeks to investigate a phenomenon from a new perspective in contrast to what is known and what has been done previously (Saunders et al., 2009, p. 139-140). The purpose is to explore potential relationships between variables or events as well as finding explanations as to why this phenomenon exists, or not (Adams et al., 2007, p. 20). In a descriptive type of research the goal is to describe a specific phenomenon more thoroughly and it is not as inclined to answer the question of why the phenomenon occurs. To be able to perform a descriptive study there is a need for existing knowledge and understanding about the phenomena at hand (Saunders et al., 2009, p. 140). Explanatory research is focused on finding causal relationship between variables and further elaborating by explaining the reasons behind this phenomenon, it is also more focused on answering the question ‘why?’ (Saunders et al., 2009, p. 140-141).

The nature of the research in this thesis is exploratory with influences from the descriptive approach. Why an exploratory approach is taken can be explained by the purpose of the study. Previous research has been used to determine factors, but they are looked at from a new perspective and tested in a new setting compared to the research from which they
originated. By doing this we explore how the factors function in a new setting and the potential relationship they have to communication. Why an explanatory approach is not used can be explained by the fact that the authors do not focus on finding a causal relationship, what will be investigated instead is how the factors affect communication. Moreover, the reason for the research being influenced by the descriptive approach is because there is a need to first describe phenomena and look to explain what occurs to later be able to use the exploratory method to investigate further. For example, in the interview stage we will first utilize a descriptive approach when the interviewees explain the situations and tells us what is happening, after that we will analyze the descriptive interview results with the help of an exploratory approach.

3.8 Literature search & Source criticism
In order to find sources to increase knowledge related to the topic at hand, one has to know how to look for relevant sources. The literature used and reviewed consists of books, research articles, and the webpages of relevant actors such as regulatory bodies. To find these relevant sources the authors used search engines available via Umeå university library primarily using the database EBSCOhost Business Source Premier, and also to some extent Google Scholar. Keywords used to facilitate the search consisted of, among others: “audit communication”, “audit quality”, “audit client communication”, “external audit communication”, and "auditor tenure". Additional articles outside the scope of the keywords have also been used and have been found with the help of scanning through the reference lists of the relevant research articles.

The authors have also been utilizing source criticism in evaluating existing literature from other authors to determine whether it can be deemed appropriate or not. Ejvegården (2009) goes through 4 requirements for source criticism which the authors have applied when evaluating previous research, the 4 requirements are:

- Authenticity requirement, is the material authentic and is there a possibility that the material has been forged?
- Independency requirement, to make sure that the existing literature uses as many primary sources as possible and not secondary sources.
- Objectiveness requirement, is the research unbiased?
- Time Period requirement, taking into consideration how old the sources are as well as in how close proximity events that are being investigated are to the research done on the event (Ejvegården, 2009, p. 71-73).

These requirements are met by using peer-reviewed sources, using as recent research as possible, looking at what sources the research uses and the credibility of those sources, comparing to similar research, looking at how much they have been cited by other researchers, and establishing the credibility of authors and publishers.

3.9 Ethical and social considerations
When the choice of topic was introduced in section 3.1, one might get the impression that the idea for the thesis was stolen from the friend who discussed his experiences at an audited company. It is therefore important to note that the friend discussed those experiences only in passing and not in the context of writing our thesis, this was much later on spun into an idea for the thesis. The idea was independently created by the authors
without inputs from others, but was later revised into the final research question after feedback from the thesis supervisor. Furthermore, the thesis is not written on commission and we are not receiving payment from anyone for the results of our work. As the study is qualitative and interviews will be conducted, an important ethical consideration regards the participants and how the interviews will be conducted. This will however be further elaborated on in chapter 4. Regarding source criticism and the use of existing literature it is important that appropriate techniques are used when referencing that literature. If one does not reference it is plagiarism and the original authors do not get the credit they deserve. Throughout the research this has been taken into account and referencing techniques provided by the Umeå University thesis manual have been followed.
Chapter 4. Practical Method

This chapter works as a complement to chapter 3 which introduced the methodology used, which is inherently theoretical. In this chapter the practical aspects of the method will be brought up instead, meaning how the data will be collected. The design of the interview process will be discussed in detail, where among other things the structure, ethical considerations, and the sampling process are considered. Furthermore, the tools used to analyze the data will also be presented in the form of discourse analysis. Bringing together the theoretical and practical elements provides the reader with a complete understanding of the process of gathering and analyzing the data.

4.1 Interview structure

Interviews are a common method for qualitative researchers to gather data (DiCicco-Bloom & Crabtree, 2006, p. 314). As the nature of qualitative research is to understand relationships rather than explaining them as is true for quantitative research, it seems natural that this is the case. Conducting interviews with individuals connected to the subject of research allows the researcher to gain a deeper understanding of the thoughts and opinions of those with first-hand experiences in the area compared to sending out e.g. a survey, provided that the interviews are well-planned (Dumay & Qu, 2011, p. 239). There are various ways of designing the interview process depending on the type of research performed, with the three main choices being unstructured, semi-structured, and structured (Crabtree & Miller, 1999, p. 19). The level of structure in an interview can range from a regular conversation to strict questions with little interpretation possible. Naturally, qualitative studies often utilize a less structured approach while quantitative studies tend to draw themselves toward structured interviews (DiCicco-Bloom & Crabtree, 2006, p. 314). A semi-structured approach will be used in this thesis, with the reasoning being that such a design will best lead the interview into the direction we want. While an unstructured approach would not as easily allow us to ask the same questions to both managers and employees, a structured approach may hinder us from delving deeper into the answers as this design requires the questions to follow a more uniform approach and not be too individual, and can be compared to a spoken questionnaire (Crabtree & Miller, 1999, p. 19). The semi structured approach therefore presents itself as a convenient compromise between the two choices at opposite sides of the spectrum, providing a good balance of depth and freedom in the interview.

Two common methods to conduct interviews are in-person and over the telephone. Both methods come with their respective pros and cons, and they both have their areas of use. Gubrium & Holstein suggest that some of the largest advantages of telephone interviews are reduced interviewer effects, greater standardization of questions, greater cost-efficiency, and fast results (2001, p. 540). While these are of importance, the suggested advantages of in-person interviews by the same authors weigh more heavily for what this thesis aims to accomplish, which is why we will use in-person interviews (although we give the interviewee the possibility to object and instead to use another type of interview). Some of the advantages brought up are the following:

-More accurate responses owing to contextual naturalness. Gubrium & Holstein argue that interviewees often feel more natural during in-person interviews because people tend to be more used to speaking to other humans face to face rather than over the telephone. This phenomenon is said to be strengthened by the fact that speaking face to face increases the possibility for small talk and for the interviewee to express him- or herself with body
language. Furthermore, people are generally more comfortable with interrupting, changing the subject, and introduce new topics in an in-person setting rather than a telephone interview (2001, p. 541). Such factors can help the interviewee feel more natural and to therefore provide more accurate answers.

-Greater likelihood of self-generated answers. In-person interviews are better suited for open-ended questions for the reasons stated in the previous paragraph, and open-ended questions will allow the interviewee to express their opinions freely, whereas close-ended questions run the risk of steering the conversation towards certain answers (Gubrium & Holstein, 2011, p. 541). While interviews over the telephone are more inclined to resort to close-ended questions, in-person interviews can still fall into the trap of asking such questions and we must therefore be cautious in the way we phrase the questions we want to ask during our interviews. Questions which begin with what, who, where, when and similar words will be avoided as far as possible since they are some of the main culprits of making questions close-ended. Instead, it is often more preferable to ask the interviewee to describe a subject, or ask how they interpret it as it encourages the interviewee to elaborate on their answers rather than answering with only a couple of words.

-Greater effectiveness with complex issues. Speaking to someone for 20 minutes in person is not the same as 20 minutes over the phone. It can be very difficult for people to maintain focus when talking for extended periods of time over the phone while the same time in a face-to-face conversation is not perceived to be as tiring (Gubrium & Holstein, 2011, p. 542). Some questions may require detailed answers which are therefore easier to receive in an in-person setting, while we will attempt to keep the interviews as short and to the point as possible there is always a risk that the interviewee becomes tired or loses focus, and this effect will hopefully be remedied by conducting the interview in person.

Some of the advantages with telephone interviews which were brought up were reduced interviewer effects, better interviewer uniformity in delivery, and greater cost-efficiency (Gubrium & Holstein, 2011, p. 540). While these factors are important and requires careful consideration before choosing the appropriate method, the advantages brought up in regards to in-person interviews are more attractive for the type of research we wish to perform.

4.2 Preparation for interviews
In preparation for conducting interviews the authors have used a study by Roulston et al., (2003). The study examines students arranging interviews and evaluates in which areas they had difficulties. By looking at the difficulties experienced by the students and mistakes made the authors will use this knowledge to avoid making the same mistakes and to come better prepared to the interviews.

There were several ways in which the students faced challenges in the interview process. One challenge was that the formulation of questions has to be taken into consideration and when following up on questions to not exert the respondent to the researcher’s own opinion and beliefs as this can affect the respondent’s answers (Roulston et al., 2003, p. 660). Another challenge was that of the interviewees losing focus because of distractions in the interview setting or poor phrasing of questions which the respondents had a hard time
understanding (Roulston et al., 2003, p. 661). Furthermore, students experienced difficulties with asking respondents to elaborate on their answers and as a result the students tended to move on to the next question instead of taking the opportunity to find out more (Roulston et al., pp. 661-662). Lastly, a potential issue is having trouble to clearly hear and understand what was said on the audio recording (Roulston et al., 2003, p. 657).

In order to combat the challenges and prevent the same mistakes to be done in this thesis the authors will make an interview guide that will help by having the formulation of questions ready, of course there will be room to stray away to some extent from the guide since a semi-structured interview method is being utilized. An interview guide will also help to avoid poor phrasing of questions and in addition to the interview guide the authors will prepare for the fact that they might need to elaborate and explain certain questions further. To avoid losing focus because of interview setting the interviews will take place at the offices in which our respondents work, using conference rooms or other available areas where risk of disturbance is minimized. Lastly, the potential issues with audio recorded transcriptions will be dealt with by having two audio recorders, so if there are problems with one, the other will hopefully work. The transcription process is also meant to be done in as close proximity as possible to the interviews so that everything is fresh in the memories of the authors, this will help to fill gaps where the audio recording is bad as well as enabling easier interpretations based on context where it is hard to understand the respondent (Ejvegård, 2009, p. 52).

4.3 Data analysis

Once the interviews have been conducted and the data collected, the next step is to analyze the data in order to understand it. While qualitative research methods have gained popularity over time, one can argue that methods for analyzing the data have not kept up (Attride-Stirling, 2001, p. 385-386). One method which has been used to a larger extent in recent times is discourse analysis.

4.3.1 Discourse analysis

Using discourse analysis is a way of answering our research question by analyzing the discourse, meaning the language used in communication (Johnstone, 2008, p. 4). This is possible because communication cannot occur without all the participants in a conversation sharing knowledge and assumptions (Stubbs, 1983, p. 1). In the case of this study the analysis will be performed on the data collected in the interview process. An example which illustrates the point made by Stubbs (1983) is that the interviewees sometimes use expressions which make no sense when interpreted literally, yet they expect us to understand the meaning of such expressions anyway based on the context in which it is said. Discourse can then be seen as a social construction of reality where the language we use is shaped by the world and its culture (Paltridge, 2006, p. 9). Analyzing how it is used will therefore hopefully clarify what the interviewees expressed beyond the words they used.

Discourse analysis is not something that has only one definition, many researchers have their own views of what it actually is (Stubbs, 1983, p. 6). Therefore there is no correct way to do a discourse analysis or specific steps you have to follow (Gee, 1999, p. 120). Furthermore, the approach of studying the formal properties of language has been used extensively while studying what the language is actually used for is not as common (Brown, 1983, p. 1). How to perform analysis on discourse is therefore up for discussion.
with each individual researcher free to conduct it without worrying about strict rules steering the analysis in a certain direction.

When performing a discourse analysis it is common to split up the data into shorter segments or themes based on the main points of discussion during the thesis. This is done in order to make it easier to look at the characteristics of each segment. The division can be based on when a new topic is introduced amongst other things (Johnstone, 2008, p. 4). As this thesis takes on a deductive approach with already pre-determined factors in the research question which will be looked into, it is natural that these factors will make out the themes. An additional theme which is the general communication with the auditor is also added based on it being a key discussion point with the interviewees. This theme is grounded in the introductory questions about the interviewee’s communication with the firm’s auditor as those questions in some instances revealed some very interesting information.

This study takes on a discursive psychology approach but also takes inspiration from other approaches. Due to the nature of discourse analysis there is no all-covering approach and those that do exist does not have a step by step guide on how to do the analysis. This allows more flexibility in the analysis, such as the use of themes as explained previously. The analysis performed in this study takes inspiration from Smith (2003) and his way of doing the discursive psychology approach. First the transcripts were read twice without any attempt of analysis in order to experience the text as a reader and to get familiar with the text before analyzing (Smith, 2003, pp. 164-165). Second, the transcriptions were read again and coded with the research question in mind, at this stage all information that is in some way related to the research is highlighted to be focused on extra carefully in the analysis. At the same time the discourse which does not relate to the research question gets sorted out from what is relevant (Smith, 2003, p. 165). Third, in the process of reading certain passages the authors analyzed the constructional and functional dimensions of the discourse. This was done by accounting for context of what is being said, paying attention to preferred metaphors and the kind of terminology being used, as well as looking for variations in descriptions of the same subjects or objects (Smith, 2003, pp. 165-166). Lastly, discursive analysis was also utilized in the writing process. Even when writing down results and analysis we noticed new insights and tendencies in the interviews that were important when considering the research question (Smith, 2003, p. 166).

4.4 Sampling method

It is important to carefully consider which respondents suit the research, it can be costly both in time and in the sense of bad data collected if the wrong respondents are interviewed (Ejvegård, 2009, p. 52). Respondents should also be as homogenous as possible (DiCicco-Bloom & Crabtree, 2006, p. 317). Therefore it is important to make sure that the respondents possess knowledge that is relevant in regards to the research question as well as interviewees being in as similar positions as possible when they are from different companies.

The population of this study was generated through the Retriever database. It consists of a myriad of companies but Retriever allows us to use companies in Umeå purchases audit services as filters in order to narrow down the results. Some criteria outside of Retriever were used to further narrow down the population to draw a sample from. One such criteria was that we required a company to have information available about their employees,
such as a webpage, with the purpose being to allow us to determine if they had suitable employees for our study. If the company listed zero or only one employee working with accounting, we determined that they are not suitable for our study and another company was drawn instead. This was also done in order to save time and effort, as we will know that each company we ask to interview will at least have the employees necessary for the study. Without this requirement there would be a large risk that a company which we ask to interview cannot even participate which would waste the time of everybody involved. Furthermore using this requirement also results in the respondents being fairly homogenous, as suggested by DiCicco-Bloom & Crabtree (2006) earlier. By using this requirement the only hinder for a company’s participation is their own will and thus the acceptance rate should be higher than it would be without using this criteria.

Retriever sorted the companies in Umeå by turnover. We simply started at the top and went down the list and checked which companies fit our requirements. In many studies it is of great importance to have a sample which reflects the population as a whole in a fair manner, and a randomized sample is therefore necessary. In our case this is not as important because our research does not require us to examine if a given sample can be argued to match the population, we are simply concerned with investigating the role of our three chosen factors in audited companies. This study is not bound by the strict rules imposed on some studies regarding sampling methods and instead allowed to use convenience sampling. The size, number of employees of the company etc may affect how the communication functions in a company but this is difficult for us to test within the scope of this thesis and we will therefore ignore studying what those side effects may be. It is also important to note that we have interviewed companies from various industries instead of only one type of industry.

4.5 Ethical considerations and social considerations
Some ethical aspects of the interview process need to be considered before conducting the actual interviews. Perhaps most importantly, the anonymity of the respondents must be guaranteed. While it would be interesting for the reader to know the identities of the companies interviewed, there is a risk that the answers provided during the interviews would not be as truthful then. This is because some information the participant may want to share could be sensitive to the company (DiCicco-Bloom & Crabtree, 2006, p. 319). Anonymity reduces the risk that the companies will hesitate to provide details because of fear of how such data is handled.

Another important aspect which requires attention is the wording of the questions asked during the interviews. It is easy for a researcher to allow his or her own biases to shine through by asking leading questions which direct the respondents’ answers into a certain direction. To remedy this, the questions used in the interviews must instead be neutral and open which allows the respondent to answer them freely and where his or her own thoughts and experiences are shown. An example of this is that instead of asking “do you believe there is a problem with X?” the researcher can ask “how do you experience X?”, as the latter does not contain the negative connotation expressed in the first question. The questions used throughout our interviews are attached in Appendix 1. We will also offer to give the respondents a copy of the interview guide prior to the interviews to give them the opportunity to read them before the interview takes place and to give them time to think over if there are some questions they do not want to answer. By letting them review the questions to be asked in the interview we are able to make the respondents more
comfortable by them not having to decide on the spot which questions they are
uncomfortable answering or answering questions which could call for answers that
contain confidential information. Hopefully the respondents will find none of the
questions to fit these descriptions since we will aim to ask questions that every respondent
will feel comfortable with.
Chapter 5. Empirical findings

This chapter begins by presenting the profile of the interviewees and the companies in which they are employed. It later goes on to present the findings of the interviews. The presentation of the findings is divided into the 4 categories that are in the interview guide. In each category the answers to the interview questions are presented one company at a time, putting the findings from the managers and employees at each company side by side for easier comparison of the findings within each company.

5.1 Loss of companies

While our sample consists of 8 companies with two interviewees in each, the plan was to interview 9 companies. The head of the financial department at the ninth company agreed to participate when we called her the first time but she could not decide on a particular time at that point, but asked us to call again the next day to do so. The next day we were not able to get a hold of this person, and while we called several times a day for a week or so we never reached the person again. Eventually we gave up and settled with our 8 companies as we believe such a sample size will still provide enough data for investigating the effects of our predetermined factors on communicating with the auditor.

5.2 Interviewee profiles

In the following section the companies at which the interviews were conducted will be introduced in order to generate a general picture of the company. The interviewees at each company will also be introduced with a brief background and description of their roles at the company. Since there are two people being interviewed at each company, depending on their role within the company they will be assigned the general description of manager or employee. Table 2 shows the duration of each interview. The interviewees were informed beforehand that the interviews would take approximately 30 minutes. This was true in the case of the managers with one exception, the manager at company 5. The reason for it taking longer than 30 minutes was due to him seemingly having a genuine interest in the topic and often had many opinions and examples he liked to share. The interviews with the employees generally were shorter than 30 minutes as they have less contact with the auditor and therefore less to talk about. The length of the interviews also largely depends on the personality of the interviewee and their willingness to contribute.

Table 1. Duration of interviews.

<table>
<thead>
<tr>
<th>Company</th>
<th>Manager</th>
<th>Employee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company 1</td>
<td>29:57</td>
<td>29:32</td>
</tr>
<tr>
<td>Company 2</td>
<td>30:22</td>
<td>22:48</td>
</tr>
<tr>
<td>Company 3</td>
<td>22:44</td>
<td>13:03</td>
</tr>
<tr>
<td>Company 4</td>
<td>25:16</td>
<td>22:30</td>
</tr>
<tr>
<td>Company 5</td>
<td>54:37</td>
<td>11:36</td>
</tr>
<tr>
<td>Company 6</td>
<td>24:35</td>
<td>22:37</td>
</tr>
<tr>
<td>Company 7</td>
<td>28:46</td>
<td>17:21</td>
</tr>
<tr>
<td>Company 8</td>
<td>23:55</td>
<td>15:29</td>
</tr>
</tbody>
</table>
Company 1 - C1
C1 is a moderately large company in Umeå with a financial department that consists of quite many employees. C1 purchases auditing services from two larger audit firms as well as one smaller audit firm, they audit different parts of C1. The manager is the head of the financial department. In his role he is the main contact towards the external auditors. The managerial position has been his for 2.5 years and he has, in total, been at C1 for 7 years. The interviewed employee has had the position of an accountant at the company for 4 years. Before she took the position at C1 she worked for 7 years as an auditor. The contact with the external auditors for the employee is described to be limited and to mostly be a matter of the auditors asking questions.

Company 2 - C2
C2 is one of the larger companies in the region and has several people in its financial department. The manager is very experienced, having worked at the position for 17 years. The employees were two in this case, both of them work as financial assistants but with different areas of expertise. They had both worked at the company for 2 years, and both the manager and employees stated that there is a significant difference in their positions compared to each other.

Company 3 - C3
The manager has been at both C3 and at her position as a financial manager for 2.5 years. The employee has worked at her position for a little over a year, and this was the first position with the company as well. She is a financial assistant with quite little contact with the auditor, but has in previous jobs had roles similar to her current manager so she speaks mainly from those experiences. Originally, the plan was to interview another person more suitable for our interview but that employee was ill this day and could not participate. C3 is a mid-sized company but well known in the region. Its financial department is quite small with only a handful of employees.

Company 4 - C4
One of the smallest companies in our study is C4, they have only a handful of employees but are operating in a somewhat niche area. Both the manager and the head of finance are very experienced in their positions, the manager (who is also the CEO) has been so for almost 14 years while the head of finance clocks in at 21 years. The manager has a personal relationship with the auditor as they studied together in university and spend time together privately. Because of the firm’s small size the auditing is only done by this one auditor.

Company 5 – C5
C5 is a medium-sized company with over 200 employees. The financial department, however, only consists of two persons. The manager has been the head of the financial department for 5 years at C5. He also has previous experience from similar positions at other companies. The employee that was interviewed has had a mixed position for 8 years in which he is responsible for legal matters, economy, and salaries. He has been at the company for a total of 14 years due to him having a previous position at C5. Most contact with the auditor is handled by the manager, but also the owners, and the employee only has limited contact with the auditor. However, the employee is responsible for much of the material that is audited.
Company 6 - C6
This firm is medium-sized but with a large presence in the city. The people interviewed are the CEO who was one of the founders of the company 20 years ago and the financial assistant who has worked at the position for 10 years. She is currently training a new assistant, and those two are the only employees in the financial department. The CEO has a degree within business so his responsibilities cover the more strategic aspect of the company’s financial operations, while the financial assistant take care of invoices and similar tasks. Their roles are therefore very different. The company has recently switched auditors due to retirement and therefore the new auditor needs to learn the company.

Company 7 - C7
C7 is a quite small company in a relatively niche business area. Despite this they have three people working in the financial department at various levels, the manager is head of the department while the employee is a controller, the third staff member is a financial assistant but was never interviewed. The manager has been with the company for 5 years in the same position while the employee was hired recently, only 6 months ago. According to the employee their work tasks are fairly similar with the largest difference being that the manager has responsibility over personnel. When asked what differentiates her work from the employee, the manager states that they are currently training her so right now she double checks her work, but that at the same time the controller function is entirely the responsibility of the employee. Furthermore, in a previous position the employee had been the head of accounting at a municipality so she is fairly experienced in the area.

Company 8 – C8
C8 is a mid to large-sized company with its main business being in the technology-field with most of the employees working in assembling or manufacturing. There are 3 people working in the financial department: a controller, a financial assistant, and the head of the financial department. The ones participating in the interview were the head of the financial department (manager) and the controller (employee). The manager has been on the position for about half a year and the employee has had her position for about 8 months. Both manager and employee has had similar positions in other companies in similar roles previous to C8. Since both manager and employee have not worked at the company for a very long time they have not had extensive contact with the auditor, only a little bit. The manager has a more strategic role while the employee has a role that is more operative. Therefore, their roles are affected by the auditors in different ways. The manager has most of the ongoing contact with the auditor and the two parties have a meeting to review the audit in the fall. The employee has less contact with the auditor, it is mostly related to problems with accounting and bookkeeping that arise during the year.

5.3 Communication with the auditor
In this section the interviewees are asked to explain how the communication with the auditor functions on a more general level, this is achieved by asking question 3-6 in the interview guide. The three factors which will be discussed have been introduced to the interviewees in the introduction of the interview, the interviewees are therefore aware of them at this point. The participants’ views on communication with the auditor is not only limited to this section but will also be included within the other categories.
Company 1 – C1
The manager of C1 mentioned several times throughout the interview that the auditors acted as sounding boards where the company could ask them for advice on accounting matters. C1 had several different auditors as their company is divided into several groups, and they also mentioned that they purchase consulting services from these auditing firms. C1 extensively consulted their various auditing firms regarding complicated accounting matters, such as taxes and VATs. Both the manager and the employee of C1 believed that the communication functioned well overall, where the manager only complained about one instance where a junior auditor had misunderstood the communication channels within the auditing engagement. The manager further noted that in places he had worked previously, the communication between the company and the auditors had not been as good as at C1 where they had a very open dialogue. It is worth noting that the employee of C1 had previously worked as an auditor for several years and therefore had a unique perspective compared to other employees we interviewed. She mentioned that some of her employees could be irritated by the auditors and their questions, while she understood the process better as she had been in the auditor’s position before.

Company 2 – C2
Both the manager and the employees experienced that the auditor listened to them if they had something to say. Both parties overall believed that the communication functioned well even though they had different types of communication with the auditor. The employees of C2 mentioned that the communication between them and the auditors were quite one sided, where most of the communication consisted of the auditors asked for documents or information and the employees retrieved them. The manager had a more open dialogue where the auditing process was continually discussed. C2 has a digital IT-system which allows the auditors to work from their own offices, although they still do pop in occasionally. This system, according to the manager, is beneficial for their communication.

Company 3 – C3
It is worth noting that the manager of C3 had previously worked with the firm’s auditor while she was an accountant at that same auditing firm. She discusses that she has great confidence in him as an auditor and that they share similar opinions on how work should be done, and as such their communication is very good. She is not afraid to question the auditor and feels very comfortable in discussing how the auditing should be performed with him. There is still room for improvement however, as the manager mentions that she would like more frequent meetings rather than only meeting in connection with the closing of the books. The employee does not have much communication with the auditor, mainly being asked to produce or retrieve certain documents which she does. She does however think that their communication functions well and there is nothing she feels can be improved.

Company 4 - C4
Both the manager and the employee report that the communication works very well. When asked if there’s anything that can be improved in this regard, the manager would like the auditor to be easier to get a hold of while the employee would like the auditor to tailor his recommendations more to their specific company. She explains that in her experience the auditor often assumes that she is up to date with new rules and laws in the area which she is not at times. The employee wishes the auditor would play this role to a larger degree, e.g. suggesting that the auditing firm can make an individual web page for
each of their clients where they can read about the changes in laws which relate to them, as their current method of inviting many companies and going through a lot of changes is ineffective according to the employee.

Company 5 – C5
When asked how the communication with the auditor functions the manager expresses that he thinks it functions very well. One aspect that he considers to be somewhat lacking is that he feels that they are often too busy to be able to communicate when the manager wants to, he often has to wait with his questions. To further elaborate on the answer the manager describes a situation in one of his old jobs where he felt that he could not communicate with the auditor. In this situation the manager had noticed irregularities in the books that was a result of the owner purchasing objects via the company which were intended to be used privately, the purpose being to avoid taxes. When the manager had let the auditor know of this the end result was that the auditor did not look into it. The manager explained why he thought the auditor did not look into it by saying:

“In that scenario the auditor is not prepared to bring it up, they are not prepared to find it, because if they find it they lose their post as an auditor for the client.”

Upon asking the same question to the employee, the answer was that the communication with the auditor is limited. Communication is restricted to when they ask him for material. As a result of the limited communication the employee thinks that how well the communication functions between him and the auditor is irrelevant.

Company 6 – C6
The manager reports that in the past the firm has had severe issues regarding the communication with their auditor. The manager states that the problem was that they weren’t on the same level with the auditor, meaning that the auditor needed them to have a similar level of knowledge in order to understand him. An auditor should be able to deal with those matters so that the staff does not have to, says the manager. The employee also mentions issues with the communication in the past, stating that the auditor rarely has time to answer her questions, further saying that in her opinion an auditor should not accept too many clients and instead focus more on fewer ones. As a result of these issues the firm switched auditors and became more satisfied as a result. With that auditor and the one replacing him recently there have been no issues to report on and both manager and employee are happy with the communication.

Company 7 - C7
Despite being recently hired the employee has had time to communicate fairly extensively with the firm’s auditor as they just closed the books, but she also speaks from previous experience where she had much more experience communicating with an auditor. She mentions that the communication has worked very well as she has felt comfortable asking even the most basic questions. At one point during the closing of the books she had confronted the auditors about how they calculated an item relating to the cash flow and the auditors seemed to listen to her opinion about it. Both the manager and employee are content with the way their communication with the auditor works today and neither can suggest any tangible improvements. C7 has had a lead auditor who has been with the company for a longer period than both manager and employee but this person is not the auditor they mainly communicate with, the firm also has an operating auditor. This
The auditor has been with the company for two years, and according to the employee he has a slightly more senior role than audit assistant although she is not sure what it is.

**Company 8 – C8**
Both the manager and the employee believe that the communication with their current auditor functions well. In elaborating on what functions well the manager said that he focuses on what is important and the employee emphasized that it was good that he gives her fast and concrete answers, the communication for her part mostly occurred via e-mail. Both of them also considered the auditor to listen to their thoughts and ideas. The only question which generated different answers from the manager and employee, was when they were asked about if there is something that does not work properly or that could be improved. In the employee's opinion there was nothing that needed or could be improved. The manager on the other hand had an opinion on what he thought could be improved. He felt that the auditor sometimes did not have time for him and could be too busy at occasions.

**5.4 Auditor tenure**
This section mostly describes the answers given to question 7-9 in the interview guide. The reason for studying auditor tenure is due to research in the area providing conflicting results. Junaidi et al. (2012) argued that longer audit tenures could lead to the auditor to have trouble with his or her objectivity and thus a negative effect on audit quality, while Geiger & Raghunandan (2002) argued that audit quality is improved by longer auditor tenure. The interviewees are asked some questions about their opinions regarding how longer audit tenures affect their communication and relationship with the auditor. They are then presented with a brief explanation of the contradiction in research and asked about their opinion on this matter.

**Company 1 – C1**
C1 have hired the same auditor for one of their corporate groups since 2010. In another corporate group they have changed auditor a couple of times, but most recently in 2012. When asked about the reasons behind the changing of auditors in the past, the manager responded that it is to get different perspectives on matters. He believes that having several different auditors gives C1 access to a wider range of competences as auditors can be specialized in different areas. The employee had not been present during any changes of auditors and could not give an opinion on this subject. When asked about the length of an auditor's effect on communication, the manager believed that auditor tenure does not have a noteworthy effect on the communication between them. One aspect of this is that the auditor’s team often changes personnel. He further elaborates that communication will change after one year because of them getting to know the processes of the company and that it can be frustrating for his team because the auditors ask a lot of questions. The next year they understand the communication better and can ask questions that are more specific. The employee shared the opinion that newer members of the audit team meant more questions and that she preferred recurring auditors. Regarding auditors who had longer tenure she thought that their effect on communication was largely dependent on their personalities and that it could be different from person to person.

The manager also brought up that he does not think auditor tenure has a negative effect on objectivity but rather he has experienced that longer auditor tenure means that they can dig deeper into the organization because of the improved communication. The
employee does not share the opinion of the manager but rather believes that longer auditor tenure can create a sort of friendliness between the auditor and the client which can make the auditor sloppier. She argues that if the auditor has a bond with the personnel employed at the client there could create a trust for their abilities to perform a good job and therefore the auditor may not be as scrutinizing when auditing their material.

Company 2 - C2
The firm has employed the same audit firm for 9 years and the lead auditor has been the same person since then. The manager therefore argues that their communication improved greatly over time because even though the auditing team switches members, they have not had to start from scratch every time they audit C2. She also discusses how their communication does not have to be as formal after the auditing firm has worked with them for a while which makes it easier to communicate. The employees of C2 echo the same sentiment, which a longer auditor tenure will allow for more relaxed communication which makes it easier to communicate. When asked about if she believes that a longer tenure for the auditor will affect the neutrality, the manager disagreed. She discusses how the auditors are under such scrutiny in how they interact with their clients because of laws and regulations that she has not noticed them losing their objectivity.

Company 3 - C3
In this company the auditing firm had been the same since six years back. The lead auditor had remained the same person while the assistants have been replaced. The employee of the company believes that auditor tenure affects their communication positively for the same reasons as the interviewees in C2, that the communication becomes more relaxed and easier. The manager goes into more detail when she discusses how the auditor gains more insight into their business as time goes on which makes their communication more effective. She also mentions that she feels more comfortable asking “stupid questions” when she has had the same auditor for a while. However, the manager notes that the auditor will draw a limit when answering her questions crosses the line into the area of consulting and will then refer her questions to a proper consultant. When asked about if she believes that auditor tenure affects the objectivity of the auditor, the manager answered that her opinion is that the auditing assistants, who do most of the inspecting, are replaced often enough for it to not become an issue. The lead auditor is very experienced however and if his or her instructions are good, the manager of C3 does not believe that auditor tenure will affect the objectivity of auditors.

Company 4 - C4
The firm has had the same auditor for about 7-8 years, the auditor before that retired and the company decided to hire a new one from the same firm which is a Big 4 firm. Both the employee and manager are of the opinion that the communication is improved when an auditor has been with them for a longer time. They both mention that it becomes easier for the auditor to get to work and decreases the amount of questions necessary because the auditor understands the operation better as time goes on. The manager goes into more detail where he says that newer auditors may look into areas which are unnecessary, and with experience they learn where they should or shouldn’t investigate for each of their clients. He also acknowledges that there is a risk that the auditor may become too lenient if you become best friends with the auditor, but that he has not personally experienced it. The employee also mentions that there are advantages with laws requiring a company to switch auditors at regular intervals, but that in their company the advantages of the auditor’s tenure has overall outweighed the drawbacks. She also states that she believes
that the risk is larger for a company who has an ongoing dialogue during the year with the auditor, something C4 does not have.

**Company 5 - C5**
The length of the auditor's tenure in C5 was not known by either the manager or the employee, but they both estimated that it was longer than 5 years. As the employee had limited contact with the auditor he did not have many opinions on the length of an auditor's tenure. However, he stated that he thought that longer auditor tenure creates better communication and that he perceives the auditor to become more helpful as their relationship grows. The manager shared the view of the employee and said that he thought auditor tenure has a big effect on communication and that it becomes easier with time. He also said that he experienced that a longer relationship with the auditor helps to strengthen the relationship and that it creates a trust from his side towards the auditor. He becomes more accepting of her opinions on how to do things because he has experienced that the auditor's methods have worked well in the past. Furthermore, the manager explained that a longer relationship with the auditor is good, because he had experienced that each individual auditor have their own opinion on how specific things should be done or accounted for. If he then has to change auditors often, even if what he is doing is right, the new auditor might want him to do it another way. In addition to this he mentioned that by not changing auditors that often you do not have to teach a new auditor about the company, something that saves both time and money.

**Company 6 - C6**
In C6 both the manager and employee mentions the benefits they see with a longer auditor’s tenure, the manager outright says that he prefers it over new auditors. When asked about the potential risks of longer tenure, the employee explains that they have no communication with the auditor outside of work and therefore does not see it as a risk with their auditor. The manager goes into more detail and says that while he hasn’t experienced it himself he does see the risk, but that in his opinion it is very dependent on the relationship you have with the auditor. As the company’s auditor lives far away they rarely meet and instead communicate over the phone or e-mail, and the auditor has been very clear about what he is allowed and not allowed to do.

**Company 7 - C7**
As the operating auditor has been with the company for two year-end audits the manager has some perspective on how things changed between those instances. She describes how the auditor does not need as many things explained to him the second time which speeds up the entire process. The employee says that she has not been with the company long enough to know how it differs from year to year but in her experience as the head of accounting at another job she has noticed similar tendencies as her current manager. Beyond the communication you develop a relationship with the auditor according to the employee, which affects the personal chemistry for the better. When presented with the reason for examining auditor tenure, the manager states that she understands that it is a risk and can see how longer tenures can create problems, but that she has not seen it herself. The employee on the other hand has firsthand experience with the issue. She explains that in her previous position she felt as if the auditor did not scrutinize her work enough and was too lenient as a result of his tenure with the municipality.
Company 8 - C8

The auditor at C8 has been at the company for 5 years. As the manager had not been employed for a long time at C8, he chose to talk about previous experiences when asked about the effect he thinks auditor tenure can have on communication. What came up was that he felt that in most instances longer auditor tenure affects communication in a positive way. The manager argued that communication gets better because they get to know the company better and can therefore ask more relevant questions. A similar opinion was held by the employee who argued with the same reasoning, she also added that longer audit tenure enabled the auditor to also contribute and make plans for the future in a more effective way. Beyond communication the manager did not perceive auditor tenure to have an impact on their relationship, as both him and the auditor tries to keep it at a professional level. In addition to this he added that they do not socialize outside the work environment which helps to keep the relationship strictly professional. In his experience he did not feel as if the auditors became sloppier or less objective simply because of longer auditor tenure. The employee thought that longer auditor tenure is relationship building, but did not argue in what way other than communication becomes better and more effective.

5.5 Feedback from the auditor

This section is largely the result of asking questions 10-13 in the interview guide. Here the opinions of the interviewed employees and managers regarding the importance and effects of the feedback an auditor provides are presented.

Company 1 - C1

At C1 the manager and employee thought feedback from the auditors was not very common but existing. Although the manager felt that he didn't receive much feedback, he felt that he did not need much more either. Mistakes or errors made by C1 were made known to him by the auditors and that is what the manager felt was important. If he wanted more feedback he could ask for it and felt sure that the auditors would provide it. It was also mentioned that he thought more feedback is always better than less. Even though the employee at C1 felt that little feedback was given to her, she valued feedback highly. The employee explained that she would like to receive more feedback as it is always good for personal development. She explained that she thought feedback was mainly available for her when something had to be changed and otherwise it was primarily available for the manager. The employee also stated that this feedback should perhaps not come from the auditors but rather internally. When it came to the quality of the feedback the manager explained that he thought it to be a very important factor. He further elaborated and said that the quality is important in order to be able to know how to fix issues found by auditors. As for the employees view on quality of the feedback she felt that she received too little of it to be able to form an opinion about its importance.

Company 2 - C2

In C2 both the manager and employee mentioned that they would benefit from more feedback. Both levels mentioned that the auditor only provided it when something was wrong while they also would like to know what was done well and what could be done better in the future. The manager of C2 went into more detail where she discussed that she would benefit greatly from the auditor telling her e.g. what other companies have done in certain areas which C2 could also adopt, but at the same time she understood that the auditors are not allowed to speak too freely about their other clients. She also
mentioned that when she did ask for feedback on something the auditor often pushed for the firm to hire consultants or attempted to transfer their question to someone more knowledgeable. This was described as a problem because the manager felt that it was not always necessary and could in some cases be used as a way for the auditing firm to increase their own revenue. The employees of the company also noted that they would like to receive more feedback, as they suspected that they prepared more materials than necessary each year and would like the auditor to instruct them on how to optimize this process.

**Company 3 - C3**

At C3 the employee described that she did receive feedback, however not very much. Despite this she did not feel as if she wanted or needed more, at least not from the auditor. If she were to get more feedback she explained that she would like it to come from the manager. The manager expressed that feedback was most frequent during the audit review when it came from the lead auditor, outside the period of the audit review most feedback came from the audit assistants in the audit team. The manager mentioned that she would like to get more feedback, especially regarding things that could be done better in specific areas. But she also questioned if this was up to the auditor or if this should come from a coach of some sort. When elaborating further she pointed out the fine line between consultancy and feedback. When asked about the quality of feedback, the manager wished for more concrete feedback instead of only reassurance. In her experience most often the auditor just say if it's right or wrong and constructive criticism would probably lead to more interaction with the auditor in future instances. She would like a more ongoing dialogue even though she considers her auditor to be one of the better ones in the business. The manager further elaborated on the importance of feedback by providing an example of auditors she knew of. In other firms they would “drop a bag to the auditor, the auditor signs it, and they have no meeting”. In the manager's opinion a consequence could be that the company does not realize why they need an auditor.

**Company 4 - C4**

Neither staff member reports that they receive feedback directed at them, but rather variants of feedback. While the employee says that the auditing process going smoothly is a kind of feedback but that the auditors write sparsely about it to her directly, the manager has more opinions. He says that they have a lunch at the end of the auditing process where they can freely discuss matters and the auditors review the state of the company. The feedback presented here is not so much about his own work but rather about the company itself. Neither party claims to need more feedback, the employee mentions that their business system is too complicated for an auditor to understand in a reasonable time frame while the manager simply does not see how it would help him as he knows enough himself. When presented with our reason for studying feedback, the manager states that he can imagine how it would be a problem in larger companies but due to the small size of C4 he does not see it as necessary to receive more than they do now. Despite this, both parties feel that an increase in the amount or the quality of the feedback will improve their communication, the manager claims that it “wouldn’t get worse” while the employee states that this shows evidence of the auditor’s commitment and will therefore increase her trust. An interesting aspect of C4 is that while the employee repeatedly talks about wanting more information about changes in relevant laws from the auditor, the manager says that he believes that they do inform his employee in a timely manner which gives her time to adjust. It is therefore a direct contradiction of what the employee said.
Company 5 - C5
As the employee only produced reports and numbers for the auditor he felt that he did not have a large need for feedback, and that feedback was something that is more important for the manager. Because of his opinion that he did not need feedback, he also thought the quality of the feedback was not important for him. When asked how a change in the amount or the quality of feedback could affect communication in the future he stated “I do not think it affects anything, we have the same goals and that is for it to be correct”. In the interview with the manager it became clear that he had different opinions regarding feedback and that he regarded it to be important. The manager received feedback when he was preparing material for the audit together with the auditor. However, he did not feel that this was enough and wanted to get more feedback on the end result of the audit as well. The manager believed that the auditor had valuable experiences from other companies he has audited and would like to receive feedback on what he does, if the auditor knows he can do something better or in another way. It was important for him to be reassured that what he is doing is correct, to be told about new regulations that concern him, and to be given ideas from the auditor how to best manage the new regulations.

Company 6 - C6
The employee of the firm has an ongoing communication with the auditor and often asks for help or advice, but does not require more feedback as she receives answers to all of her questions. The manager explains that the auditor has often prepared suggestions for the company when they meet which he considers a type of feedback. He wishes the auditor would do this to an even larger degree, e.g asking the manager what his long term goals are for the company (increase profits, sell the company etc) and help him prepare for that course of action. Regarding the quality of the feedback, the manager and employee have differing opinions on what they consider good quality. The employee prioritizes correct information on how she should solve issues. She further explains that it has happened in the past that she follows an auditor’s advice without understanding it, and then when asked about it she cannot explain it which has made her uncomfortable. Therefore it is of great importance to her that she understands everything she does, and the auditor’s feedback must therefore be clear and accurate.

The manager on the other hand explains that for him the most important characteristic of the auditor’s feedback is that it signals to him that the auditor has understood the firm’s operation well. The audit report on the other hand does not mean much to the manager as it is very standardized and most audit firms seemingly only change the name of the client between different audit reports. In a similar vein the manager believes that an increase in the quality of the auditor’s feedback will increase his trust in the auditor and also the amount of communication between them as a result. The employee on the other hand does not know if an improvement in the quality or amount of feedback would lead to any fruitful improvements in the communication with the auditor. Previous auditors have had these issues but the current one is much better in that regard and there is no apparent need for any specific improvements.

Company 7 - C7
According to the manager, the auditor comments on which areas of the firm’s bookkeeping are good and provide feedback on areas that have been problems in the past, and if there have been improvements. The employee answered the question similarly, explaining that her questions to the auditor are always answered in a timely fashion. Both
staff members are content with the level of feedback they receive as it is and neither see the need for an increase in the amount. However, both had comments on the quality and its effects. The employee would like to see the auditor explain more about their process, and brings up the example of the cash flow again. The auditor did not voluntarily explain why they did as they did and instead she had to ask about it. She would like to see this improved, especially when they suggest a change from previous year’s audits. This would increase her trust in the auditors and improve the communication as a result but the amount of feedback does not need to be increased, she says. The manager also believes the amount of feedback is sufficient but says that if the auditor provides vague feedback she will become insecure and the communication will suffer as a result. This has not been an issue with the current auditor according to the manager, however.

**Company 8 - C8**

Feedback from the auditor varies between the staff members of C8. The manager claims that he does not receive feedback on his work while the employee talks about how the auditor has brought up things she could do differently. She believes that this feedback is good, and that the auditor explains to her in a clear manner how she should address certain situations. Moreover she does not want more feedback but rather to have an ongoing dialogue throughout the year which is somewhat lacking today. The manager is of the same opinion regarding the amount of feedback, but mentions that he would like the auditors to explain more thoroughly why they need certain things. He brings up an example about changes in laws and how he wants the auditors to explain to them how it affects the company and its current practices. When asked how an increase in feedback could affect the communication, the employee states that it could become worse as a result of her having to process redundant information. She prefers it short and concise which she believes it is in its current state.

**5.6 Dissemination of communication**

The findings presented in this section are mostly taken from the responses given to questions 14-16 of the interview guide. The interviewees were asked to describe how the dissemination of communication functions within their company and their opinions on how it functions. The interview participants describes how the process is regarding how the auditor shares information with the client and especially how much of this information the interviewees take part of. They also share their opinions on whether there is some part of the information that should reach them but does not.

**Company 1 - C1**

When the manager and the employee were asked to describe how the dissemination of communication from the auditor looked in C1 they answered in a similar fashion. The manager explained that he was the main point of contact with the lead auditor. The junior auditors have some contact with him as well but it is also the junior auditors which the employees mainly have contact with. The auditors let the manager know when someone at C1 has made errors if they are significant. The manager expresses that he thinks the dissemination of communication functions well and that his employees get to know what they need to know. He explains that he gets the most information from the auditors and that he later communicates to his employees what he believes is important for them to know. The manager also brought up a negative example where the auditors asked questions about secret matters which were overheard by people not supposed to, however this had been resolved through discussions and no longer happens. When asking the same
thing to the employee she expresses the opinion that overall it functions well but that she
do not always feel like the communication reaches the employees. She agrees that the
essential information reaches them, in cases where it results in changes. But she would
also like to be included in aspects discussed with the manager that in the end did not result
in changes. The manager on the other hand felt like all the information he wanted to
receive he was made aware of.

**Company 2 - C2**
In C2, the manager explains that she attempts to relay all the necessary information from
the auditor to her subordinates but admits that she could be clearer when doing so. She
mostly tells them that the auditors were happy with their work, e.g that they had good
bases for their bookkeeping etc. The auditors have not commented much about what can
be improved, so the manager feels that there have not been much more information to
spread to her colleagues. The manager says that she could talk more about the auditor’s
report during their internal meetings, as the employees do not really read it even though
they are allowed to. Furthermore, she mentions that other divisions of the company may
ask the auditors to look more closely at a certain transaction or something similar, and
then the manager does not take part of the information and is not sure if it is spread beyond
those involved. The employees describe a similar system where the auditors instruct the
manager on what needs to be prepared, they are happy with this system and did not know
of any information they wish to take part of but did not receive.

**Company 3 - C3**
The flow of communication is designed so that the auditor communicates and/or gives
feedback to the manager and it is then her responsibility to transfer it further. The manager
reports that she believes that she relays all the necessary information to her subordinates
within the financial department, although she notes that the people outside of the financial
department at the company does not have any contact with the auditor and she therefore
does not communicate any particular information about the audit to them. The employee
of C3 was content with how the information from the auditors was spread and did not see
any particular way in which it could be improved. When asked if there is any information
she does not take part of, the manager responded that she would like the auditors to
explain more thoroughly what they will be looking for during the auditing process.

**Company 4 - C4**
Regarding the dissemination of communication the opinions did not differ much between
manager and employee, both are satisfied with how it is today. Both also mention that
they together with the other person are the only staff involved with the auditing process.
The manager claims that he could do with even less dissemination as he almost receives
too much today, while the employee jokes that due to the firm’s small size they can
basically shout something into the corridor and the other party will hear it, thus it’s very
easy to relay information from the auditor along to the other party.

**Company 5 - C5**
In C5 the employee describes that he gets most of the information regarding the audit
from the manager, this occurs in a general meeting that takes places twice a week. The
employee felt satisfied with the current situation regarding dissemination of
communication at C5 and could not think of anything that he wished to change. Neither
did he feel like he missed out on important information regarding the audit or that the
auditor did not communicate enough with him. The manager describes the dissemination
in the same way but elaborates further by describing how the owners of the company have a private meeting with the auditor, where they discuss all the aspects of the audit. The manager feels that he gets most of the necessary information, but not everything. When asked how he feels about how the dissemination of communication at C5 he stated “I am pretty dissatisfied”. He further elaborates on why he is dissatisfied by explaining that he does not know what is discussed in the meetings with the auditors, and therefore does not know what he has to do differently. He also explains that the dissemination of communication does not work properly and as a result of this he has felt that information sometimes does not reach the relevant persons. However, the manager says that this is mostly an internal issue that could or should be improved within the company rather than being something the auditor should improve.

Company 6 - C6
The auditor usually speaks with the manager who relays the relevant information to the two people in the financial department. In some instances the employee speaks with the auditor and has to forward it to the manager but it is quite rare. The manager explains the system in more detail, describing how some information from the auditor he only discusses with the co-owner. He says that he does not want to bring the financial staff unnecessary information as it may cause them to worry, so he sorts through it in order to decide what he wants to bring up with the people below him. In a similar fashion he wants the auditor to bring up matters which do not concern him (for example the auditor wanting documents) only to the staff and to not involve him in it. Furthermore, he states that about 90% of the company has no use in knowing details about the auditing other than how the company has fared during the year. A system where everyone knows everything will not bring positive effects but rather only distraction, in the eyes of the manager. He believes it is better to separate the information to relevant parties and only share between them what both have use in knowing. The employee feels that she gets all the necessary information she needs both from the auditor and the owners, to summarize she is very satisfied with how it works at the company.

Company 7 - C7
According to the employee, the auditor usually speaks with the manager first and then the information is forwarded to her. She believes this functions well and compliments the manager on her openness in this regard. Some critique is put on the dissemination of information in the company in general but it’s mostly unrelated to the auditor and rather about general information within the firm, although it has happened with information from the auditor as well. This critique is echoed by the manager who also explains that it is more of an internal problem. The manager also describes that often she is the one who communicates with the auditor and relays the information to her employee. However, she also mentions that in some cases the auditor speaks with the CEO who then attempts to get her up to speed. In those cases she feels as if the CEO uses his own words and that there is a risk that some of the information is lost in translation, so to say, due to the extensive use of complicated terminology used in the conversation between the auditor and CEO who then attempts to simplify it for the manager.

Company 8 - C8
Both the manager and employee of C8 mention that they share an office which makes it very easy to communicate with each other. The manager mentions that the spread of information is mainly within management of the company, the employees in manufacturing do not receive much information about the auditing but that they do not
need it either, and that they have never asked about it. They are informed that the auditors will visit the company and ask them questions, however. Both the manager and employee believe that the current system of dissemination is suitable for the company, although the employee mentions that at times she receives unnecessarily much information (similar to the amount of feedback). She also says that the auditor sometimes goes through the CEO when he could have included her in the conversation as well, but that she understands that it may be difficult for the auditor to know what she wants to know and not.
Chapter 6. Analysis and discussion

While the previous chapter went over what the opinions were in each company, this chapter aims to analyze those findings by searching for trends and patterns in the answers of the respondents using discourse analysis. This will not be done on the basis of individual companies but rather by grouping the 8 companies together and viewing them as a unit in regards to each theme. If trends and patterns are noted in the respondents’ answers they will be accompanied by potential explanations. In particular we will look at how the interviewees’ answers relate to our research question.

6.1 General communication

Some interesting opinions were shared by the interviewees during the opening questions in each interview when they were asked to describe, in general terms, how the communication with the auditor functioned. Overall the interviewees were content with how the communication functioned with their auditors at both the employee level as well as the managerial level, as defined in section 2.1.7. In some interviews opinions about the communication were shared at a later stage, and perhaps the question’s positioning as one of the opening questions affected how the interviewees handled the question. Even though the respondents are promised anonymity before the interview starts it is logical that they do not feel comfortable saying negative things about their communication with the auditor right away. Nevertheless, no sensational scoop was found as a result of asking that question.

More interesting is however that two persons, the manager of C5 and one of the employees at C2, mentioned issues where the auditor’s ability to properly scrutinize their clients could be compromised. The manager of C5 reported that he had experienced firsthand how an auditor did not follow up on his advice where something could have gone wrong in the accounting, while the employee of C2 said that if the auditor asked too many questions, there was a risk of him or her being replaced. Such issues are very serious because the entire auditing profession builds on their ability to examine the accounting of their clients in an objective fashion. While these incidents were discussed outside of the three main themes, several more issues in this area were reported within auditor tenure.

The communication the two hierarchical levels within companies had with the auditor differed quite heavily. In every single company the manager had more contact with the auditor than the employee, and the type of communication in particular varied between the two parties. This finding was expected as there exists a gap on guidelines for auditor communication with employees whilst guidelines for communication with managers does exist (AICPA, 2012). The fact that there exists guidelines for managers but not employees indicates that there is more communication with the managers. Employees noted to a large degree that their communication with the auditor consisted of the auditor asking them to retrieve or produce documents which mostly occurred in connection with the auditing at the end of the fiscal year. Managers had a more continual communication during the year where in some cases the communication also had a more strategic character. This did not seem to bother either the employees or the managers in a noteworthy manner as both parties were content with the current communication in most companies. As explained previously, some general opinions of the communication were shared at various points during the interviews. One such complaint which arose in several instances were that auditors are often too busy and are unable to allocate the proper time for each individual client. Some interviewees were more understanding of the issue, explaining that it is
reasonable for an auditor to be busy while others were more disappointed in them, e.g. saying that if they cannot make time for each client they should sign fewer clients and focus on servicing their existing ones. There was not a particular difference between the reasoning used by employees and managers who complained about the auditor being difficult to get a hold of.

While auditor tenure, feedback form the auditor, and dissemination of communication are the ‘main’ themes which we aim to investigate, we felt as if we had to include general communication as well in order to add context to the upcoming sections. Some information from the interviews did not fit into either of the three themes, e.g. an interviewee could go on a tangent when asked about feedback and say something interesting unrelated to feedback. We have chosen to include such information in this section instead, in order to keep the main themes concise and to the point. We can therefore not conclude if ‘general communication’ has an effect on communication with the auditor or not, but that is not the purpose of including this theme.

6.2 Auditor tenure
The research by Junaidi et al. (2012), Geiger & Raghunandan (2002), & Fontaine et al. (2013) assisted in creating the assumption that auditor tenure affects communication between auditors in a positive way. However, the research had not been based on the perspective of the client. Still, if one side believes that communication is improved it is logical that so does the other party. Therefore the assumption was also applied in this thesis from the client's perspective. When the assumption was investigated through interviews it held true. Without exception every one of the interviewed participants, looking at both managers and employees, believed that auditor tenure has a positive effect on the communication between them and the auditors. It is worth noting that the interviewees were asked for how long their auditors had worked with their companies, this turned out to not be something that affected how the interviewees viewed how communication is affected by the length of the auditor tenure. No matter if the auditor had a long tenure at the company or if they were more recent, they managers and employees viewed longer auditor tenure as something positive and as something which improved communication.

Even though there exists a general consensus between the participants regarding the positive aspects of auditor tenure, other aspects which the interviewees either believed could be negative or had firsthand experience where such was the case came up as well. One aspect came up most frequently, was the opinion that with longer auditor tenure the auditor might be less willing to scrutinize the work of a person in the audited company's team. This is something that is in accordance with previous research regarding the auditor's unwillingness to give critical appraisal (Junaidi et al., 2012, p. 308). It was mostly the managers who acknowledged the risk that auditors might become sloppier and more lenient as a result of a longer ongoing relationship with the auditor. However, in most instances the managers had not experienced the auditors to become more lenient themselves, but rather acknowledged it as a possible risk. A few employees also mentioned that they believed it was a risk but with no personal experience of it but in general the employees did not emphasize it to be a risk to the same extent as the managers did. While three employees and four managers mentioned the risks carried by longer auditor tenure, one should note that one of the employees had only seen it as a problem
when she herself worked as a manager in a previous position. It could therefore be considered as two employees and five managers, which is a fairly significant difference.

As there is a clear pattern that both managers and employees regard longer auditor tenure as something positive it is of importance to find out why they think so. The personal relationship between the auditor and the interviewees is a common topic that came up in talks with both managers and employees. The described reasons for the relationship’s effect on communication was that both parties came to trust each other more, it became less formal and more relaxed, and because of that they felt that it was easier to ask questions to the auditor. This shows that Fontaine et al. (2013, p. 9) was right when arguing about the importance of auditor-client relationships on communication. Fontaine et al. (2013, p. 10) also found that personal chemistry between auditor and client was an important factor for communication. Personal chemistry was mentioned three times in the interviews of this research by the employees in C1 and C7, and the manager in C6. One possible explanation is that the communication is largely dependent on the personality of the auditor. If you can be comfortable with the auditor the communication becomes more relaxed as well.

Another reason to why the communication was benefitted by longer auditor tenure was that with longer tenure came knowledge about the company and company processes. It was mentioned by 6 managers and 3 employees. The managers had some different reasoning as to why knowledge about the company was important when compared to the employees. A common reasoning used by the managers were that it saved time because of fewer questions as it could be disturbing, frustrating, and time consuming to assist the new auditors and explain everything to them. The auditors with longer tenure know what areas need extra attention and where to look without the aid of the manager. This shows that there is not only a risk of lack of critical appraisal as mentioned by Junaidi et al. (2012, p. 10). The fact that auditors with longer tenure in general seem to investigate specific areas instead of doing a broader investigation, due to them knowing what to look at is something that helps to improve the efficiency of the communication. The employees were often responsible for retrieving material for the auditors which gave them a different perspective on how the auditor's knowledge of the company affected them. In cases where they mentioned that knowledge about the company was important it was often due to the auditors being able to easier identify which material they needed and communicate that to them, and also that fewer questions were asked by the auditor. By getting more accurate information about which material they have to retrieve they felt like their job got easier and, as in the case of the manager, also that they did not have to answer so many questions.

When evaluating the importance of auditor tenure, it becomes evident that from the perspective of the audited company’s team, auditor tenure is an important factor for communication. The findings in this study are supporting Geiger & Raghunandan (2002) as in the end the results were much more supporting of the positive effects of auditor tenure rather than the negative effects. Worth to mention though is that most previous research which highlights the negative effects of auditor tenure often focuses on the negative effect on objectivity of the auditors (Dassen et al., 2005, p. 51). As we interviewed audit clients we hope for a more accurate view on the issues of objectivity than the auditors themselves can give, but we acknowledge there is a risk for biased answers also from the clients. If the clients are in a position where they can benefit from less objectivity from the auditors, from their perspective it is possible they view this as something positive rather than negative.
6.3 Feedback from the auditor

Seeing how managers had more continuous communication with auditors as described in section 6.1, it is perhaps not surprising that when the question of feedback from the auditor came up the result was similar. Both sides in many companies reported that it was primarily the manager who received feedback as that person had a more strategic role than the employee. While many were content with the amount of feedback they received, two employees and three managers reported that they wished to receive more feedback (the sentiment “the more the better” in regards to feedback was mentioned). Almost half of the managers and one fourth of the employees is in our opinion an amount significant enough to draw conclusions about the effect of feedback from the auditor. Golen et al. (1997) who concluded that feedback was one of the most frequent and severe issues companies faced when communicating with auditors seem to have been on the right track, although the companies in our study were not quite as pessimistic about the situation. When confronted with the research conducted by Golen et al. (1997), most interviewees disagreed with the severity of the problem in their own situation but agreed that it could be a larger issue for others.

One of the subthemes mapped out by us is upcoming changes in laws and rules. Several people at both levels of the hierarchy mentioned that they would like the auditor to provide more feedback in the form of letting them know about upcoming changes in laws and rules which concern their company, and explain to them how it affects them. In one instance, the employee of C4 mentioned exactly such things. Her manager did however mention that he believed the auditor did a good job of notifying them on time, thereby the two staff members at the company had differing opinions in this area.

Another subtheme, which is also the largest in the area of feedback, is that the auditor should be more consultative. This sentiment was echoed by both managers and employees but they provided different reasoning for their opinions. Several managers wished their auditor would provide even more strategic advice for their firms, especially by comparing their firm to their competitors. Those who mentioned this elaborated and mentioned that they understand that the auditor cannot disclose very much, if anything, about other clients but they believed that it can still be possible for the auditor to provide some insight into how they stack up to their competitors. One example which was brought up is that a manager wanted the auditor to explain what had worked well for other companies in their field, e.g. implementing a new type of system or changing their practices in some way. This reasoning was only held by managers in our study, the employees had their own motives for wanting the auditor to take on a more consultative role. One opinion which is shared by both managers and employees is the wish for feedback not only when something is wrong, but instead would like to hear what they did well too. One opinion exclusively held by employees is their wish that the auditor would explain more about the auditing process in order for them to better understand why the auditor asked the questions he or she did. When asked how this would affect the communication with the auditor, increased trust in the auditor was cited as a reason. One interviewee mentioned that it signals to them that the auditor shows commitment which would motivate them to further improve their communication efforts with the auditor as a result.

It should be noted that some interviewees also complained about the lack of feedback but more so from their own boss rather than from the auditor. We have not included those opinions in this analysis as they do not relate to the auditing process per se. In some
interviews there were complaints about both internal feedback and feedback from the auditor, and then only the feedback from the auditor has been included.

When the results regarding feedback are viewed as a whole it is clear that it is a very important factor for the communication in an auditing engagement for companies. No other theme generated as many and as varied opinions as this one. The interviewees in some cases brought up feedback before we asked questions specifically about it, this did not happen with the other themes. It seems to affect both employees and managers quite much and is something that both sides want more of, in line with the research by Golen et al. (1997).

6.4 Dissemination of communication
As has been noted before the manager is the main point of contact, this is the case in every company we interviewed. When asked what they think of such a system, the opinions differ slightly between employees and managers. Employees in most cases believed that it functioned well, only two of the interviewed employees had direct complaints with the dissemination. In those instances they had at some point noticed that they were not receiving all the information from the auditor which they wanted to, which was a failure on the part of the manager. One manager also expressed concern regarding her ability to forward information from the auditor, claiming that she could perhaps do a better job. The employees at that particular company were content, however.

In general the question about dissemination of communication seemed to exert more assertive responses from managers as they not only believed the dissemination was good, but often also explained why they believed it was appropriate. Managers often argued that it would be inefficient to keep everyone informed about everything in the firm. Managers did not want to concern their subordinates with information they could not affect as they believed it would serve no real purpose but rather only distract them. The employees did not disagree with the sentiment but, as explained previously, did note that they had issues where the managers did not provide them with all the information they wanted from the auditor. When asked to describe how the dissemination of communication within their company looks like currently, many managers described that information from the auditor rarely travels beyond the owners and the financial department. This was for the same reason described previously regarding not wanting to distract the employees, e.g in an industrial companies the manager stated that the people on the shop floor had no use of knowing details about what the auditor had remarked on, unless it affected their work directly.

Some companies in our study were quite small and only had one auditor who did the entire process, while some were larger and had a team of auditors. In the latter case there was always a lead auditor who communicated with the manager at the firm while the audit assistants performed the operative work. The employees at the client firm in some cases had more contact with the lead auditor and in some cases with the assistant depending on how the process looked. This communication usually consisted of retrieving or creating documents and answering questions the auditors had. More strategic issues went through the lead auditor to the CEO or manager at the client (in some cases the same person) who then spread it further if needed. In cases where this dissemination worked well, increased transparency was noted as something positive by the clients’ teams.
Among the two employees who felt that the dissemination could improve, the reasoning between them was that there was the possibility of a delay for the information to reach the right parties as well as the risk of information ‘lost in translation’. The first point means that information could sometimes take detours before they reached the intended recipients (the interviewee), which was said to be annoying and frustrating. With ‘lost in translation’ the interviewee meant that the auditor and CEO discusses the auditing with each other using specific terms and technical jargon. When the CEO then attempts to relay this information to his or her subordinates the information had to be put into layman’s terms as not everyone shared the CEO’s knowledge in the area. This resulted in the interviewee fearing that she missed out on some information in the process, which made her uncomfortable. For this reason she, along with the other respondent who had issues with the current level of dissemination, believed that the auditor could include more people than the CEO in some of his conversations.
Chapter 7. Conclusion and recommendations

In this chapter our final conclusions are presented. The conclusions have been reached based on the analysis and discussion of our empirical findings. We first introduce the general discussion, here the research question regarding the three factors effect on communication is answered with the fulfillment of the research purpose. This is followed by the practical and theoretical contributions this research have provided, as well as a discussion of the limitations of this study and the authors. Lastly we present our suggestions for future research.

7.1 General conclusion

A research question and the purpose of this thesis was created based on a literature review and thus a research framework were developed. Interviews were conducted with managers and employees at audited companies. By analyzing the results of these interviews with the help of discourse analysis the purpose could be fulfilled and the following research question answered:

How do the factors feedback, dissemination of communication, and auditor tenure affect the communication between external auditors and an audited company’s team?

In addition to answering the research question, the difference of opinions in relation to the research question within the teams of audited companies were explored. Our results indicate that auditor tenure and feedback from the auditor affects the communication of those teams to a larger extent than dissemination of communication, which does not seem to have a particular effect. Our research question was to investigate how these factors affected communication, which will be described in detail in the following paragraph.

The findings of this thesis suggests that auditor tenure affects the communication positively as time passes, this due to several reasons. One of these is that the communication between auditor and client becoming more relaxed and less formal the longer they have worked with each other. Another is that the auditor becomes more familiar with the firm’s operation which improves the communication by reducing the number of questions the auditor asks the audited companies teams. There was a consensus between all participants in the study that auditor tenure have a positive effect on communication. The negative effects, such as the auditor becoming too lenient with the client as a result of longer auditor tenure generated mixed opinions. Some interviewees did not consider them as a possibility at all. Others could understand how it could occur in other companies but stated that they had not experienced it themselves. A few of our interviewees had firsthand experience with the issue and considered it a serious problem. The difference in the opinions between employees and managers on this particular issue differed quite heavily. As a result of these findings, we suggest that both companies and auditors should be aware of the risks of auditor tenure and actively work towards minimizing its negative impact on communication. Examples of how this can be done will be given in the section of practical contributions below. The opinions of managers and employees regarding the effect on communication due to auditor tenure did not differ significantly other than the example provided above, they rather emphasized different things which were important to them. Both managers and auditors mentioned knowledge about the company as an important factor for better communication but emphasized different things. Managers emphasized that the auditors were able to know what they wanted to look at, which saved time as it prompted fewer questions from the auditors.

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Employees emphasized that the communication became clearer as to what material to retrieve for the auditors.

Regarding feedback from the auditor, this factor seems to affect the respondents in different ways. Some interviewees mentioned that they would like the auditor to notify them about upcoming changes in laws and rules, which from their perspective would increase their trust in the auditor as well as display commitment which could improve their communication. Another common opinion among our interviewees was that the auditor should take on a more consultative role. Employees wanted the auditor to explain more about the auditing process to them, while managers wanted the auditor to provide more feedback in the form of strategic advice for their companies. This would affect communication in the same manner as the previous example, increased trust as well as showing the company that the auditor is committed to them. Generally speaking, the opinion among those who wanted more or better feedback was that an increase in either the quality or the amount of feedback would improve their communication with the auditor. Three managers and two employees wanted more or better feedback which we consider a fairly significant amount.

Choosing dissemination of communication as one of the factors to study was based on the lack of research in the area as no study touching upon the subject had been found. We, the authors, believed it could play a role based on our mutual friend’s observations laid out at the beginning of the thesis. After asking both employees and managers about it, the results point towards it not being of particular importance for either side. The complaints from two employees, according to themselves, were not very severe. In addition, the manager who expressed slight dissatisfaction explained that while she believed she could do a better job of informing the employees of what the auditor had told her she did not see it as necessary in most cases. The limitations set by managers regarding which information they should forward to their subordinates seem to function well according to both parties, but at times the managers have failed to follow their own guidelines and failed to spread information from the auditor further. All in all, we do not see the need for companies to drastically rework how the dissemination of communication functions in their companies as it does not seem to be a very important determinant for how the communication in an auditing engagement functions, for either managers or employees. Nor do we believe that auditors have to change how they distribute their communication. This is because the participants of the studies often said that if dissemination of communication had to be changed or improved it was something that has to be done internally within the company.

7.2 Practical contribution
We previously discussed the potential practical contributions of the study in section 1.6. It was mentioned that our study can be useful for both parties in an audit engagement due to the potential for the results being used in order to optimize the interaction with each other and thus improve their relationship and audit quality. After the findings, analysis, and conclusion have been done we believe that this study has contributed in this area. Auditors can look at how the factors affect communication with their clients to see if there are any areas they can improve. For example changes in accounting standards were an important part of feedback for the client, by knowing this the auditors can make sure they take measures to ensure they provide their client with this to a satisfactory level, which helps to strengthen the auditor-client relationship. The audited companies benefit from
the study in the form of them receiving knowledge about the factors that were looked at and in which areas they themselves can improve. They can also use the information to request improvements in these areas from the auditors. One example is the dissemination of communication which we found often needed some improvement internally in the company. By being aware that this is a common problem the audited company can make new guidelines on how it should be done. There were also findings that were outside the scope of the study and our research question which could be interesting for stakeholders within the audit community. The fact that the audited companies’ teams often felt that the auditors had a lack of time for them as a client is something that could be looked further into, to see if there is any possible solution for this issue. Lastly, we have also highlighted the differences between the employees and managers within the audited companies which enables for example auditors to adjust their communication based on who they are communicating with to a further extent.

7.3 Theoretical contribution
Perhaps the most obvious contribution to research is the studying of dissemination of communication which had so far remained untouched, as far as we know. While the results of our study indicate that it does not have a particular effect on the communication between auditors and their clients, we did find that the teams of audited companies had more issues with the internal dissemination of information. This indicates that more research is needed in the area which opens up opportunities for future researchers who wish to study the phenomenon further. Even though the dissemination of communication within an auditing engagement did not seem to have any particular effect on communication, future researchers may find other angles or perspectives to view the area from which could result in different findings. Our contribution can therefore be argued to be showing future researchers what not to look at when further investigating the area.

Regarding feedback from the auditor and auditor tenure, we have expanded the amount of research available in the area which may help future researchers in deciding what they want to investigate further. These findings are aligned with those found in previous research in the area which strengthens the legitimacy of those researchers. In these cases our contribution is therefore not as much bringing new results to light but rather confirming, to some extent, existing theories.

7.4 Limitations
The study has not focused on companies outside of Umeå. Logistical difficulties proved difficult to overcome and we were unable to travel to other cities to conduct interviews with companies as we had a strong preference for conducting face-to-face interviews. While online interviews could have been a possibility, they are similar to telephone interviews and a comparison between them was performed in section 4.1 where we determined face-to-face interviews to be superior for our type of study. It is also more convenient to conduct face-to-face interviews in the sense that the risk of technical errors or similar issues are minimized by meeting in person as the reliance on technology is drastically reduced.

The interviews are conducted in Swedish as the interviewees at the companies have been exclusively from Sweden, with Swedish as their mother language. As the interviews are conducted in Swedish and directly translated to English, the the issue of language bias
arises in the transcription process. When the results of an interview are translated to another language there is a risk that the spoken words and concepts loses their true meaning. There is also a risk that interpreter bias arises when directly translating an interview, meaning that instead of translating the data the translator instead interprets what is said and translates that (Liamputtong, 2010, p. 157). To avoid the language bias and make sure the translations are done in an appropriate way the authors have used a strategy suggested by Liamputtong (2010). The strategy is that two translators should translate the material (Liamputtong, 2010, p. 158). After this had been done the two transcriptions were compared and discussed as to get the most appropriate translation. In order to further avoid interpreter bias as well as making sure as little as possible of the true meaning behind the concepts and words is lost in the translation process, the authors as far as possible have translated the interview word by word. Despite this some expressions in Swedish are not found in English and had to be interpreted. These interpretations always took into consideration the context in which they were being said, it is however nearly impossible to fully translate the meaning of such expressions and phrases.

Another limitation is of course our lack of time and resources. We have worked towards to a strict deadline which has limited our ability to investigate matters to the extent we wished. Furthermore, our resources have been scarce as we have chosen to not write on commission but rather to stay independent. In the scenario where we had more time and resources at our disposal we could have expanded our roster of companies to interview further which would have strengthened our sample. More importantly we would have more time to reflect on each interview and what could be improved before conducting the next one, in the current process we were forced to hold all the interviews in a span of two weeks and in some cases with two interviews in one day. This did not allow us to properly review our performance in interviews, however as a result of this all interviews are as homogenous as possible which can be considered an advantage in its own right.

7.5 Suggestions for future research

In the case of a future researcher wanting to further explore the areas which have been covered in this thesis, one possibility is to continue investigating the effects of auditor tenure and feedback from the auditor. A study performed on a larger scale would be very interesting in these areas considering the contradicting results found in the literature review regarding auditor tenure (see section 2.2). While we found evidence supporting the argument that longer auditor tenure has a negative effect on audit quality made by Junaidi et al. (2012), more research in the area is necessary in order to ascertain the effects of auditor tenure. Researchers with more time and resources at hand may find new angles to investigate in the area which may yield fruitful results. A particular area of interest to look into is why the problem of longer auditor tenure is non-existent for some, acknowledged by others, and some have experienced it directly. Do the different companies have different policies in place to combat the issue or are there other reasons for the contradicting results? More research is needed in the area, which is sure to provide interesting results.

Regarding feedback, the area is not as well explored yet as auditor tenure. There is a definitive lack of research in the area which future researchers may contribute to filling. While our own results are in line with those of Golen et al. (1997), it would be interesting if future researchers could find results which contradict this as it would open the door
further for research in the area. Specifically, one may investigate further into why some team members of auditor’s clients are positive towards more feedback from the auditor while some are negative towards it. We attempted to find out why this is the case when the phenomenon showed itself in our study, but due to a lack of time we did not cover it properly.

There was a distinct lack of research regarding dissemination of communication when we began writing the thesis. While we were unable to find evidence that it is an important factor for the communication in an auditing engagement, we did notice that several interviewees were dissatisfied with the dissemination of communication within their own companies. We were unable to use this information in our own analysis and this could therefore be an interesting area of research for future researchers. Identifying the issue and finding possible solutions for it would be of great value to companies and as such there should be large incentives for them to sponsor such research themselves, perhaps through allowing students to conduct research on the subject on commission?
Chapter 8. Trustworthiness

In quantitative research it is common to assess the quality of the research by fulfilling the criteria of reliability and validity. Reliability and especially validity are however much more inclined towards research that uses measurements. As this study takes a qualitative approach without the use of measurements, it is more appropriate to use other criteria to establish and assess the quality of the research (Bryman & Bell, 2011, p. 394). An option to using the reliability and validity criteria is trustworthiness and authenticity, which is much more suitable for qualitative studies (Bryman & Bell, 2011, p. 395). Trustworthiness and authenticity have been taken into account in this research, how this has been done will be explained in further detail in this chapter.

8.1 Authenticity

Authenticity concerns what more general impact the research has in relation to politics and society. The criteria of authenticity consists of four sub criteria, where one of the main sub criterion to consider when evaluating authenticity is fairness (Bryman & Bell, 2011, pp. 398-399). Fairness considers whether the research fairly reflects on the different viewpoints of members in the social setting of the research (Bryman & Bell, 2011, p. 398).

As we interviewed both employees at a managerial level and an employee level we believe that we have explored how viewpoints differ between different members in a social setting. The selection of the interview participants were also decided based on a definition of the persons we wanted to interview and with the help of the companies we were able to decide which persons were best suitable to interview in order to reflect the different viewpoints.

8.2 Trustworthiness

Trustworthiness is made up by four criteria which concerns the credibility, transferability, dependability, and confirmability of the research (Bryman & Bell, 2011, p. 395).

8.2.1 Credibility

In order for the results of the research to be accepted and seen as credible by the reader, it is important to be able to present that appropriate research methods and practices have been used in order to achieve the end results (Bryman & Bell, 2011, p. 395). According to Patton, in order to achieve credibility the researcher should be able to argue for which techniques and methods have been used when gathering and analyzing data (1999, p. 1190). It is also of importance to show that the interpretation of the respondents have been done in a way which represents what they said.

This criterion has been met by the authors by, throughout the research, providing descriptions of the methods used and explanations to as why these methods are suitable. Therefore the logic behind the choices is presented to the readers and they can easily follow and understand why certain methods have been used. The authors have taken measures to accurately present the opinions of the interview participants. Language bias as well as interpreter bias have been considered and recommended methods to limit these biases have been used when transcribing the interviews.
8.2.2 Transferability
Transferability refers to how the findings of the research are applicable in other contexts outside the scope of what is being studied in the research (Krefting, 1991, p. 216). As opposed to quantitative research a qualitative research is more focused on depth rather than breadth, because of this the context of qualitative research is often rather unique (Bryman & Bell, 2011, p. 398). Therefore, it is up to the researcher wanting to transfer the findings to another context to make sure it is transferable, rather than the original authors. Nevertheless, it is up to the original authors to provide the reader with descriptive data in order for the future researcher to assess the transferability of the research context in relation to the study he wishes to perform (Krefting, 1991, p. 216). The descriptive data which is provided in this research is:

- How many companies are interviewed and where they are located.
- Profiles of the interviewed participants, that is, roles and responsibilities relevant for the study.
- Length of each interview.
- Data collection methods.
- Companies which were excluded from the study.
- Interview guide.
- Limitations.

By providing this descriptive data we hope that it helps readers or potential researchers to on their own assess the transferability of the study.

8.2.3 Dependability
In order to further increase the trustworthiness of the research it must have dependability. Dependability of the research is achieved through keeping records of material used in the study and taking on an audit approach. By saving material such as interview transcriptions and notes, and making them accessible to peers they can then act as auditors (Bryman & Bell, 2011, p. 398).

In this study dependability has been achieved through keeping records on each step of the processes. The transcription is saved even after the results have been analyzed and finished and the interview guide is presented to make it possible for the reader to see which questions were asked. Throughout the process of writing, the work has been audited by students and the supervisor due to the participation in work in progress seminars. There have also been meetings with the supervisor continuously outside the scope of the work in progress seminars where the supervisor has audited and given feedback on the research process.

8.2.4 Confirmability
The criteria of confirmability are about ensuring that the researchers have tried to be as objective as possible, however complete objectivity is impossible to achieve (Bryman & Bell, 2011, p. 398). In qualitative research the focus is on the objectivity of the data rather than the objectivity of the researcher (Krefting, 1991, p. 217).

Throughout the study we have taken measures to promote the objectiveness of the data as well as our own objectivity. This has been done by using methods to avoid allowing our own preconceptions to reflect on the results and analysis of data, why and how this has
been done has always been presented in the thesis. This goes hand in hand as to what was previously said about the measures taken regarding language bias and interpreter bias.
**Reference list**


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Appendix 1 - Interview guide

Presenting ourselves and the study
- First of all, thank you for taking part in our study, we appreciate it.
- The purpose of our study is to investigate three factors which we suspect could affect how well communication between the external auditor and its clients functions. These factors are the dissemination of communication, auditor tenure, and the feedback provided by the auditor.
- Both you and the company will remain anonymous.
- Do you have any questions before we begin the interview?

General questions:
1. For how long have you had your current job or position? Follow up: In total at the company?
2. In what way would you say that your role at the company differs from the other person we are interviewing?
3. How is your work affected by the external auditors?
4. Can you describe how the communication between you and the external auditor functions at the moment? Do you think that it functions well?
5. Do you believe that you are given the opportunity to express your thoughts and ideas to the auditor, and that the auditor values your opinion?
6. To follow up on the previous question, how could the communication between you and the auditor be improved?

Auditor tenure
7. For how long has your current auditor worked with your company?
8. In what way do you believe that the auditor’s tenure affects the communication between you and the auditor?
9. In what way do you believe that the auditor’s tenure affects the relationship between you and the auditor beyond the communication?

Feedback from the auditor
10. Do you experience that the company’s auditor gives you feedback on your work, and if so, in what way?
11. Do you wish to get more feedback from the auditor? (Depending on the answer: Why or why not?)
12. How important would you say the quality of the feedback is?
13. How do you think either the quality or the amount of feedback could affect the communication between you and the auditor in the future?

Dissemination of communication
- Dissemination of communication measures to what extent the auditor communicates with different hierarchical levels within your company, as well as how the content of that communication is spread within the company.
14. Could you describe how, in your opinion, the dissemination of communication looks like in your company?
15. What is your opinion regarding this?
16. Have you noticed if there is any information you want to be shared with you which is not?
General closing question
17. Was there anything that came to your mind during the interview that you felt was not discussed or elaborated on properly? If so, please feel free to talk about it now.